Breaking the subsidy chains
Malawi’s agricultural economy has always relied on some sort of farm input subsidies since the one-party regime. The most common and important of these is fertiliser subsidy. During the MCP regime, there used to be the universal fertiliser subsidy whereby the cost of all fertiliser on the market was heavily subsidised by the State to make fertiliser not only cheap but also affordable to all farmers. However, as the saying goes, there is nothing for nothing. Somebody was paying for these subsidies and the hand of the donor partner was involved. Then, there came a time when the donor began to feel that something was not going as expected and after various studies, donors decided to withdraw their support, arguing that the subsidy that was meant to assist the poor subsistent farmer was actually supporting the well to do—commercial farmers nationwide.

It is important to note that overall, the donor community does not support subsidies that are implemented across the board. In the case of the MCP era, the subsidy that was supported was that which should have been meant to cushion poor farmers from the effects of increasing fertiliser prices. Eventually, donors won the argument and for some time there were no subsidies. Instead, we saw government promoting farmers’ clubs with short-term loans to be repaid fully at the end of each farming season. When most farmers were unable to repay the loans, the programme was suspended and it became a game of everyone for himself.

When the UDF government took over, it renegotiated with donors to re-start the subsidy programme but in such a way that the concerns that led to the withdrawal of donor support were taken care of. Hence, the re-christening of the programme to Targeted Input Programme (TIP). With TIP the programme was no longer going to have a universal subsidy element of subsidising the fertiliser cost at importation stage, but rather only targeting those members of the community that were seen to be most vulnerable.

In short, TIP targeted the poorest of the poor. Thus, the price of fertiliser would overall remain as dictated by market forces while government, through the donors who supported TIP, programme would only subsidise the purchase price for those targeted on the project and identified through coupons. TIP registered successes in the initial years by having the effect that the donor partners agreed to have it extended for a few more years.

The programme, now wearing the garb of the Input Subsidy Programme (FISP), was so successful under the DPP government that it was hailed as the major contributing factor to the increase in food security at household and national levels. So successful it was that the late president Bingu wa Mutharika was internationally recognised and invited to present a lecture in the USA on the successes of the Malawi Government in sustaining food security through the subsidy programme. The subsidy programmes that have been implemented by UDF, DPP and PP have all been the same in their approach of targeting a specific group of people. This is contrary to what MCP has always been advocating for to have a universal subsidy that does not discriminate anyone. It is not clear how such a programme would be implemented given the cost implications.

Already, there are indications that even the targeted subsidy programme currently in place is eating too much into the national budget. That aside, there is the bigger question about whether these subsidies should continue forever without a cut-off point.

During the UDF reign, there was a time when the whole subsidy approach was founded on the vision that it was a temporary relief sort of programme. It was even called a Starter Pack. As the name sounds, a starter pack would contain some amount of fertiliser and seeds to be used by the subsistent farmer for at least one farming season. The expectation was that the starter pack would be enough to help the farmer realise enough proceeds with which they would be able to buy their own agricultural inputs in the following farming season.

But there is sometimes contradiction between theory and practice. While the objective of these subsidies has been to help subsistent farmers in the shortest time possible, such as one farming season, the practice is that farmers expect government to subsidise farm inputs. There is just too much dependency on fertiliser subsidies. An interesting incident caught me by surprise in one district recently where I met an elderly man who complained that he could not understand why he has not received his starter pack.

For many, accessing subsidised farm inputs means having to spend nights at fertiliser depots. The expectation was that the starter pack would be enough to help the farmer realise enough proceeds with which they would be able to buy their own agricultural inputs in the following farming season.

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Politics of subsidy in Malawi

BLENNINGS CHINISINGA
POLITICAL ECONOMIST

Why should we be concerned with the politics of the subsidy programme popularly known as FISP? For many, I would argue, there is absolutely no point in discussing the politics of FISP. They would contend that we have to simply continue as we are. It is impaled because it has been tremendously successful. It has brought Malawi into the limelight christened as the pace-setter of the uniquely African Green Revolution.

