

Are Financing Policies Sensitive to Food Systems Transformation in Malawi?

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Background and Introduction

Policies influencing food systems transformation in Malawi are evolving from single to multi-sectoral approaches. However, effective financing of such policies crucial and could determine the extent to which policy goals could be accomplished (GoM, 2018a). Financing policy for food systems transformation involves the efficient planning, development of innovative financing mechanisms, mobilization and allocation of financial resources to facilitate the implementation of integrated food security and nutrition (FSN) policies (HLPE, 2018) with other sectoral policies to achieve a common interest in food system outcomes. Over time, the financing systems in Malawi witnessed some evolution from periods of financial repression (1964-1986) to financial reforms (1987-1993), followed by period of financial liberalization (1994-2007) to a liberalized financial sector I (2008-2012) and II (2012-2015) and the period of financial systems transformation (2016 to date).

The Government of Malawi continuously demonstrate unrelenting efforts in investing in the agricultural sector and also in ensuring that all Malawians are food and nutrition secure. These efforts are evidenced by the consecutive launch of the country's National Agricultural Investment Plan (FY2017/ 2018 - FY2022/2023) and the National Multi-Sector Nutrition policy (2018–2022) on the 13th and 21st June 2018 respectively. However, much is still needed to be done especially in the area of multi-stakeholder collaborations for financing food systems transformation and resource mobilization (Malawi-SUN Movement, 2017).

Financing food systems may be partly constrained by its complex nature and lack of accurate data on financing and

Key Findings

- Financing systems policies are crucial in Malawi's development agenda which have serious implications on the accomplishment or failure to achieve policy goals.
- Though finance constitute an important component of food systems, finance policies in Malawi are less sensitive to food systems policies compared to the high level sensitiveness of food systems policies to financing systems and funding mechanisms.
- While most policies in Malawi identified stakeholders and roles, very few indicated the funding mechanisms to achieve policy targets, incorporated a budget plan, share of funds to be provided by stakeholders nor identified the investment gap.
- The potentials of MSPs in financing food systems to achieve important outcomes such as FNS are yet to be fully tapped in Malawi.

expenditure reviews which challenge investment tracking and resource mobilization. For most investment plans, the funds available from various commitments towards the implementation of activities are usually below the budget requirement, leaving an investment gap which needs to be filled if policy targets are to be realized. Bridging the funding gap necessitates the integration and coordination of all stakeholders in food security and nutrition policy development to mobilize resources, develop innovative financing mechanisms and ensure the efficient use of all available financial resources in achieving food security and nutrition targets (HLPE, 2018).



The Agriculture Sector Wide Approach (ASWAp) was the country's initial investment framework to coordinate, harmonise and better align the financing modalities between the government and donors. The ASWAp was replaced by the National Agricultural Investment Plan (2017/18 to 2022/23) which aimed to align the financing implications of the National Agricultural Policy (2016-2020) and the Malawi Growth and Development Strategy III (2017 – 2022) in order to build on the successes and failures of ASWAp (GoM, 2018b). While multi-stakeholder partnership to finance NAIP were identified at an estimated cost of US\$3.219 billion, a funding gap of 10-24% of the total cost was envisaged. Similarly, a total cost of MWK110, 137, 095, 511 or US\$150, 872, 733 was estimated for implementing the country's recently launched National Multi-Sector Nutrition Strategy (2018–2022). The strategy aimed at operationalizing Malawi's nutrition policy.

Purpose and Method of Analysis

The purpose of this brief was to understand how well the financing of policies ensure the transformation of food systems in Malawi to achieve FSN. The study assessed the sensitivity of financing policies to food systems in Malawi and vice versa, the patterns emerging from current policies and financing issues in food systems were identified. The study examined the inter-linkages of current financing systems policies to food systems and how current food systems policies are also sensitive to the financing systems in Malawi.

