Policy Brief No. 12
October, 2021

The 2020/21 Affordable Inputs Program: Key Implementation Issues and Messages

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Key Messages

- Consider re-introducing legumes to the Affordable Inputs Program (AIP). Removal of legumes diminishes the program's contribution to farm productivity, incomes and nutrition.
- Delays in planning and implementation hinder the program's effectiveness.
- Invest time and resources to update the beneficiary database that is aligned to the National Registration Bureau to increase implementation efficiency.
- Insufficient sensitization of beneficiaries and input suppliers hampered the AIP in its inaugural year regarding how benefits would be distributed and redeemed.
- Upgrade the AIP mobile application to allow for manual and offline input redemptions through the reference number on the national ID card to reduce the effect of network disruptions.
- Alternatively, consider a manual backstopping system for the electronic identification and redemption system to circumvent network disruptions.
- Strengthen the enforcement of input supplier contracts to ensure timely distribution.
- Align AIP inputs supplies with seasonality, agro-ecological zones, and farmer preferences.
- Consider only contracting well established and reputable suppliers to supply subsidized inputs to avoid delayed deliveries.
- Open AIP outlet markets as early as during the harvest season, when farmers have enough liquidity to purchase inputs.
- Incentivize agro-dealers to supply subsidized inputs to assigned areas throughout the year.

Introduction

Three Institutions – the MwAPATA Institute, the Policy Support for Agricultural Transformation Project, and the European Union (EU) Delegation in Malawi – undertook independent assessments of the implementation of the inaugural AIP. The studies assessed the implementation of the AIP from program design to beneficiaries' redemption of inputs; characterized key stakeholders' experiences with the program; documented the early implementation successes and challenges; and identified areas for improvement in the implementation. This policy brief synthesizes the findings of these three studies, with the intent of finding common ground on the way forward to improve the functioning of AIP.

The Government of Malawi administered the Farm Inputs Subsidy Program (FISP) from 2004/05 to 2019/20, giving some smallholder farmers access to subsidized inputs, including fertilizer and improved maize and legume seeds. While the FISP was regarded as a success in some respects,[1] it was characterized

ed characterized by delays in input distribution and poor targeting of beneficiaries, and it, therefore, had a limited impact on food security and poverty reduction.[2]

The new Tonse Alliance Government introduced the Affordable Inputs Program (AIP) in the 2020/21 agricultural season to replace the FISP. The main goals of the AIP are to achieve food security, improve nutrition, and reduce poverty through further increasing farmers' access to improved production inputs.

The inaugural AIP offered each beneficiary household two bags of fertilizer (one 50-kg bag of urea and one 50-kg bag of NPK) at a flat price of MK4,495 each. Farmers could have also obtained either a 5-kg hybrid maize seed pack or a 7-kg seed pack of open-pollinated variety (OPV) maize, sorghum, or rice at MK2,000. In 2020/21, the program cost was estimated around MK133 billion, with fertilizer comprising 84% of the total cost. Unlike the FISP, which had used a voucher system, the AIP employed an electronic system for input redemption.

The three institutions studying the AIP rollout utilized various methods, including interviews with key public officials at various levels and other stakeholders, a household survey, and focus group discussions with farmers across the country.

This brief synthesizes the key findings and recommendations of these assessments. We first highlight the key success, then the key challenges. Finally, we categorize policy options for improving future input subsidies into short-, medium-, and long-term interventions.

Key successes of the inaugural AIP

Increased beneficiary coverage from 900,000 farm families in 2019/2020 under the FISP to 3.8 million farm families in the 2020/21 agriculture season. Frontline extension staff and farmers viewed this as a welcome development.

The reduction in the subsidized price paid by farmers from k15,500 to K4,495 per 50kg bag of fertilizer and from K6000 to K2,000 for a 5kg bag of cereal seeds reduced the financial burden for farmers to afford the subsidized input package.