The apparent success of FISP encouraged several sub-Saharan countries to consider a return to subsidies as a key strategy for revitalising their fledging agricultural sectors. In 2011, for instance, 10 African countries raised roughly $1.05 billion [K473 billion] on subsidy amounting to 28.6 percent of their public expenditure on agriculture. However, this success is now crumbling. In 2012 alone, reports indicate that more than 1.63 million people, or eleven percent of the population, are facing severe food shortages and Malawi requires $30 million [K1.5 billion] to meet the shortfall by the end of 2013. What happened to the FISP magic?

The adversities in climate in recent years have to be acknowledged, but surely they would not fully explain the situation. In fact, what is happening is almost a poor imitation of the fortunes of FISP. It is against this backdrop that getting to grips with the underlying politics of FISP is extremely relevant. It is important that we understand the policies and how they will affect the people and fall in proper perspective. In fact, just talking about the politics of FISP is not enough. It would be more prudent to grapple with the political economy of FISP.

Understanding politics and political economy

What does politics exactly mean? This is not an easy question. The definition of politics is heavily contested. It means different things to different people. The simplest definition of politics is conflict, which arises whenever two or more people interact. So, broadly speaking, politics is an integral part of core human existence.

According to Adrian Leftwich, politics comprises all the activities of cooperation and conflict within and between societies, whereby the human species goes about organising the use, production and distribution of human, natural and other resources in the course of the production and reproduction of its biological and social life.

This broad understanding of politics is further amplified by Andrew Heywood. He defines politics as the activity through which people make, preserve and amend general rules under which they live. The implication of this definition is that both at macro and micro levels, politics can be understood simply as rules of the game that guide patterns of human interaction in the use, production and distribution of resources.

Bringing economics into the mix gives rise to political economy. Broadly speaking, political economy entails the study of both politics and economics particularly the interaction of the two with particular emphasis on how they influence policy decisions, institutional choices and capacity for development.

Consequently, the political economy lenses help to understand what drives political behaviour, how this shapes particular policies and programmes, who are the main winners and losers, what are the implications for development strategies and programmes. And this provides an opportunity to fully grasp the political, economic and social processes that either promote or block pro-poor change.

The origins of FISP

The starting point, of course, is to realise that the origins of FISP are intricately related to the country’s politics particularly the May 2004 electoral processes. Triggered by two severe hunger episodes in quick succession since the turn of the new millennium affecting 3-4 million people, a strong national consensus emerged that something had to be done to address the problem that had become more or less routine.

All the major political players were agreeable to the proposal to subsidise production beyond what was being done through either Starter Pack (SP) or Targeted Input Programme (TIP). While these interventions had given a long way to contain the food insecurity problem, they did not deal with it in a sustainable manner.

There were, however, stark differences between the governing block led by UDF and the opposition camp led by MCP. The UDF coalition advocated for FISP covering only maize, and administered through the use of coupons or vouchers while the MCP block pushed for universal FISP administered through farmers’ clubs targeting both maize and other cereals. This clearly reflected the differences in the priorities of areas perceived as their respective strongholds.

In principle agreeable to FISP, it was, however, hesitant to implement it immediately after the May 2004 electoral victory. Donors weighed in, arguing that the implementation of FISP would be tantamount to the reversal of economic reforms that had already started bearing fruits. They cautioned that implementing FISP would remove the government from reaching the debt relief completion point.

The implementation of FISP only started following the unprecedented political events of February 2005. Late president Bingu wa Mutharika ditched UDF in 2004, declared his political sovereignty and formed his own party, DPP. The bloated opposition put enormous pressure to force the government to sanction the implementation of FISP. Mutharika had no choice but to implement FISP.

FISP provides a critical lifeline to many smallholder farmers in Malawi

Government must choose between continuing with the subsidy programme while letting other social services such as health and education suffer perpetually. This analysis might persuade government to consider dropping the subsidy programme or at least roll it back a little.

Finally we have to come to the political factors. Politics and economics are twins. You cannot wish away one for the other. Economics influences politics just as politics determines economic policies. When it comes to the agricultural subsidy programmes, one cannot fail to notice that these are very popular programmes to the local man and woman out there. If any political party today comes up with a policy that eliminates agriculture subsidies completely, that party will be digging its own grave.

