

MACROECONOMIC POLICY CHOICES FOR GROWTH AND POVERTY REDUCTION

*Access to Land, Growth and Poverty
Reduction in Malawi**

POLICY BRIEF

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Background

The economy in Malawi is dominated by the agricultural sector, accounting for more than 38 per cent of gross domestic product, more than 90 per cent of foreign exchange earning and an important source of livelihood for 71 per cent of the rural population. It is also estimated that 84 per cent of the agriculture value-added comes from about 2 million smallholder farmers that cultivate on average one hectare of land. It is not surprising, therefore, that Malawi has pursued an agricultural-led development strategy since independence in 1964. The agricultural strategy was dual: based on the promotion of estate agriculture for export earnings and the creation of agricultural employment and smallholder agriculture for subsistence and food security.

Various policies in the 1960s and 1970s were implemented to support smallholder agricultural development, including guaranteed produce prices through the state marketing agency, government administered agricultural input credit, promotion of technologies and subsidies on key agricultural inputs. Although the policy emphasis has been on the agricultural sector over the past four decades, the economic situation has not changed substantially and recent studies show that poverty is increasing. In 1998 the integrated household survey revealed that 65.3 per cent of the population were poor with consumption of basic needs below the minimum level of MK10.47 (US\$0.34) per day. Qualitative poverty studies also show that the poverty situation was worsening due to several factors some of which were a result of economic liberalization.

Agriculture has the potential to increase welfare or reduce poverty in low-income countries because a large proportion of the population engages in farming for subsistence needs and generation of cash income. Agricultural development can reduce poverty through paid employment for the landless or near landless and through higher productivity brought about by technological change for those who have land. In any case, the extent to which agricultural development can have greater impact on poverty depends on the availability of land. In low-income countries like Malawi farming systems are organized around family units on small farms the tenure of which is not well defined. With excess supply of family labour in most households, productivity and returns to agriculture tends to be low on small farms. Landholding sizes are becoming smaller and fragmented with the growing population, making some of the productivity-enhancing technologies impossible.

This policy brief presents results of a study of the link between access to land and changes in poverty status in Malawi using household panel data in 1998 and 2002, and assess the feasibility of land redistribution and implications for pro-poor agricultural development.

Past Agricultural Strategies in Malawi

Several agricultural strategies and policies have been pursued to support estate and smallholder agriculture in the past four decades. The promotion of estate agriculture, particularly for production of tobacco, has squeezed out smallholder agriculture land, thereby creating more unequal distribution of land, such that by 1997/98 about 33.3 per cent of smallholder farmers were cultivating between 0.5 and one hectare. Over the past four decades, the smallholder agricultural development strategy mainly focused on increasing the productivity of maize. Several policies were implemented to support the strategy, including promotion of technology adoption among smallholder farmers, particularly hybrid maize and the application of fertilizers, supported by a government administered credit scheme, provision of extension services through a network of extension offices across the country, subsidies on inputs and a system of guaranteed pan-territorial and pan-seasonal prices for agricultural produce through the state marketing agency, the Agricultural Development and Marketing Agency (ADMARC).

Following an economic crisis in 1979 and 1980, Malawi adopted structural adjustment programs under the auspices of the International Monetary Fund and the World Bank, with some policy reforms targeting the agricultural sector. Several policies have been implemented to achieve the reform objectives in the agricultural sector. Notably these were the phased removal of fertilizer subsidies in 1984; annual adjustment in agricultural produce prices; liberalization of agricultural marketing activities in 1987; deregulation of fertilizer marketing in 1990; liberalization of burley tobacco production by smallholder farmers in 1990; liberalization of agricultural producer prices except maize in 1995, devaluation of the currency and eventual floatation in 1994 and liberalization of maize pricing in 2000. The liberalization of burley tobacco has led to an increase in the number of smallholder farmers growing burley tobacco and smallholder farmers have rapidly become the main producers of burley tobacco, accounting for about 70 per cent of national production.

Although structural adjustment programs have resulted in removing policy-linked distortions in the agricultural sector to a larger extent, the agricultural sector still experiences problems of physical access to domestic markets, access to rural credit facilities, low productivity and inequitable distribution of land. However, one policy reform area — that relat-

ing to equitable distribution of land and important for smallholder agriculture — has been conspicuously absent in the reform and policy agenda in the past four decades. While the government has promoted the adoption of fertilizers, hybrid seeds and modern methods of farming and the provision of price incentives through progressive market reforms, it had assumed that the existing small land holdings and, worse still, the diminishing land would enable smallholder farmers to respond to the various market incentives. However, empirical studies in Malawi show that adoption of agricultural productivity-enhancing technologies is positively associated with the size of cultivatable land.

No efforts have been made to redistribute the land to the landless. The only resettlement schemes that existed were involuntary, in which most of the settlers were graduates from Malawi Young Pioneers training course and which, in some cases, led to the displacement of local population without compensation and caused land holdings to be even smaller. These schemes were small-scale irrigated operations and have not been sustainable, characterized by high turnover, seasonal variation in patronage, and under-utilization facilities and inputs.

The Agrarian Question and Poverty Reduction

The need for land reform as a pro-poor strategy in the agriculture sector has been realized in the Malawi Poverty Reduction Strategy (MPRS), albeit ranked the seventh important strategies out of the nine strategies articulated for smallholder agricultural development. Yet, if any of the other strategies such as promotion of technology and extension services are to have significant effects on poverty, the poor having access to land and equal distribution of land is a necessary but not sufficient condition. Although the relationship between access to land, growth and poverty is a complex one, several studies in developing countries show that access to land promotes technological innovations and growth. Studies on poverty also show that access to land is one of the factors that determine poverty.

