Unintended Consequences from the Implementation of Targeted Agricultural Subsidy Policy in Malawi

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Abstract
This paper investigated unintended consequences from the implementation of targeted agricultural subsidy policy in Malawi. The paper makes significant contribution towards rethinking over the policy objective and its implementation activities with the purpose of lessening or eradicating the effects of unintended consequences on the policy and the people. Research for this paper was done in Kasungu district in Malawi as a case study. Primary data were collected from government officials and other stakeholders involved in the implementation of the policy. Semi structured interviews, official reports and literature of empirical evidence generated by other scholars were used to collect data. Unintended consequences from implementation of the policy in Malawi included: economically rich households benefiting more from the programme; corrupt practices; displacement of crops not included in the policy from agricultural production; and deforestation. The paper concluded that these unintended consequences had significant negative effect on both successful implementation of the policy and the future wellbeing of the people. It therefore recommended among others, curbing corruption practiced at every level of policy implementation and considering to include alternative staple food crops in the policy in order to encourage diversification. Limitation with this study was that it was confined within a small geographical location.

Keywords: Unintended consequences, Targeted agricultural subsidy policy, Agricultural inputs

1. Introduction
Governments around the world develop and implement public policy in order to address a public problem. Lynn provides a full spectrum of public policy encompassing development and implementation by indicating that public policy as a process ranges from declarations of intent, a programme of goals, and general rules covering future behaviour to important government decisions, a selected line or course of action, the consequences of action or inaction, and even all government action (cited in Hughes, 2015). However, not every public policy achieves its intended objectives as there might be either little success or total failure manifested through some unintended consequences. Reasons for unintended consequences leading to failure of public policy can be attributed to either its development or implementation processes. According to Birklund (2014), during policy implementation, various actors interpret the targeted problems differently and have their own motivation for being involved in the policy implementation process.

Malawi, despite having a well-developed agricultural development policy in place, it was established that farmers’ lack of modern agricultural inputs resulted into persistent low maize yields and consequently deprived the farmers of income for purchasing modern agricultural inputs for the succeeding farming seasons (Dorward & Chirwa, 2010). Malawi government therefore responded to this problem by developing a policy specifically for subsidising the cost of modern agricultural inputs with the aim of supporting farmers to increase maize yields. This policy is called targeted agricultural subsidy policy and has been implemented through the Farm Input Subsidy Programme (FISP) since 2005. Since the implementation of the policy, various researchers have ventured into numerous studies and debates centering on the policy. These studies and debates have centered on the impact of the policy in addressing chronic food shortage in Malawi (Chinsinga, 2008; Dorward and Chirwa, 2010; Chibwana, Fisher, Jumbe, Masters, and Shively 2010). Other studies and debates have discussed cost-benefit analyses of the policy (Ricker-Gilbert & Jayne, 2008; Ricker-Gilbert, Jayne and Shively, 2012; Chinsinga, 2012). However, aspects of unintended consequences of the policy with their effects on policy success and its future have relatively remained under-studied. This paper considers this to be a considerable study gap which needs to be tackled and understood. The paper believes that covering this study gap could be a significant basis for rethinking over the targeted agricultural subsidy policy precisely in the aspects of the policy objective and its implementation activities with the purpose of lessening or eradicating the unintended consequences and their effects on the policy and the people’s benefits. Findings of this study could also be significant to other developing countries that are implementing targeted agricultural subsidy policies because they could be able to identify, minimise and avert effects of unintended consequences arising from the implementation of such policies. The research is based on qualitative data collection methods which include semi structured interviews with various policy stakeholders as well as official reports and literature of empirical evidence that has been generated by other scholars who have researched about Farm Input Subsidy Programme.
The paper is based on the theoretical concept of unintended consequences. Theory of unintended consequences, as initially advanced by Merton in 1936 has largely been employed by social scientists in analyzing public policy. As a theory, it contends that implementation of social policies in a complex social system is never immune to a collection of unwelcome side effects (Švarc et al, 2011). These side effects are the unintended consequences which are usually prevalent during implementation of public policies. De Zwart (2015) argues that while implementation of public policy is never immune to unintended consequences, what becomes crucial is when the unintended consequences outweigh the intended ones. This kind of scenario is what policy analysts basically refer to as a strong indication of policy failure to achieve the intended objective or goal. It has to be understood that governments implement public policies with the intention of correcting problems and improving livelihood of people. However, in the course of implementing such policies with such intentions, for some reasons unintended consequences become apparent, in some cases to the extent of outweighing the intended ones. According to Dickie (2016), Merton identified five reasons for the unexpected consequences during policy implementation: (i) lack of sufficient knowledge of particular situation leading to inaccurate decisions and outcomes, (ii) repeating how policy was previously done with assumption that results would automatically be replicated, (iii) haste implementation of policy while deliberately ignoring outcomes (iv) belief that addressing basic values in one dimension of life or society is universally important to extent of ignoring considerations of impacts on other equally important dimensions of life or society, (v) false definition of a situation leading to new behavior which makes the false conception appear true. As these reasons can show, policy implementation is prone to side effects which other analysts label as “unwanted” “unexpected” “tragic” consequences of a policy. Whatever the label that might be attached to the analysis, they all settle for pointing at the failure of the policy to achieve more of the deliberately intended outputs and outcomes.