Like I have said, people are so much used to these subsidies that they cannot do without them. In fact, they
How politics clouds subsidy

AUSTIN MBAMBA
Agri-business specialist

The Farm Input Subsidy Programme (FISP) was introduced in 2005 as a way of alleviating food security problems in the country as well as alleviating poverty; hence, improving people’s livelihoods. Over the years, FISP has improved people’s access to food. Nevertheless, the programme has proved to be too costly and in the long run the country will not be able to sustain it. Studies conducted on FISP have shown that the programme is too costly to be sustainable in the long term. This calls for alternative policies that must be both beneficial and sustainable for the greater good of the country.

To understand the issues of subsidies better, we need to look at how they appeared on the scene. From 1964 to 1980, the policy environment was such that the main targets were production and marketing of agricultural products. At the time, the government was the Farmers Marketing Board which in 1971 became Admarc as we know it today.

In 1981, the National Seed Company of Malawi (NSCM) now known as Monsanto after it was privatised. It was responsible for setting certified seeds to farmers. During this era, farmers benefitted from the system since most companies were smallholders. This meant that farmers had a ready market for their produce and prices were known in advance because they were fixed. Farmers also had access to subsidised smallholder agricultural credits. Even input prices were subsidised.

FISP has been credited with improved food security in Malawi and the country.

FISP was introduced to derail DPP’s legislative agenda should FISP not be implemented. FISP was adopted as government policy, the fierce resistance from donors with support from domestic fiscal conservatives notwithstanding. While agreeing to the implementation of FISP, Mutharika resisted the idea of a universal subsidy. He insisted on the use of vouchers or coupons to ensure effective targeting in the interest of equity, justice and fairness.

Political exploitation of FISP

The maiden FISP was tremendously successful, breaking down the vicious cycle of hunger the country had been trapped in for nearly two decades. Mutharika claimed the success and ran away with it, presenting himself as the sole architect of FISP, and fully exploiting the political capital that was associated with the grand success narrative of FISP turning around the food security fortunes of the country. It became almost impossible for the opposition to claim that they were the brains behind FISP. While the gap between budgeted and actual expenditure was reasonable in the maiden FISP, it kept on expanding at a faster rate until after the May 2009 general elections. In the 2009/10 season, the budgeted and actual expenditure were essentially the same. Some interesting developments took place between 2004 and 2009. There were two rounds of coupons for FISP. The first round was administrated largely in a transparent and accountable manner and its benefits were broad based whereas the second round was administered

Seeking alternatives to FISP
Felix Jumbe, a large-scale farmer in the Central Region, is nostalgic about the days when commercial maize and tobacco farming was a rewarding enterprise. But with the arrival of the Farm Input Subsidy Programme (FISP)—now in its ninth season—Jumbe says the sun is setting on Malawi’s large-scale farming.

This decline in commercial farming is detrimental to national food security, economic development goals and industrialisation of the agriculture sector, he warns.

A decade ago, commercial farmers accounted for around 20 percent of Malawi’s farming community. Today, the figure for large-scale growers is down to five percent or 150,000 farmers, says Jumbe, who resigned early last year as president of the Farmers Union of Malawi (FUM) to join active politics.

Launched in the 2005/06 cropping season to help boost maize production, promote household food security and enhance rural incomes, FISP targets roughly 50 percent of the country’s farmers or around 1.5 million households.

The beneficiaries receive subsidised fertiliser and seeds—distributed through vouchers—for production of maize and tobacco. I stopped that a decade ago,” Jumbe explains.

There are plans to extend FISP to tea and coffee farmers, but these were not implemented after DPP’s victory. Likewise, the subsidy on tobacco was discontinued after May 2009.

How many poor farmers have genuinely benefitted from FISP?

FISP has harmed commercial farmers

Kabisakabisa: FISP has harmed commercial farmers

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accept any price above K35 for maize during the market, while we have to look at more than K70. How can the large-scale farmer compete?” says Jumbe.

Consequently, Jumbe says, most commercial farmers have found tobacco and maize farming to be unprofitable. This has forced them to sell off their farms, diversify to livestock or, like him, venture into seed production on the same land he was growing produce.