The selection of policy materials was based on the most recently formulated policies (from 2016 to date) and those closely associated with financing and food systems. The level of sensitivity was assessed using qualitative methods. Policies were ranked as high (green), medium (yellow) and low (red). Four key policy materials were examined under the financing systems policies. These included:

1. National Strategy for Financial Inclusion – NSFI (2016 – 2020)
2. The Financial Sector Development Strategy II (2017-2021)
3. Long term Finance Policy (2016)
4. Draft Strategic Plan Commercial Agriculture Support Services (CASS) (2018-2023)

Similarly, while four set of policy materials were investigated under the food systems were also grouped additional policy materials were investigated under the

land policy and reform category to determine the sensitivity of land policies to financing systems in Malawi given various ongoing reforms. While the existing land policy had lapsed in 2002, Malawi has witnessed significant policy reforms in land laws which include the 2016 Land Bill, amongst others (Nankhuni, 2017). Therefore, the policies materials investigated in this part of the assessment included:

1. National Agricultural Investment Plan (FY 2017/18-2022/23)
2. National Multi-Sectoral Nutrition Strategic Plan (2018 -2020)
3. National Seed Policy (2018)
4. Land policy and reforms: National Land Resources Management Policy and Strategy 2000; Land Policy, 2002; Land Bill, 2016 and the 2nd Land symposium report.

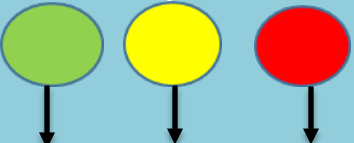
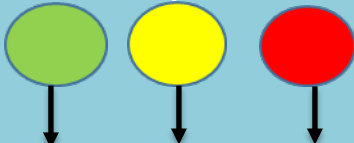




Sensitivity of financing Systems Policies to Food systems





Results (Table 1) indicated most of the financing systems policy documents have a low sensitivity to food systems transformation. With regards achieving food security and nutrition outcomes. Most policies have broad economic development objectives, without a specific linkage to food systems. However, the Financial Sector Development Strategy II (2017 – 2021) was ranked medium because it highlighted the need for multi-stakeholder partnerships (MSPs) investments in food systems by addressing land tenure systems. These systems are important for food supply chains (production). Furthermore, there is need for increased collaboration of the financial sector with other development sectors. On the other hand, the Draft Strategic Plan Commercial Agriculture Support Services (CASS) (2018-2023) was ranked high because the policy document incorporated financing for the components of food systems. The plan also aimed at enhancing small and medium-scale farmers' access to finance for agricultural commercialization. This consideration increases sensitivity of financial systems to food systems.

Sensitivity of Food Systems Policies to Financing Systems

The majority of the food systems policies investigated indicated a high level sensitivity to financing systems. The only exception was land policies and reforms which had a low sensitivity to financing systems (Table 1).

Table 1: Inter-linkages between Current Financing Systems Policies and Food Systems Policies in Malawi

<p style="text-align: center;">Key</p>  <p style="text-align: center;">High Medium Low</p>	<p>Sensitiveness to Food Systems</p> <ul style="list-style-type: none"> • Socioeconomic Outcomes • Food Security and Nutrition Outcomes • Environmental Outcomes 	<p style="text-align: center;">Key</p>  <p style="text-align: center;">High Medium Low</p>	<p>Sensitiveness to Financing Systems</p> <ul style="list-style-type: none"> • Funding mechanism/ finance innovation • Resource mobilization • Cost of activities or budget plan • Financing monitoring and evaluation plan
Financing Systems Policies		Food Systems Policies	
<p>1. National Strategy for Financial Inclusion (2016 - 2020)</p> 	<p>General economic & human capital development, Welfare (reduce poverty Macroeconomic volatility and price shocks, general development of innovative financing services</p>	<p>1. National Agricultural Investment Plan (FY2017/2018 - FY2022/2023)</p> 	<p>Builds on the funding mechanism of ASWAP, The cost of NAIP was estimated at USD 3.219 billion expected to be financed by the Government, the development partners and the private sector (under PPP arrangements). Estimation of a funding gap of USD 330-780 million, or 10-24% of the total cost was indicated. To effectively monitor the NAIP, a robust Monitoring and Evaluation framework will be implemented.</p>
<p>2. Long Term Finance Policy (2016)</p> 	<p>Sustainable economic growth, general provision of an enabling policy & institutional environment (Public Private Partnerships) for funding long term investments to expand the economy, stabilization (monetary & fiscal) environment, facilitate the promotion of a broad range of long term financing instruments without a specific mention of food systems</p>	<p>2. National Multi-Sector Nutrition Strategic Plan (2018 – 2020)</p> 	<p>Estimated the funds needed to implement nutrition activities (110 137 095 511 MK or US\$150 872 733) and the funding allocated to implement activities (Budget analysis). The Ministry of finance, economic planning& development will be responsible for mobilization of resources from government and development partners and private sectors for nutrition interventions, The monitoring and Evaluation will be guided by the National Monitoring and Evaluation Framework.</p>