Fotaki (2010) also attributes unintended consequences arising from failure of a policy to its tendency of being idealistic as it is only composed of aspirations of a society that are imaginary and unrealisable. However, policies cannot be said to be idealistic because they all aim at achieving measurable and realisable objectives. There are various reasons that have been put forward to explain why policies fail. On one hand, economists attribute failure of policy to lack of incentives that would encourage people to seek their own preferences (Le Grand, 2006). On the other hand, political scientists, argue that the cause of failure of policy lies in the interests of political groups that are both inside and outside government (Coleman, 1990). According to Fotaki (2010), rational nature of policy-making and implementation, and their failures unites these different accounts by policy analysts drawn from economics and political science fields.

In order to have a good understanding of either success or failure of policy, McConnell (2010) divided policy into three realms namely: process, programme and political dimensions. McConnell (2010) contends that through this division, it is possible to interpret whether outcomes from each realm are either a success or failure. The policy process comprise of setting of agenda for policy, implementation of policy by different stakeholders, and evaluating the outcomes of policy (Hill & Varone, 2014). Policy programme is the action that is performed by government in order to deliver the change that is desired in policy. The nature of policy cannot leave out politics because policy outcomes have consequences to politicians and therefore the agenda setting itself becomes largely a political process.

3. Targeted Agricultural Subsidy Policy in General Terms

In general terms, subsidies are income transfers from the state to the public. Reasons for developing and implementing policies for subsidies vary from one country to another. Takeshima and Liverpool-Tasie (2015) note that in Nigeria, reasons for the subsidy policies are to: propel growth of private sector; raise incomes of smallholder farmers; poverty reduction and improving food security. Jayne and Rashid (2013) contend that in many Sub-Saharan Africa states the motivation for implementing agricultural subsidies has been to provide cushion against fluctuations in global food prices.

The implementation of agricultural subsidy policies has varied from universal to targeting. The former has received wide condemnation because of the huge costs that are associated with it. Initially, large scale universal subsidies were being implemented before they were stopped following recommendations from the World Bank and IMF. However, in the 1990s developing countries had re-introduced subsidies with a different approach where beneficiaries were targeted. According to Ricker-Gilbert, Jayne & Shively (2012) the major reason behind the re-introduction of subsidies in a targeted manner among developing countries was that lessons that were learnt during past policies became the drive for the present ones. In the previous policies where the approach was universal coverage, government was sole implementing agency without the involvement of the private sector. However, the current policies are characterised by private-sector involvement and targeting of beneficiaries that are identified using specific criteria.
Minot and Benson (2009) note that in targeted agricultural subsidies, the use of coupon vouchers is a way of targeting beneficiaries and controlling businesses among agricultural input dealers. Leadership of local communities has been found to be the right institution to execute the targeting process upon being delegated by higher-level authorities. According to Grosh, del Ninno, Tesliuc and Ouerghi (2008), decentralised targeting is appropriate in anti-poverty interventions. Decentralised targeting exploits some unknown information that local communities might have regarding economic conditions of potential beneficiaries. Pan and Christensen (2012) argue that local leaders are more likely to abide by the targeting rules and protect beneficiaries’ interest because they could easily be held accountable by their communities.