“I have a 250-hectare farm where I used to grow maize and tobacco. I stopped that a long time ago. I now produce seeds on 200 hectares. It is more profitable than maize and tobacco. I use the remaining land for growing some subsistence maize to feed my workers whereas the other land goes to groundnuts and other non-traditional crops,” he says.

While the Ministry of Agriculture concedes that subsidies generally distort markets, the authorities argue that the maize produced with FISP’s support is primarily meant for household food security, not necessarily for commercial purposes; and contend that such produce cannot be of great competition to larger growers.

“For sure, subsidies have crowded them [large-scale farmers] out of local markets [in terms of] home consumption, but I should think it is an opportunity to target other existing markets,” argued Sarah Tione, the ministry’s public relations officer.

After all, the maize market functions internationally as well as locally, she said.

Those who buy from smallholder farmers target such markets as well as the processing sectors; hence, a serious commercial farmer, subsidies are a way of enhancing their capabilities to explore wider markets,” said Tione.

Besides in terms of volumes of production, smallholders cannot easily break even compared to commercial production, she added.

Tione also said the unprofitability of maize for the commercial farmer cannot be fully attributed to subsidies, but also to the nature of the crop and its relationship to food security.

For example, in years when production is low, prices tend to be too high for an average Malawian, she said.

When this happens, government is forced to intervene with supply in the markets, thereby affecting prices of commercial farmers; hence, she says, it is unreasonable to heap all the pricing problems of commercial farmers on FISP.

But Fortune Kabisakabisa, the ministry’s public relations officer, questions the notion that subsidies have crowded commercial farmers out of the markets.

Kabisakabisa: FISP has harmed commercial farmers

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almost exclusively through political functionsaries and largely for strategic political purposes.

In per capita terms, the second round of coupons was targeted predominantly at the Northern Region owing to electoral capacity as a swing region. The second round was discontinued after DPP secured a landslide victory in the May 2009 general elections.

The FISP package was subjected to changes almost on a continuous basis. Legumes were introduced at the insistence of donors as a strategy for diversification, promotion of nutrition and income among farmers. The FISP package was altered to include pesticides for maize storage and extended to cotton farmers.

There have been debates about the exact number of smallholder farming families in Malawi to determine the efficacy of FISP targeting exercise. The figures between the National Statistics Office (NSO) and the Ministry of Agriculture and Food Security differ dramatically.

The latter’s estimates are substantially higher but there has not been the political will to reconcile the differences once and for all concerted efforts norwithstanding.

The failure to reconcile the differences despite being facilitated was for strategic political reasons. The lack of clarity provided room of manoeuvre for government to play around with the distribution of FISP inputs to shore up its political support.

There is every reason to believe the credibility of this particular argument following the recent resolution of the media that government has been able to save about K20 billion without actually affecting the volume of inputs procured for the programme.

Alternatives to the current version of FISP

Politics of FISP in Mw

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Subsidy programme not going anywhere

are expecting more and more subsidies such that in every village, everyone wants to benefit every year. All factors put together, it is these political factors that will be most considered by government in determining the next course of action. It is not easy for government to discontinue the programme as that will make it an obvious enemy of the voter. Government is caught between siding with the voter on one hand or the donor on the other. As at now, donors seem to be of the view that subsidies have outlived their intended purpose.

My conclusion, therefore, is that there is need for a serious review so that there is a clear understanding at the national level on the type of agricultural subsidy programme that is to be implemented and that both the implementer and the beneficiaries should share the same understanding. Deliberate efforts must also be made to ensure that at some intervals some farmers should be weaned off the programme so that elements of cost cutting can come in. Otherwise, you have a programme that is continuously expanding in terms of its funding requirements.

A bold step that government could take is to implement a short-term agriculture subsidy programme that has a cut-off point. At the cut-off stage, the country must consider agriculture not only as contributing to the local food security programme but it should also become an export-oriented business. Let us commercialise our agricultural industry. The subsistence farming song has been sung for too long now.

Let me end my discussion by acknowledging that agriculture subsidies are not the only subsidies that have been implemented in this country.

We have had fuel subsidies that cushioned the prices of fuel in the past but these have since been removed. There are also various forms of subsidies in water and electricity tariffs for some sectors. Most services offered by public schools and hospitals are also heavily subsidised.

