



## **CIVIL SOCIETY AGRICULTURE NETWORK**

### **CISANET POSITION ON THE 2019/2020 NATIONAL BUDGET**

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## **1. INTRODUCTION:**

The Civil Society Agriculture Network (CISANET) is a grouping of Civil Society Organizations working in the agriculture sector in Malawi. The grouping was established in 2001 to facilitate the engagement of the CSOs with government over policy issues affecting the sector. Currently, CISANET membership comprises NGOs (both local and International), farmer organizations and interested individuals. It also has a wide range of partners outside its membership who also have an interest in policy issues in agriculture and food security in Malawi. In this paper, CISANET intends to present to the government, through the Ministry of Finance, Economic Planning and Development (MoFEPD) views for consideration in the 2019/2020 national budget.

## **2. BACKGROUND TO THE PAPER**

CISANET has generated this paper from the experiences that have been observed over the past few years relative to the national budget. In the past 5 years, CISANET has, through its members, conducted budget analysis and tracking at both the national and district levels, with special focus on the agriculture budget. Through such processes, CISANET has made several observations key among which have been presented below.

CISANET commends the Government of Malawi for consistently exceeding the Comprehensive African Agricultural Development Program (CAADP) minimum target allocation of 10% of the national budget towards agriculture. Between 2013/2014 and 2018/2019 financial years, the government has allocated 19%, 19%, 15%, 17%, 15% and 10% of the national budget to agriculture. It is worrying to note, however, that there is a declining trend in allocation since 2016/2017 financial year. Much as the country has adhered to the CAADP recommendation, CISANET has noted that the allocations have deviated from the investment plans included in the country's medium term development blueprint, the Malawi Growth and Development Strategy III (MGDS III). The summary of costs for strategies under the first key priority area in the MGDSIII shows that the government earmarked MK216.7 billion investment towards agriculture and water resource development, utilization and management strategies against the actual MK151 billion that was allocated. The MGDSIII has earmarked a MK206.9 billion allocation towards agriculture and water resource development, utilization and management for the 2019/2020 FY. Suffice to say, the government has secured separate off-budget financing for specific flagship projects that are aimed at contributing to agriculture transformation in the country. Key among these include: the Smallholder Irrigation

and Value Addition Project (SIVAP), the Agriculture Commercialization Project and Programme for Rural Irrigation Development project (PRIDE). These projects have supplemented the budgetary resources that have been allocated to agriculture.

However, the country's Annual Economic Reports for the past five years paints a gloomy picture of the agriculture sector in Malawi. The Annual Economic Reports suggest declining growth rates<sup>1</sup> despite the massive investments into the sector. The discrepancy in investments and the resultant growth rates suggest inefficiencies in the intra-budgetary allocation at ministerial level. The declining growth rates suggest a lack of balance in the allocation of resources for promoting pro-growth interventions in the agriculture budget. In 2018/19 FY, the Farm Input Subsidy Program (FISP) and maize purchases accounted for around 40% of the total agriculture budget. While FISP has important social protection objectives, it has contributed little towards agricultural growth in Malawi. Analysis of the agriculture budget by program shows violation of some of the principles of Program Based Budgeting (PBB) that Malawi adopted around 2016. The analysis shows that resource allocation is unevenly distributed across the five reclassified programs within the MoAIWD. For instance, the Livestock and Fisheries Production program in the MoAIWD has consistently been allocated less than 5% share of the MoAIWD Vote signalling a heavy underfunding despite the country registering low animal protein intake. CISANET is aware that the MoFEPD Guidelines on preparation of Program Based Budgets calls for reasonable allocation of resources across programs. The Guidelines discourages situations where one program accounts for over 80% or under 5% of total Vote expenditure. Adoption and use of the PBB and the subsequent development of the National Agriculture Investment Plan (NAIP) provides relief as the sector has a more distinct opportunity of balancing investments towards the agriculture sector. The NAIP has been aligned to the sectoral targets and objectives enshrined in both the National Agriculture Policy (NAP) and the MGDSIII.

The investment imbalances suggests the Government's overemphasis on crop production at the expense of livestock production in the country. The NAP, NAIP and National Resilience Plan (NRP) recognizes the importance of livestock in diversifying agriculture and promoting resilience amongst smallholder farmers. Beyond the direct economic benefits, the livestock and fisheries sub-sector provide a good source of animal protein in Malawian diets. According to the Draft National Livestock Policy, per capita consumption of livestock products such as milk and eggs remains low. While the World Health Organization (WHO) recommends a milk

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<sup>1</sup> The Annual Economic Reports for Malawi for 2014 to 2018 report that the agriculture sector has grown at: 6.3%, -1.0% and -0.2% from 2014 to 2016 respectively. Growth rates were estimated at 6.8 and 3.4 from 2017 and 2018 respectively

per capita consumption of 200kgs, Malawians consume around 5.1kgs as of 2017. The same trend is observed in per capita egg consumption currently at 5.2 eggs per year.

### 3. CISANET POSITION FOR THE 2019/2020 NATIONAL BUDGET

The CISANET recognizes the National Budget as a key tool for stimulating agricultural and national growth for Malawi. We therefore encourage the government to advance a pro-growth budget that will help reverse the declining growth trends for the agriculture sector to contribute to the agricultural transformation agenda. In view of the foregoing, the CISANET would like to propose the following:

- i. The Government through the MoFEPD **must** align the national budget to the NAIP ensuring that all the programs under NAIP are adequately funded and that the budget targets are in agreement with the NAIP targets. Budgetary allocation to agriculture must go beyond FISP and maize procurement to consider all the 4 programs of NAIP and their corresponding 16 Intervention Areas if the country is to achieve the agriculture transformation that the NAP envisions.
- ii. CISANET encourages the government to prioritize resilience financing with investment priorities in more productive areas of the NAIP as opposed to consumption oriented financing. Government should build on the 2018/19 efforts and continue to prioritise irrigation. Beyond irrigation, CISANET also encourages the government to prioritize extension, access to markets and livestock development.
- iii. The MoFEPD must ensure a balance in the intra-budgetary allocations with specific focus on the Livestock and Fisheries program within the MoAIWD. Resources for this program in the 2019/20 budget should be prioritized towards the development of dairy and poultry value chains. These two value chains are envisaged to rapidly enhance agriculture diversification away from crop production, promote diversified diets and promote human nutrition.
- iv. CISANET is also of the view that the Government needs to continue with its reforms on FISP to further align the program to the NAIP objectives. In the long run, the CISANET proposes that FISP needs to be re-forecasted as a social welfare program and delink it from the agriculture budget.
- v. Generally, the MoFEPD should promote transparency and accountability of public expenditure to ensure that allocated resources are used for their intended purpose. Efforts should be undertaken to ensure that the national budget makes adequate allocation to governance institutions in order to sustain transparency and accountability of allocated resources<sup>2</sup>.

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<sup>2</sup> The CISANET reiterates its commitment to continue supporting the government in ensuring mutual accountability of both government and civil society organizations in the agriculture sector.