2.1 Background of Targeted Agricultural Subsidy Policy in Malawi
Since 1960s the Government of Malawi was implementing agricultural subsidy policy through subsidy programmes that were wide in scope and universal to all farmers. However, in the late 1990s the universal agricultural input subsidy programmes were abandoned following recommendations from development partners especially World Bank and International Monetary Fund (IMF) who were not amused by the huge costs associated with such programmes. The programme has since been re-introduced with a different approach whereby the universal coverage was replaced with a new implementation strategy that only targets intended beneficiaries. Ricker-Gilbert, Jayne and Shively (2012) note that the program has also been re-introduced in several African countries and is driven by lessons learnt from the past experiences. Malawi re-introduced the programme in 2005/06 farming season by implementing it as Farm Input Subsidy Programme (FISP), where it only targets intended beneficiaries falling in a set criterion. Dorward and Chirwa (2010) conclude that the programme now has its foundations on experiences from its formative years.

2.1.1 Objective of Targeted Agricultural Subsidy Policy
According to Malawi Government (2012), main objective of the targeted agricultural subsidy policy is to support poor smallholder farmers in accessing modern and improved agricultural inputs so that they may use them to increase maize production and achieve food security both at household and national levels. Maize is a staple food for a large part of the country such that low maize productivity often results into both household and national food insecurity and low income among smallholder farmers. Dorward and Chirwa (2010), argue that for Malawi, low maize yields which consequently deprive farmers of income for purchasing modern and improved agricultural inputs for use during the succeeding farming season mainly result from continuous farming practices without using fertilizers. Therefore, an increase in the use of fertilisers and hybrid maize varieties are seen as a means of increasing maize productivity. However, many households cannot afford to purchase modern and improved agricultural inputs because of high poverty levels. In addition, many commercial farmers can neither access loans from agricultural-financing institutions nor afford to purchase modern and improved agricultural inputs on credit because of high borrowing cost.

2.1.2 Administration of Targeted Agricultural Subsidy Policy
The policy is implemented through Farm Input Subsidy Programme (FISP) and is administered by the Ministry of Agriculture and Food Security (MoAFS) which plans and executes each year’s laid plans for the programme. During the planning stage, the MoAFS draws a budget for the programme and outsource suppliers of agricultural inputs and necessary services required by the programme. Suppliers are sourced from both local and international markets in a competitive tendering process to supply agricultural inputs in form of fertilizer, hybrid maize seeds and pesticides; and services in form of transport, warehousing and printing of coupon vouchers used in the administration of the programme.

In order to ensure that beneficiaries of the programme are only those that have been targeted through the set criteria, the administration of the programme is done through coupon vouchers for a specified input. According to Dorward and Chirwa (2009), the coupon voucher is what each targeted household uses when purchasing fertilizer and hybrid maize seeds at a price subsidised by the government. The administration of the programme is decentralised throughout the structure of the MoAFS. The technical structure of MoAFS comprise of headquarters at Central Government, eight Agricultural Development Divisions (ADD), 28 District Agriculture Development Offices (DADO), and 154 Extension Planning Area (EPA) (Chinsinga, 2008). At district level, the DADO has dual reporting lines namely: to the ADD on technical issues and to the District Council Office which is under Ministry of Local Government and Rural Development on administrative issues. According to Chinsinga (2008), the dual reporting structure is due to the decentralisation process which advocates for “devolution of service provision from the center to the district level” (p.5). In the decentralisation set-up, the District Council coordinates and links all public sector organisations whose services have been devolved from the center with local government structures that are below the District Council, for example the Village Development Committee.