<p>3. Financial Sector Development Strategy II (2017 – 2021)</p> 	<p>Promoting Public-Private Partnership (PPP) investments, expansion of inclusive finance and product diversification, Insurance penetration and coverage, stability of macroeconomic policies affecting financial systems development, land tenure systems, increased participation of the financial systems in other development sectors, Consumer awareness & education</p>	<p>3. National Seed Policy (2018)</p> 	<p>There was no costing of funds needed to implement the activities or budget analysis of the funds allocated to implement activities. However, the need for financial support was mentioned under the roles of the development partners & international agencies in Institutional arrangements. While policy had a M&E plan to be used in tracking policy implementation, evaluations would be based on whether policy implementation succeeded in making the intended impact or not. There was no specific indication on the M&E of financing activities but policy identified the need to establish a fund to finance the operations of the National Seed Commission (NSC).</p>
<p>4. Draft Strategic Plan Commercial Support Services (CASS) (2018-2023)</p> 	<p>Focused on food supply chains, create an enabling financing environment for development, gender, enhanced coordination of MSPs, contribute towards food security for accelerated economic growth and poverty reduction, promotion of commercial farming, market accessibility and trade, adoption of technologies, fund raising & resource mobilization.</p>	<p>4. Land Policies and reforms (National Land Policy (2002); The Land Bill (2016) and the 2nd Malawi Land symposium (Nankhumi, 2017)</p> 	<p>Both old land policy and new reforms still lack a clear cut strategy on the financing of land transactions and investments, most especially in enhancing food systems transformation.</p>

An earlier mapping analysis revealed the Land Policy (2002) had no linkage with financing food systems nor a clear funding mechanism for land investments in transforming food systems. Findings from the Land Bill and the 2nd Land Symposium in Malawi indicated that the new land policy reforms in Malawi still lack a clear strategy on the financing of land transactions and investments, especially in enhancing food systems transformation. Generally, the results imply that food systems policies in Malawi were more sensitive to financing systems while financing systems policies were less sensitive to food systems. These results necessitate the need for financing system to incorporate food system issues such that financing gaps are identified and addressed.

Patterns emerging from current food security and or nutrition and finance policies: Coherence or Divergence?

This section investigated the patterns emerging from current food security and or nutrition and finance policies in terms of convergence or divergence. Seventeen (17) current policy documents were investigated. These include:

1. National Multi-Sector Nutrition Policy (2018 – 2020)
2. Draft Agriculture Sector Food and Nutrition Strategy (2016)
3. National Agricultural Policy (2016 - 2020)
4. National Irrigation Policy (2016)
5. National Seed Policy (2018)
6. National Climate Change Management Policy (2016)
7. The Malawi Growth and Development Strategy III (2017 – 2022).
8. National Trade Policy (2016)
9. Health Sector Strategic Plan II (2017 - 2022)
10. Malawi National Social Support Programme II (MNSSP II) 2018 – 2023
11. National Charcoal Strategy (2017 -2027)
12. National Agricultural Investment Plan (FY2017/ 2018 - FY2022/2023).
13. Financial Sector Development Strategy II (2017- 2021)
14. National Strategy for Financial Inclusion – NSFI II (2016 - 2020)
15. Long term Finance Policy (2016)

16. Farmer Organization Development Strategy (FODS?s) Draft (2018)
17. Draft Strategic Plan Commercial Agriculture Support Services (CASS) (2018-2023)

Out of the current policy documents investigated, 47% had food security and or nutrition directly included as part of the policy objectives while 94% had finance/investments. The results imply that financing issues are crucial in Malawi's development agenda and have serious implications for achieving policy goals. Furthermore, results indicated 47% of the policy materials addressed both FSN and finance (47%) while 47% also addressed either FSN or finance. Only 6% addressed neither FSN nor finance. The result indicated that most policies with FSN as an objective also included finance or investments whereas the reverse is not the case.