Can the present Malawi do without subsidies? I do not think so. I view this as a fundamental question and planning it is possible in the near future.

Winners and losers of farm input subsidy

who in May last year harvested 2,000 50kg bags of maize or 100 tonnes grown on 10 hectares on the western outskirts of the capital city Lilongwe, quashed the ministry’s assertions that the export market is available and dismissed the larger farmer’s so-called economies of scale advantages as “fallacies”.

Farmer’s so-called economies of scale advantages as “fallacies”

The subsidy coupon is a precious commodity for many poor farmers

The CSOs argued that despite government making local and international commitments that the health allocation will be 15 percent of total annual government expenditure—amounted to 16 percent of total GDP in 2005/06 when it started,” said Munthali, former president of the country director of Innovations for Poverty Action (IPA) in Malawi, a research think-tank.

The peak in domestic debt appears in 2008/2009, which also coincide with the high subsidies/deficit/GDP ratio and this was the also the year the subsidy cost was 6.6 percent of GDP and the subvention, which was over 87 percent, was partly due to higher fertiliser prices and partly due to expansion of the programme,” note the authors.

The challenge is that the programme’s efficiency has become inefficient in meeting its goals, argues Dr Thomas Charalaghalala Munthali, a research director and the country director of Innovations for Poverty Action (IPA) in Malawi, a research think-tank.

The dominance of FISP in public health, HIV and AIDS services within the agricultural sector such as research, development they appear to be 15 percent of total annual government expenditure—amounted to 16 percent of total GDP in 2005/06 when it started,” said Munthali, former president of the country director of Innovations for Poverty Action (IPA) in Malawi, a research think-tank. The peak in domestic debt appears in 2008/2009, which also coincide with the high subsidies/deficit/GDP ratio and this was the also the year the subsidy cost was 6.6 percent of GDP and the subvention, which was over 87 percent, was partly due to higher fertiliser prices and partly due to expansion of the programme,” note the authors.

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"We believe that other resources to health should come from FISP which is increasingly becoming inefficient, ineptic and a fertile ground for corruption as well as a gravy train for political bootlickers, ruling party financiers and a campaign tool masquerading as a pro-poor welfare initiative that is bankrupting the country and which has failed to pull its targeted beneficiaries out of poverty trap as envisioned in 2005/06 when it started,” the CSOs said in a statement.

On the other hand, as a ratio of the overall agriculture budget, FISP consumes between 50 and 60 percent of the budget allocation in the Ministry of Agriculture budget means that other services within the agricultural sector such as research and extension outreach are suffering, according to the Civil Society Agriculture Network, a coalition of NGOs working in the agriculture sector.

FISP may also have contributed to higher budget deficits over the years according to the study by Chiwera and others.

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How FISP produces winners and losers

In search of FISP alternatives

Unraveling the politics of FISP

not eligible to benefit because they are not poor but connected to authorities. This translates into around 900,000 of the total 1.6 million beneficiaries that government has targeted to reach this farming season.

The study explains that FISP is not achieving its intended objective of helping the poor move out of poverty because most coupons are not distributed based on poverty levels but other factors that come into play, including relationships with community leaders.

“Our analysis shows that FISP is not poverty-targeted in that it does not exclusively target the poor or the rich at any level of the programme administration. The programme reaches all socio-economic strata of rural Malawi. If there is any targeting, it is in the middle of the welfare distribution. As such, the share of the non-eligible population receiving FISP benefits ranges from 52 to 57 percent depending on the eligibility indicator used,” reads the World Bank report.

More disturbing perhaps are research reports by Rodney Lunduka and others on FISP that reveal widespread diversion largely at the hands of politicians and government officials.

This diversion of the inputs is one of the most crippling problems facing FISP. Diversion refers to both coupons and subsidised fertiliser that is taken by government officials and resold as commercial fertiliser, whereas leakage refers to coupons and subsidised fertiliser that is resold by recipient households on the secondary market.

“There is evidence to suggest that diverted and leaked coupons have found their way to smallholder farmers who purchase coupons in the illegal market or access cheap fertiliser sourced from FISP,” reads the report published in Agricultural Economics of August 1, 2013.