The local leadership in the community is responsible for identifying programme’s beneficiaries by using the set criteria. Chibwana, Fisher, Jumbe, Masters, and Shively (2010) found that:

“Four main criteria were used to identify beneficiaries: (1) that the household owned land
being cultivated during the relevant season; (2) that the household was a bona fide resident of the village; (3) that only one beneficiary would be eligible in a household; and (4) that vulnerable groups, especially households headed by children and women, would be given priority” (p.135).

The list of beneficiaries prepared by the local leadership is subject to verification by authorities from both the District Council and MoAFS. After targeting process is over, the MoAFS distributes coupon vouchers to districts in proportion to the number of targeted beneficiaries.

The distribution of agricultural inputs is to a larger extent done by Smallholder Farmer Revolving Fund of Malawi (SFFRFM) and Agricultural Development and Marketing Corporation (ADMARC) which are state-owned agricultural-marketing organisations. The two organisations have a wide network of agricultural markets across the country hence they are preferred to distribute the inputs. However, these two organisations are assisted by private sector enterprises that are also contracted to sell and transport agricultural inputs to various agricultural markets and some selling-points specifically designed for the programme throughout the country.

4. Methodology
Research for this paper involved case study of Kasungu district in Malawi. This afforded empirical investigation of the unintended consequences from implementing targeted agricultural subsidy policy within a real life context in a small geographical location where respondents were selected as participants. In order to afford in depth understanding of the unintended consequences from implementation of targeted agricultural subsidy policy, the research adopted interpretivist focus and therefore utilised qualitative data collection and analysis methods.

Kasungu district was particularly selected as a case study because it is one of the districts well known in Malawi for its main economic activity as farming, with maize farming absorbing over 70% of all agricultural activities in the district. This maize farming is heavily supported by the targeted agricultural subsidy policy. However, considering that strategic policy coordination and direction is the domain of government headquarters located in the capital city of Malawi, the study accordingly extended to Lilongwe as capital city.

Participants were purposively sampled depending on their roles, responsibilities and experiences towards implementation of targeted agricultural subsidy policy. Therefore, a total of fifteen respondents were sampled from Ministry of Agriculture and Food Security (MoAFS), Agricultural Development and Marketing Corporation (ADMARC), Smallholder Farmers Fertiliser Revolving Fund of Malawi (SFFRFM), Farmers Union of Malawi (FUM) Community Policing at Malawi Police Service, Anti-Corruption bureau Department for International Development (DFID), Kasungu Agricultural Division (KADD), District Agricultural Development Office (DADO), Chulu, Mtunthama and Lisasadzi Agricultural Extension Planning Areas (EPAs) and three local chiefs.

Semi structured interviews were used to collect primary data. Sets of open ended questions for the semi structured interviews were developed and administered according to respondent’s distinctive roles and responsibilities towards implementation of the policy. Secondary data were collected through the use of official reports and literature of empirical evidence generated by other scholars. All responses were transcribed verbatim, coded and categorized according to emerging key issues.

5. Unintended Consequences of Agricultural Subsidy Policy in Malawi
Responses from participants on the study of Implementation of targeted agricultural subsidy policy in Malawi pointed at the below unintended consequences:

5.1 Economically Rich Households Benefiting More from the Policy
In some instances the policy has not benefited the intended poor and vulnerable groups and instead it is the rich and affluent households that benefited more. Economically rich households benefit either directly by accessing coupon vouchers or indirectly by being awarded business contracts pertaining to the programme. Malawi’s FISP has been criticised for departing from its design because the programme is marred by uneven rollout and leakages of subsidised agricultural inputs (Dorward et al., 2007; Ricker-Gilbert & Jayne, 2008). Economically rich households have ended up being beneficiaries because of the way the targeting process is implemented at local level. Respondents indicated that at local level, the criteria for identifying beneficiaries is either ignored or adjusted in order to unduly incorporate friends or acquaintances who do not qualify. Dorward and Chirwa (2010) also noted that there has been an established pattern over the years where most vulnerable households who are targets of the policy, are unlikely to benefit from subsidised agricultural inputs. This pattern is in contrast to the programme’s objectives and implementation guidelines. This typically exemplifies what Merton in his theory identified as reason for policy failure where there is false definition of a situation leading to new behavior which makes the false conception appear true.