Financing Issues in Food Systems Policies

The results indicated that while 40% of the investigated policies identified the need for multi-stakeholder partnerships (MSPs) to finance policies, only 37% specified how to finance the policy implementation or indicated the funding mechanism to achieve policy targets. Furthermore, only 22% of the policies incorporated a budget plan for financing policy and the share of funds to be provided by stakeholders. While very few policies, such as NAIP (FY 2017/18-2022/23), accounted for the funds available from commitment, only 8% identified the investment gap. Although MSPs are not synonymous with multi-sectoral policy approaches, mobilization of resources to finance food systems is one of the major roles played by MSPs (HLPE, 2018). The results suggest the potential of MSPs in financing food systems to achieve FSN are yet to be exploited.

On the other hand, having budget plan that is widely disseminated among all stakeholders to support the innovative financing of food systems and investments is necessary to prevent incurring higher expenditures now and in the future (USAID, 2014). Furthermore, information from FSN budget and expenditure analysis could help in the harmonization of nutrition targets and resources across sectors, advocate for increased FSN funding and also help to monitor the management of

financial resources in policy implementation (SPRING, 2018).

Inadequate food security and nutrition financing constitute one of the greatest challenges to achieving important food systems outcomes. This is worsened by the lack of adequate data on nutrition financing which otherwise is crucial for the tracking of nutrition financial support (Pomeroy-Stevens, 2015). Such tracking processes include:

1. Costing a national nutrition plan to provide estimates of the required funding for implementation of activities;
2. Analyzing budgets to provide insights on funds allocated funds to implement activities;
3. Evaluating expenditures to increase accountability on the share of funds spent and
4. Tracking of nutrition expenditures to reveal whether funds were spent for intended purposes or diverted.

Despite various efforts aimed at food systems development, addressing financing issues in Malawi is particularly important because of the country's heavy dependence on donor aids (Chirwa and Dorward, 2013). Sometimes divergent interest arise because the government may occasionally over finance some policies at the expense of others, or donors may terminate financial support when policy interests are not aligned. Furthermore funds may be mismanaged. Withdrawal of donor aid, implies truncating the flow of financial support for FSN which forces the government to manage whatever funds are available in implementing activities.

While Malawi joined the New Alliance for Food Security and Nutrition in 2013, the focus was on enhancing private investments in FSN based on public-private partnerships.

In subsequent years, Malawi witnessed an evolution of various policy reforms geared towards ensuring a food and nutrition secured population. However, effective approaches to financing food systems extend beyond public-private partnerships and include the civil society (non-state actors and nonprofit NGOs) (HLPE, 2018). Financing policies could influence other policies and serve as a major determinant of the extent to which other policy targets could be met or frustrated due to lack of funds to implement activities. Therefore it is important for food system policies to address financing issues right from policy initiation. This would entail having a comprehensive MSPs financing strategy including all the four steps mentioned above (Pomeroy-Stevens, 2015) with details on when and how financing shortfalls in policy implementation would be addressed.

Conclusion and Recommendations

The multidimensional nature of food systems components and its sub-elements called for increased resource mobilization, multi-stakeholder partnerships, efficient management and accountability of financial resources. While the majority of the financing policies in Malawi were found to have broad national economic objectives but close linkages with various policies which may influence the food systems directly or indirectly, the financing policies were less sensitive to food systems transformation. Efforts aimed at financing food systems to achieve outcomes should ensure increased responsiveness of financing policies to food systems transformation, the establishment of MSPs to finance food systems as recommended by HLPE, (2018) and ensure all financial issues in transforming food systems and investment gaps are adequately and effectively addressed. Furthermore, there is a need to explore the potential of innovative financing tools and mechanisms to equally finance every element of the food systems in a sustainable way. Increased sensitivity of financing policies to addressing food systems would help in achieving FSN objective.