Evidence shows that better-off individuals who are less cash constrained often acquire diverted and leaked fertiliser, a target miss that has negatively impacted on FISP outcomes and hit the commercial inputs markets hard.

“To the extent that these households use the diverted and leaked subsidised fertiliser in place of commercial fertiliser, then diversion and leakages contribute to crowding out of commercial fertiliser, which reduces the total amount of new fertiliser that enters the system and ultimately ends up on farmers’ fields,” says the report. Assessing displacement of commercial sales is difficult largely because research on this specific subject is sparse. But a review of two studies— one by Jacob Ricker-Gilbert and TS Jayne of Michigan State University in the USA titled ‘Do Fertiliser Subsidies Affect the Demand for Commercial Fertiliser? An Example from Malawi’ and one by Chirwa and others, shows a certain level of displacement.

“It seems that the programme may have distributed subsidised fertiliser to people who would have otherwise purchased fertiliser at commercial prices. The programme also generated some inefficiency with 0.2kg of commercial fertiliser displaced by every kg of subsidised fertiliser,” write Ricker-Gilbert and Jayne. Even though Malawi has incorporated the private sector into its distribution process, government still bears the majority of the subsidy cost.

Consequently, subsidised fertiliser goes to farmers who would have otherwise paid a commercial price rather than to those who would not.

This is inefficient, according to Ricker-Gilbert and Jayne.

“Targeting must be effective and the programme must be minimised to ensure that the subsidies achieve the programme’s objective of increasing yields and food security while minimising wasteful spending,” say the researchers.

The Michigan academics’ findings largely agree with those by Chirwa and others who established that a one percent increase in subsidised

of the produce if it foresees a drop in market price, thereby ensuring that farmers do not sell when prices are too low. When demand increases, the produce can be sold at the better prices, thus prices become fixed. Sometimes ceiling prices can be implemented so that prices do not go too high and floor prices to make sure they do not go too low.

Credit subsidies are also an option where, instead of reducing prices of inputs, farmers can have access to them at below market prices as was the case in the past. In this case, it would be very important that farmers are given money and let them choose what to buy. Thus, credit should not be in the form of inputs such as seeds to avoid problems brought about by input subsidies. It also means putting in place strong policies to ensure repayment of the loans.

In a way, it is better to use a system of improved delivery of inputs at full cost achieved by using concessional input credits as was the case in the past. In this case, only credit should not be in the form of inputs such as seeds to avoid problems brought about by input subsidies. It also means putting in place strong policies to ensure repayment of the loans.

In the current version of FISP, the subsidised inputs go to farmers who hardly make productive use of the inputs or extend FISP to districts where the cultivation of maize is clearly a misnomer?

We need to sober up a bit. The GBI, if correctly implemented, offers an opportunity to experiment with a redesigned FISP using one or a combination of the suggested alternatives to the current version of FISP. We are not that helpless that we can fail to do what is right for this country. We simply have to be prepared to make tough choices in the interest of the greater common good.
Impact of subsidy on poverty alleviation

Brighton Makaako
Agri-business Specialist

The term subsidy refers to an amount of money that a government or an organisation pays to help reduce the cost of a product. There are a number of subsidies that governments implement in different areas such as health subsidy, food subsidy, agricultural subsidy and petroleum subsidy. In neo-classical economics, the price of a commodity is equal to its cost of production and by lowering the price of the product it implies that one has to pay a lower cost. Hence, subsidies are usually paid from tax revenues although this is not always the case.

Agricultural subsidy involves government paying some money to lower the price of inputs such as fertiliser, seeds and insecticides. These subsidies are placed on a number of selected cash crops such as tobacco, maize and cotton. The objective is to ensure that poor farmers have access to the necessary resources to use for production. In 1984, during the implementation of Structural Adjustment Programmes (SAPs), a number of reforms were effected in different sectors. SAPs were put in place by the World Bank and the International Monetary Fund (IMF) with the aim of improving economic performance in developing countries. Developing some of the reforms the Government of Malawi implemented in the agricultural sector was the removal of fertiliser subsidies through a programme called Fertiliser Removal Subsidy Programme (FRSP). FRSP was later suspended due to high fertiliser prices on the market.