Considering political realm of policy, targeted agricultural subsidy policy implementation has not been free from political interference. Respondents pointed out that politicians interfere with both the targeting and
distribution processes by issuing orders to the local leadership to have their own supporters included among the list of beneficiaries. These political directives, as Chinsinga (2012) also notes, distort targeting guidelines by bringing in political affiliation as a condition for a household to qualify as a beneficiary of the programme. That also significantly contributes to unintended consequences and failure of agricultural subsidy policy in Malawi.

The printing and distribution of coupon vouchers was also another noteworthy point raised by respondents who observed that there has been growing elimination of poor households from the programme. As Chinsinga (2012) notes, tender for printing of coupon vouchers is neither transparent nor accountable and this results into leakage of coupons to unintended beneficiaries. The leakage of coupons is a disadvantage to poor households because those who get the coupon vouchers illegally deplete the designated markets of the subsidised agricultural inputs and resell the same to the poor households at normal to high commercial prices. Such acts only result unintended consequences of the policy by depleting already meagre resources of the targeted poor and enriching the already economically capable individuals.

5.2 Corrupt Practices
The leakage of coupon vouchers from small farmers to larger farmers cannot be attributed to problems of targeting and political interference alone. Corruption came out clear from respondents as another unintended consequence of the targeted agricultural subsidy policy and has significantly contributed to leakage of coupon vouchers and subsidised agricultural inputs. Officials who are entrusted with the responsibility of distributing coupon vouchers or the agricultural inputs have been pointed as the ones who deliberately divert them from the intended beneficiaries. In the end, the smallholder farmers are forced to resort to the normal markets for agricultural inputs because they cannot access the subsidised agricultural inputs. This agrees with a study by Holden and Tostensen in 2011 which gathered evidence that suggest that the fertiliser subsidy programme is associated with rent-seeking behaviours especially in the manner contracts to supply and transport the agricultural inputs are granted (cited in, Chinsinga, 2012). Further to this, a review of FISP by the World Bank established that procurement processes of supplies and services have irregularities which render the programme inefficient and ineffective (cited in, Chinsinga, 2012). Dorward and Chirwa (2010) also observed that since the programme re-commenced, expenditures have always exceeded the budgeted amounts by up to 105 percent. While attributing such excess to fluctuations in the prices of fertilizer on the market, Chinsinga (2012) opinions that the true cost of the programme might have been inflated by contractors who are awarded contracts based on favouritism rather than competitive pricing. Respondents further clarified that the costs might have been inflated in order to incorporate the cost of bribing officials administering the programme. This also typically exemplifies what Merton in his theory identified as reason for policy failure where there is false definition of a situation leading to new behavior which makes the false conception appear true. With corruption of this magnitude, the targeted agricultural subsidy policy can be viewed as to have achieved in entrenching corruption rather than food security. It was also noted in addition that the policy does not help the smallholder farmers in attempt to raise income but rather to lose more income. This notion points to the fact that by being pushed out of the programme due to inaccessibility of the subsidised agricultural inputs coupled with desperation for cheaper agricultural inputs smallholder farmers have mostly been motivated to either bribe or corrupt officials who administer the programme.

