

COVID-19 PANDEMIC AND ITS IMPACT ON AGRICULTURE AND FOOD SECURITY



Policy Response for Malawi

Malawi announced the first confirmed case of COVID-19 on April 2, 2020. The number has since risen to 529 as of June 14, 2020 with only five deaths and 66 recoveries. Malawi has put great effort into developing country-wide measures to contain the pandemic, and there is registered progress. Since the announcement of the first case, government measures include announcing a Special Cabinet Committee on COVID-19 with an aim to provide policy guidance. The government closed Malawi's land borders, and restricted flights, suspending all international flights beginning April 1, 2020 and allowing the transport of only essential goods and services.

Impact of COVID-19 in Malawi

The COVID-19 pandemic has affected various sectors of the economy as a result of both global and national actions that have themselves disrupted the normal functioning of government, businesses, and also normal life. International and national travel restrictions have disrupted supply chains: in-country as well as export and import. Businesses of all sizes, but especially SMES, have been impacted; the hotel and restaurant sector has been hit hard.

Impact on GDP

Preliminary assessments from IFPRI¹ indicate that COVID-19 is likely to cause overall GDP losses of 11.6% (-\$223 million) during the two months of restrictions. IFPRI's analysis further showed that services are the most affected (-\$155MM) followed by industry (-\$48 MM) and then agriculture (-\$20 MM). Agriculture GDP is likely to decline by 3.5%, but agri-food systems (AFS) will likely contract by 8.2%, due to the indirect impact of social distancing. The national poverty rate is estimated to have increased by 5.8% after two months of social distancing (1.1 million additional poor people) based on the national poverty line. The government of Malawi has revised its economic growth forecast for 2020 downwards to 1.9% from an earlier projection of 5.1% because of the impact of the COVID-19 pandemic. On June 5, 2020 during the State of the Nation address, the President projected a sharp drop of annual GDP growth of around 5% in 2020 but expected growth to rebound to 4.5% by 2021. During the presentation of the 2020/2021 budget in parliament, the Minister of Finance announced a reduction of 35% in revenue collection this year by the government of Malawi due to the impact of COVID-19.

Impact on agriculture

Malawi's economy is heavily dependent on agriculture. About 80% of the population is employed in the sector which contributes around 33% to GDP, and over 90% of foreign exchange earnings. Restrictions related to COVID-19 have led to serious disruptions and agricultural structured markets (e.g. tobacco) have been delayed or are functioning below optimum levels. This is resulting in loss of income to farmers, as well as increased storage costs and losses. In addition, operations of local input and output markets including food markets are restricted. Export and import of agricultural commodities and supplies have been crippled due to border closures, which has affected local food

¹ Bob Baulch, Rosemary Botha & Karl Pauw (June 2020): Economic Impacts of COVID-19 on Growth, Poverty and Food Systems in Malawi: Initial Results, International Food Policy Research Institute



supplies, input supplies and overall income streams for the farmers. The result is likely to be increased food insecurity and malnutrition, loss of income and declining livelihoods - especially for the majority poor farmers in rural areas.

COVID-19 is further impacting agriculture through restrictions on border entries and exits, blockages to transport routes, delays in customs clearance and restrictions on marketing activities including permit requirements for food traders. The indirect effects of the pandemic may affect credit systems, capital costs, and cause fluctuations in exchange rates. These could also impact the supply of seeds, fertilizers, pesticides, feeds and fuel, and the availability and price of farm inputs. Permit requirements are also expected to hamper the movements of agricultural inputs and outputs by traders, as the permits are likely to be prohibitive for many small and medium scale firms who transfer inputs to rural areas and outputs to sell in urban centers. Disruption of the Agricultural Development and Marketing Corporation (ADMARC) markets are impeding crop purchasing, and delaying government replenishment of stocks for both ADMARC and the Strategic Grain Reserve (SGR). This is constraining subsidized sales and humanitarian assistance. The disrupted markets and reduced purchasing volumes from ADMARC and private companies mean that households have diminished income from crop sales. Some traders are resorting to the use of informal routes without checkpoints, and as result, informal imports of maize from Mozambique to areas of southern Malawi are continuing. The movement restrictions are also reducing purchasing power among households who hire labor. This is increasing household food insecurity especially among already vulnerable families. The government has set aside MK10 billion (\$14 million) for procuring grain through ADMARC. The amount is enough to support the purchase of 50,000MT of maize at MK200/kg. A total of \$6.7 million has been set aside for restocking the SGRs.

The other area which has been heavily affected are the farmer support systems which provide much needed technical and financial support to farmers and local agro-dealers. These include extension systems, technical services (e.g. veterinary services, pest control), land administration services and financial services. Due to restrictions on social distance, movement and office operations, officials from government extension and technical services are not able to provide much support to farmers to help them achieve the best results. Also due to the financial and economic squeeze - including prioritization to funding the health systems to support an increasing caseload of COVID-19 patients, funding to priority agriculture activities has been reduced, resulting in fewer activities to support agriculture services.

The government developed a National COVID-19 Preparedness and Response Plan. In synch with the national plan, the Ministry of Agriculture and Food Security also developed a COVID-19 response plan for fiscal year 2019/2020 to 2020/2021 aimed at addressing the impact of COVID-19 on people's livelihoods and the agriculture sector. While supporting the national response plan, the sector response plan needs to be anchored within the framework of the national agricultural investment plan (NAIP) and as such needs to be coordinated within the sector coordination arrangements, and at the same time be open to integrate other sectors' inputs and representation.

Government Response

All interventions by partners should aim to strengthen the government's capacity to plan and implement results-oriented COVID-19 response interventions. The government plan has identified two key areas to facilitate effective implementation of the agricultural sector COVID-19 response plan.

- **Facilitating functioning of inclusive multi-sector and multi-disciplinary coordination platforms** to ensure the COVID-19 response brings effective and sustainable results. This will involve supporting the functioning of coordination and partnership arrangements that provide technical leadership and inclusive engagement to address the impact of the COVID-19 pandemic on agriculture and food systems. Some of these will include supporting coordination structures to deal with the COVID-19 pandemic.

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- **Generation of knowledge and evidence to guide design of appropriate interventions.** The evidence generation will involve analyzing the effects (current, emerging and future) of COVID-10 on agriculture and food systems. This will involve providing technical and financial support to undertake agriculture sector-specific assessment studies that will inform sector response plans in the longer run. The support will also be targeted at strengthening systems for collection, analysis and dissemination of market information through digital technologies. This information will guide both government and farmers' decisions by providing up-to-date and readily available market information during the precarious period of the COVID-19 pandemic and beyond.
 - Enhancing a marketing information system for the country;
 - Provide immediate food/cash assistance to urban and peri-urban vulnerable households affected by COVID-19.

Policy Response Package for Malawi

- Set up and support implementation of the Youth and Women Flagship Program;
- Post-harvest handling, construction of storage facilities, aggregation/purchase of produce and stocking the grain reserve;
- Strengthening the National Agriculture Management Information System (NAMIS);
- Strengthen digital systems in terms of data collection, processing, storage and reporting;
- Support analysis and assessment about the impact of lockdown on the food trade system to enable future interventions;
- Expand livelihoods programs/re-orient them to reflect COVID-19 challenges. This would also involve coordinating food assistance implementation programs to the targeted populations affected by COVID -19. This could be through the streamlining the current Farm Input Subsidy (FIPS) program.

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