The Farm Input Subsidy Programme (FISP) was re-introduced in Malawi in the 2005-2006 growing season with three objectives of increasing maize productivity, enhancing rural incomes and promoting food security.

Statistics indicate that maize production increased remarkably since the country devoted more resources to subsidising fertiliser. Although FISP resulted in higher yields in the first years of implementation, the yields have been declining year after year. There are a number of reasons that have led to this inverse trend. On the contrary, despite significant increases in crop production, maize prices have also been rising sharply over the years such that the poor cannot afford to buy the commodity.

One problem that has dogged the programme is poor administration of the coupons which results in leakage of coupons as well as the fertiliser. This has created a situation where subsidised fertiliser is sold at market at higher prices, sidelining the poor who are the intended beneficiaries. As such, the poor lack the resources to use for production; hence, low yields.

On the other hand, coupons and fertiliser have usually been delivered late when the rains have already started, forcing most farmers to plant late. This has resulted in low yields because husbandry practices are not carried out on time and crops do not make full use of the rains.

Many researchers have carried out studies to analyse the impact of FISP. Experts argue that evaluation of the impact of FISP is marred by unreliable estimates of crop production and areas of land cultivated as well as difficulties in identifying coupon recipients. Other factors such as soil conditions, weather patterns and farming practices will affect average yields.

With respect to FISP variations in the make-up of the benefits package, complementary input use by beneficiaries and input displacement or land allocation effects lead to differential impacts of the programme.

Subsidies on food or fertiliser rarely reach the poor, a situation that benefits civil servants, professional workers and the both seeds and fertiliser will allow farmers to carry out the necessary operations.

On the other hand, it is crucial that only the targeted beneficiaries access subsidised inputs. This will ensure that poor households have improved resources to use for production.

There is also need for government intervention in introducing and disseminating improved farming technologies to rural growers. This can be achieved by promoting extension services in rural areas. Extension workers will be working hand in hand with farmers in production, marketing and storage.

Above all, a well administered general subsidy is key to achieving food security. The subsidy programme should not only target the poor but also other people participating in the agricultural sector.Targeting producers with higher marginal productivity is an efficient way of achieving food self-sufficiency at the national level. Vulnerable households are expected to benefit indirectly from higher maize production because of increased demand for labour, lower prices and a stable maize market.

Fertilisers reduce demand for commercial fertilisers by 0.39 percent. With the credibility of FISP based on its current design facing in question, experts such as economist Munthali are now pushing for a more commercially oriented subsidy programme if it must continue without necessarily abandoning the initiative’s social protection role.

According to Munthali, research seems to suggest more focus on maintaining FISP as a safety-net programme, as a means to achieving food security and as a way of boosting income levels of the poor.

“The latter two would need targeting the capable farmers [largely commercial level farmers] who have the technical and managerial capacity to do so. These would produce adequately for the market,” he said.

Munthali explained that studies by Innovations for Poverty Action (IPA) show that farmers can easily graduate out of FISP if banks give them access to commitment savings accounts [life fixed deposits] where they would commit to keep their money until the time of fertiliser purchase.

On the other hand, he said, would help smallholder farmers to keep money and buy fertilisers when the time is due, adding that this is a sustainable way of helping the vulnerable graduate out of FISP while retaining commercial farmers.

“Politics has marred the subsidy programme and there is need for a bold decision to scale it down to what it is supposed to be—a safety net for the ultra poor only,” he said.

Until then, the losers in the FISP debate will continue to be not only capable farmers, but also Malawi’s fertiliser industry, people in need of social services such as HIV and Aids health care, many people who are outside the world of political favours and connections, as well as the tax payer.

In short, the majority of Malawians.

Giving FISP winning formula

Giving FISP winning formula

Above all, a well administered general subsidy is key to achieving food security. The subsidy programme should not only target the poor but also other people participating in the agricultural sector. Targeting producers with higher marginal productivity is an efficient way of achieving food self-sufficiency at the national level. Vulnerable households are expected to benefit indirectly from higher maize production because of increased demand for labour, lower prices and a stable maize market.