Arguably past policies in agriculture have not been effective partly due to the fact the critical resource for agricultural development in Malawi — land — has been ignored in the policy agenda. It can therefore be argued that access to agricultural land, through agricultural production, is one of the important factors that can translate growth into poverty. Analysis of poverty data in Malawi shows that landlessness is one of the causes of poverty and the poor tend to be associated with small and fragmented land holdings.

Access to Land and Changes in Poverty

This study provides evidence on the factors that are associated with changes in poverty status, using data for the same households in 1998 and 2002. Thus, the study attempts to answer questions on why households remain poor; why they remain non-poor; why they drift into poverty and why they move out of poverty. A matched panel data from 349 households were used in the analysis.

The results from the study shows that access to land, after controlling for initial conditions, was an important determinant of poverty in 2002, such that a unit increase in land would reduce the likelihood of being poor in 2002 by 1.8 per cent. Access to land is also an important factor in determining changes in poverty status between 1998 and 2002. Of the four categories of poverty status — remaining poor, remaining non-poor, falling into poverty and moving out of poverty — access to land is found to reduce the likelihood of falling into poverty and to increase the likelihood of remaining non-poor. The insignificance of land size holding in the ‘remaining poor’ and ‘out of poverty’ models could be due to the fact that the poor have small land holdings and this perpetuates their remaining in poverty or, for those who gained some land, such acquisition was marginal to take them out of poverty.

One interesting result, which is usually ignored in poverty studies, is the fact that being in salaried employment has the largest marginal impact on poverty compared to household land sizes. The employment status of the household head reduces the likelihood of being poor, increases the likelihood of escaping poverty and reduces the likelihood of remaining poor. The marginal impact of the household head being in salaried employment is higher than any other variable included in these models. These results are consistent with the findings in earlier poverty studies in Malawi in which the effect of per capita land holding on per capita expenditure was smaller than the effects of participation in a public works employment program (a safety net based on salaried employment).

Feasibility of Land Redistribution in Malawi

The results suggest that land reform, particularly redistribution of land to the landless or near landless, may be necessary for the agricultural sector to play an important role in poverty reduction. There are several opportunities for land redistribution on a voluntary basis in Malawi. First, it is estimated that 2.6 million hectares of suitable agricultural land remain uncultivated (GOM, 2002c). However, the landless do not have information on the availability of land and the resources that would enable them to emigrate to such areas.

Secondly, recent studies show that the changing economic environment and the decline in estate agriculture, particularly tobacco estates, offer some opportunity for the government to attend to the land problem in the smallholder agriculture sector. Some estates have been abandoned while others are dormant. Estates occupy over 1 million hectares but much of this land is being under-utilized, partly due to poor management and competition from smallholder burley tobacco production leading to declining profitability of estate tobacco. There has also been an increase in the number of estates that are being offered for sale in the print media. The Ministry of Lands, Physical Planning and Surveys (MLPPS) expects that a good number of tobacco estates will be available for redistribution given the declining profitability of burley tobacco and has already identified between 17,000 to 25,000 hectares of land for acquisition.

Thirdly, most estate land, particularly for non-plantation agriculture is owned by Malawians, and problems of land reforms that ensued under a fast track land reform program in neighbouring Zimbabwe, due to the ethnicity of commercial farm ownership structure, may not be experienced in Malawi.

Fourthly, the demand for a land redistribution and resettlement program is high among smallholder farmers, landless and those who have some land. Using a sample the 827 smallholder farmers drawn from four districts in southern Malawi, 58 per cent expressed willingness to participate in a land development program that promises more land and more than 90 per cent of those who are willing to participate were also willing to contribute towards community based investment, to adopt modern techniques of farming and willing to register and title their land.

Despite these opportunities, there are several constraints that may hamper an effective land redistribution policy in Malawi. One of the main problems is availability of resources to implement a land reform program. The program is currently highly dependent on donor funding for implementation and for acquisition of land. Opportunities for land acquisition arising from voluntary sale by estate owners may therefore be lost. In addition, the demand for land is likely to be high and it may be necessary to ensure community-based targeting, which consequently may raise the cost of a land redistribution policy.

Conclusion

Although land reform is ranked a seventh strategy in the current MPRS, the fact still remains that adequate land is a basic resource for any viable agricultural strategy. Efforts to develop the agriculture sector in the past have proved futile in an environment in which land is unequally distributed. Arguably agricultural-based pro-poor strategies that do not address the question of access to land in Malawi will be as ineffective as they have been in the past four decades. The following recommendations emerge from the study:

- As Malawi reviews its poverty reduction strategies, land reform and land use should be the first ranked strategy for the agricultural sector to generate pro-poor growth.
- Land redistribution alone is not sufficient for poverty reduction. The approach to land reform should therefore be holistic. Land distribution must ensure that land is secure and households must be provided with base capital and extension services that will enable them make the best use of the land.
- Access to land must also be complemented by access to non-land assets, access to credit markets, access to extension services and training of beneficiaries in modern farming techniques.
- Since agriculture in southern Africa is subjected to weather shocks, it is also important to invest in water harvesting facilities under the land reform program to facilitate irrigation farming.