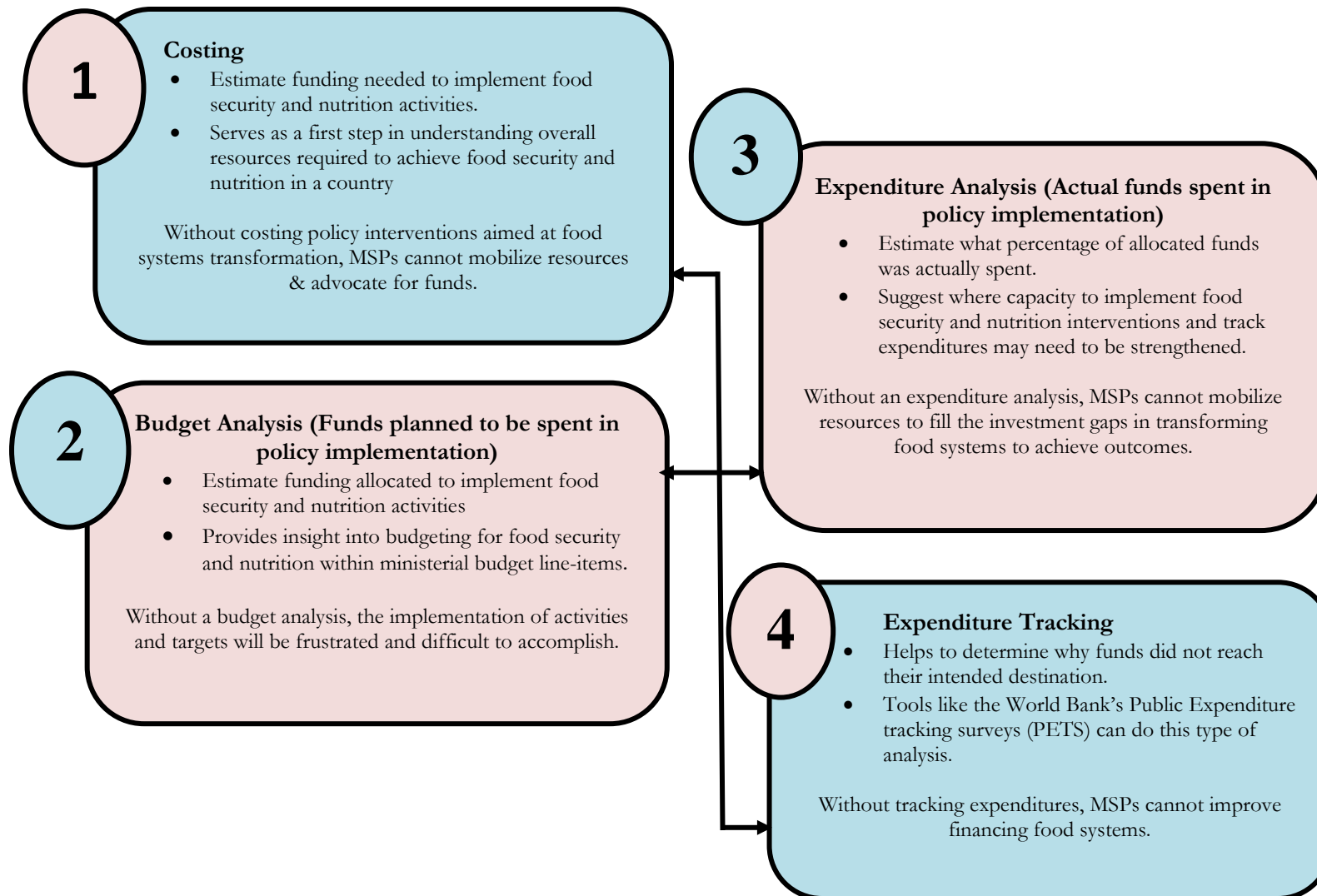


Fig 1: Steps to track financial support for food systems Transformation
 Source: Adapted from Pomeroy-Stevens et al. (2017)

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