Subjective increase in maize yield - a majority of surveyed farmers report they had observed an improvement in maize crop.

The electronic input redemption system reduced the administrative costs associated compared to FISP, eliminated fraudulent duplication of vouchers that had plagued the FISP, and improved the redemption process at the agro-dealer outlets with good internet connectivity. Redemption efficiency further improved after an update to the AIP mobile application (henceforth "the AIP App") that addressed early problems.

Key challenges of the inaugural AIP

Delays in starting the program led to subsequent delays in identifying beneficiaries, and sensitizating and piloting of the AIP App. The program was launched on 17 October 2020, with rains starting just a few weeks later in some parts of the country. This also meant there was not enough time to complete new beneficiary registration or adequately review and update the 2018/19 register of farm households.

Incidences of underweight and adulterated fertilizers were observed in certain market points. Some bags of fertilizer were weighing as low as 38kgs compared to the expected weight of 50kg.

Intermittent internet network at almost all AIP outlet points in the initial stages of the program prevented some farmers from successfully obtaining inputs before the onset of the rains. In some instances, network problems led to "false redemptions". That is, an ID would be scanned, but the network would fail. With dealers assuming the scan had been unsuccessful, the farmer would not be allowed to purchase subsidized fertilizer. However, in many cases those scans had indeed been instantly recorded as a successful transaction. As such, subsequent attempts to re-scan those national IDs led to eligible farmers who had never received the subsidy being denied access.

Concentration of agro-dealers at the district headquarters (Boma) and/or main trading centers instead of assigned Extension Planning Areas (EPAs). This reduced the physical accessibility of inputs to farmers.

High incidences of input stockouts and limited varieties of available fertilizer and cereal seeds at some selling points. In some cases, there were mismatches between the fertilizer and seed demanded by farmers and the available inputs supplied by agro-dealers. For example, agro-dealers may have been selling top dressing urea at the time farmers needed basal NPK, or vice versa.

Farmers spent more time than expected (sometimes multiple nights) at selling points to obtain inputs due to network problems or stockouts. This was more common in remote areas.

Smaller and less established suppliers failed to fully meet their contractual obligations. Eleven out of the 85 contracted companies did not manage to supply any fertilizer. Further, five of the 74 firms that did supply fertilizer sold less than 7% of their contractually allocated tonnage.

Misalignment of input distribution with agro-ecological conditions, farmer preferences and seasonality. For example, some farmers complained of not being able to purchase the seed they desired or that matched their local climate.

Removal of legume seed likely diminished the contribution of the program to crop productivity as intercropping legumes with cereals like maize improves soil health and crop response to inorganic fertilizer.[3,4]

Policy implications

Moving forward, the program could leverage on initial successes and learn from the challenges faced in the 2020/21 season to improve future iterations. The recommendations of the assessments are categorized as aiming to improve the program in the short, medium, and long terms.

Short-term interventions

Initiate the planning and implementation of the program earlier in the year, including updating beneficiary registers, conducting sensitization campaigns, and tendering. The additional time for beneficiary identification, awareness creation about the program design, and procurement and distribution of fertilizer to

final outlet points could dramatically improve efficiency.

Sensitize beneficiaries and input suppliers to reduce input redemption challenges. Better advanced knowledge of distribution and redemption rules – particularly those which have changed from the previous year - would reduce the burden on EPA staff and free their time to concentrate on core activities.

Create more awareness about the Complaints and Feedback Mechanisms (CFMs) to reduce corruption and abuse at the selling points.

Upgrade the AIP App to allow for offline identification and redemption of inputs through the use of unique reference numbers on the national ID cards of beneficiary farmers. Notably, any changes to the App must be done appropriately to avoid exposing the system to new forms of fraud.

Align AIP inputs with agro-ecological zones, farmer preferences, and seasonality.