5.3 Displacement of Other Crops from Agricultural Production
Much as maize is the main staple food in Malawi, respondents indicated that the targeted agricultural subsidy policy has overemphasized and supported only maize production, creating behavior among societies to over depend on maize as the only source of calorie intake. The unintended consequence of this has been that agricultural diversification has almost been eliminated among societies because production of all other staple food crops has been displaced by maize production. In a similar way, Dorward and Chirwa (2010) argue that creating and perpetuating widespread dependency on maize has resulted into a poverty trap and smallholder farmers’ increased vulnerability to drought and its effects. Displacement of other crops has occurred because the policy is primary targeted at supporting maize production by providing incentives to smallholder farmers to embark on maize production at the expense of alternative food-crops that are equally important. This has made the policy to fall short in achieving its objective of food security for households especially in the event of uncertainties, for example drought and floods which are mostly recurrent in Malawi as effects of climate change. In the event of drought and floods, households have faced famine because they lack motivation to grow alternative food crops, other than maize, that withstand such climatic conditions. In addition to these sentiments, Chibwana, Fisher, and Shivelly (2012) note that in order to maximise benefits of the programme, participating households allocate more land to cultivation of maize and less land to cultivation of other crops not covered by the policy. This typically exemplifies what Merton in his theory identified as reasons for unintended consequences where there is lack of sufficient knowledge of particular situation leading to inaccurate decisions and outcomes as well as haste implementation of policy while deliberately ignoring outcomes.
5.4 Deforestation

The availability of agricultural subsidies has resulted into high demand for agricultural land. Respondents noted that because one of the criterion for qualifying as a beneficiary under the agricultural subsidy policy is that the household should possess land for cultivation, most people have been under pressure to possess land for cultivation to the extent of encroaching into government protected land. This has led to wanton clearance of forests as households search for a piece of land for the purposes of benefitting from policy. Clearing of forests is not only attributed to increased demand for agricultural land for maize production. As respondents pointed out, some forest clearing was a result of demand for firewood to cure tobacco. As pointed out earlier, tobacco as a cash crop was among the crops that were included as targeted crops during early years of implementing the policy. The availability of subsidized agricultural inputs for the production of commercial crops like tobacco attracted many people to engage in tobacco farming. But production of tobacco requires firewood for curing the tobacco leaf as well as poles for constructing tobacco barns. This contributed significantly to the wanton clearing of forests in addition to searching land for cultivation.

While understanding that objectives being pursued in implementing agricultural subsidy policy are development-oriented as they relate to socio-economic development through the availability of food and income at household level, outcomes like deforestation contributed immensely as unintended consequences which resulted into environmental degradation, desertification and adversely affect both rainfall patterns and agricultural activities themselves. This typically exemplifies what Merton in his theory identified as reasons for unintended consequences where officials believe that addressing basic values in one dimension of life or society is universally important to extent of ignoring considerations of impacts on other equally important dimensions of life or society. Deforestation does not sustain development because it compromises on future generation’s ability to meet its own needs (World Bank, 2016). Through deforestation, agricultural subsidy policy is not only limiting future food production but also ability to earn incomes which ironically, are the very same elements of development that are being sought lately.

6. Conclusion

Implementation of targeted agricultural subsidy policy in Malawi was well intentioned mainly with reference to the persistent nature of food insecurity resulting from poor maize production among majority poor smallholder farmers. While the policy intended to correct this chronic food shortage problem and enable people in Malawi to feed themselves thereby incentivizing these to fully participate in other meaningful economic development activities, unanticipated consequences have clearly manifested themselves. These have been economically rich households benefiting more from the programme; corrupt practices; displacement of crops not included in the programme from agricultural production; and deforestation. These unintended consequences have significant negative effect not only on the successful implementation of the targeted agricultural subsidy policy, but also on the future wellbeing of the people. It is therefore recommended that apart from considering for a medium to long term exit plan of the policy, there is need for devising short term correction mechanisms including curbing corruption practiced in course of implementing the policy at every level and considering to review the policy so as to include alternative staple food crops in order to encourage diversification. There is also need to strengthen agricultural research as well as monitoring services in order to devise informed course of action towards future food security policies.

The limitation with research that led to this paper is that it was confined within a small geographical location. However, considering that the implementation activities within the policy roll out uniformly across the country, results discussed in this paper could be replicated in other parts of Malawi.

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