Consider opening outlet markets for subsidized inputs during/closer to the crop harvesting season when farmers have relatively higher incomes from crop sales. This would enable them buy inputs earlier, avoiding delayed applications. The distribution of purchases over more time would also reduce congestion at agro-dealer outlets during peak input buying season.

Frontline staff, including support services, such as law enforcement agents, should be financially and technically well supported to effectively deal with implementation challenges at district and EPA levels.

Consider making input redemption more flexible and easier for farmers by allowing them to redeem from the outlets that are closer or more accessible to them.

Similarly, consider providing better financial and technical support to local government structures at district level to facilitate effective support to the program. This can include periodic in-house training of local government staff at district level by MoA on topics relating to the program at strategic stages of program implementation.

Medium-term interventions

Consider re-introducing the legume component of the program to improve the program's contribution to soil health, sustainable agricultural intensification, and the benefits of the program in future years.

Improve contract enforcement for input suppliers and provide incentives for agro-dealers to supply subsidized inputs in assigned areas throughout the year, wherever possible.

Long-term interventions

Incentivize suppliers to open satellite outlet markets in hard-to-reach areas to improve access to inputs by subsidy beneficiaries and farmers generally. This may also reduce travel distances and transaction costs incurred by farmers (i.e., transport, lodging and food costs) when obtaining their inputs.

Consider awarding contracts only to established and reputable suppliers rather than allowing first time sellers to enter the market exclusively to take advantage of the program.

This Policy Brief is a summary of four independent assessments of the 2020/21 Agricultural Inputs Program. They are:

Nyirenda, Z., Chigaru, F., Nyondo, C., Khonje, M., Wineman, A., and Muyanga, M. 2021. "A Rapid Assessment of the Implementation of the 2020/21 Affordable Inputs Program in Malawi." MwAPATA Working Paper No 21/04. Lilongwe.

PolSAT Project (2021). *A Rapid Assessment of the Rollout and Implementation of the Affordable Inputs Program*. Ministry of Agriculture, Capital Hill, Lilongwe 3, Malawi

PolSAT Project (2021). *A Review of the First Year of Implementation of the Affordable Inputs Program*. Ministry of Agriculture, Capital Hill, Lilongwe 3, Malawi

SOFRECO (Société Française de Réalisation d' Études et de Conseil). 2021. *Monitoring and Evaluation of the New Malawi Affordable Inputs Program.* Draft Final Report. Done for The European Union Delegation in Malawi. Lilongwe. Malawi

1 – Dorward, A. & Chirwa, E. (2013). *Agricultural Input Subsidies: The Recent Malawi Experience*. Oxford University Press

2 - Lunduka, R., Ricker - Gilbert, J. & Fisher, M. 2013. What are the Farm-Level Impacts of Malawi's Farm Input Subsidy Program? A Critical Review. *Agricultural Economics*, 44(6), 563–579

3 - Kanyamuka, J.S., Jumbe, C.B., Ricker-Gilbert, J., Edriss, A.K. and Mhango, W.G., 2020. Determinants of ISFM Technology Adoption and Disadoption Among Smallholder Maize Farmers in Central Malawi. In *Climate Impacts on Agricultural and Natural Resource Sustainability in Africa* (pp. 449-469). Springer, Cham.

4 - Girma, T., Beyene, S. & Biazin, B. 2017. Effect of Organic and Inorganic Fertilizer Application on Soil Phosphorous Balance and Phosphorous Uptake and Use Efficiency of Potato in Arbegona District, Southern Ethiopia. *Journal of Fertilizers & Pesticides*, 08(03).

This research is made possible by the generous support of the Agricultural Transformation Initiative (ATI) through the Michigan State University (MSU) Food Security Group. The contents are the responsibility of study authors and do not necessarily reflect the views of ATI, the MwAPATA Institute, and/or MSU.

Published by MwAPATA Institute, Chilanga Drive, Off Blantyre Street, Area 10/446, P.O Box 30883, Capital City, Lilongwe 3, Malawi