COMPARING FISP TO ALTERNATIVE PROGRAMS THAT HELP SMALLHOLDERS

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We want to support smallholders

• But how best to do it with limited resources?
• Does everyone need the same intervention?

Malawi’s FISP

• Gives 100 kgs of fertilizer and 5-8 kg seed at subsidized rates.
• Requires: land, labor, soil, knowledge.
• Should be targeted to people who don’t buy (much) commercial fertilizer.

Therefore, FISP is a production enhancing program first. Social protection to reduce poverty and vulnerability second.
Some households reduce vulnerability due to FISP

The extent of the overlap depends on how many households can make use of the fertilizer.

Source: Ellis, 2009; Ellis and Maliro, 2013
Different interventions have different objectives and intended beneficiary group.

Figure 1: Continuum of Policy Interventions, by Wealth Status of Intended Beneficiary

No one program is superior, but all potentially compete for same scarce budget resources.
Cash Transfer

• Provide money directly to recipients
• Help survive shock and smooth out income and consumption.
• **Cash for work** can help build productive assets in community to generate future income.
  – Good for households with available labor
• **Direct cash transfer** for labor constrained households.

• Not perfect, some of the same problems with FISP
  • Elite capture, corruption, etc
  • But administration costs should be lower than FISP.
Malawi’s cash transfer - MASAF

- Has grown but still much smaller than FISP.
- Evidence of positive impacts to help recipients meet basic needs.

Ethiopia PSNP

- Targeted geographically to vulnerable areas
- Households sign up for 5 years
- US $0.75 per day for public work projects in dry season.
- Combined with extension, credit and irrigation services (not subsidized fertilizer)
Ethiopia’s PSNP seems to be more integrated approach than FISP.

Lower administrative cost per beneficiary reached. 7 million reached.

- PSNP \approx US \$30 per beneficiary
- FISP \approx US \$90 per beneficiary currently

If want to achieve more poverty reduction consider:

- redirecting FISP funds
- Scale up MASAF for people who can’t use FISP
- Or Link FISP to MASAF, and extension for more comprehensive approach for fighting poverty and boosting production.
Flexible Input Voucher (FIV) is a more market based solution than FISP.

Figure 1: Continuum of Policy Interventions, by Wealth Status of Intended Beneficiary

- **Program:**
  - Food Aid
  - Cash Transfer
  - Flexible Input Voucher
  - FISP
  - Output Price Support

- **Ideal Beneficiary:**
  - Vulnerable household in emergency situation.
  - Vulnerable household that is land and labor constrained. Cannot use subsidized inputs effectively.
  - Land or labor constrained household. Can use subsidized inputs effectively.
  - Household can use subsidized seed and fertilizer effectively. Unable to purchase inputs commercially.
  - Productive surplus-producing household. Able to finance input purchases and transport grain to market.

Still need some land and labor to use inputs
FIV Benefits

• FIV more flexible than FISP
  – let a household decide what inputs are best for its own situation.
• FIV is a way to support and build the private input sector.
  - Could be a step towards subsidy graduation.

FIV Challenges

• May work better in less remote areas (Mazvimavi et al. 2013).
• Monitoring is required to make sure necessary inputs are stocked and available to farmers.
• Insurance for wholesalers and retailers incase inputs are not purchased.

Currently limited evidence on FIV impacts.
Malawi may consider FIV pilot to measure impacts.
Output price supports are likely not pro-poor

Need to have enough surplus production to have something to sell. Hurts net-buyers of maize, who are likely to be poorer.

Figure 1: Continuum of Policy Interventions, by Wealth Status of Intended Beneficiary
## FISP and other long run investments for Malawi

### Returns in Ag Growth to Investments & Subsidies in India, 1960-2000

<table>
<thead>
<tr>
<th>Returns to Ag. GDP</th>
<th>1960’s</th>
<th>1970’s</th>
<th>1980’s</th>
<th>1990’s</th>
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<tr>
<td>Rup. prod/Rup. spent</td>
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<td>Road investment</td>
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<td>Education investment</td>
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<td><strong>Fertilizer subsidies</strong></td>
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<td>Power subsidies</td>
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<td>Credit subsidies</td>
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<td>5.90</td>
<td>6.95</td>
<td>6.93</td>
</tr>
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</table>

Source: Fan et al. 2007

### Compare with R&D investment in Africa (Fuglie and Rada 2013):

- National research B/C = 1.6 for small countries; 4.4 for large countries
- International CGIAR research B/C = 6.2 across Africa
- Malawi investing just over 1% of agricultural GDP in R&D. Meets NEPAD goal but below leaders (Benitema and Gert-Jan 2013).
Conclusions: FISP is part of a menu of possible options

- All programs compete for budget space.
- FISP is a production enhancing program at its core.
- To reduce poverty need a more integrated approach (May mean some redirection of FISP funds).
  - Cash for work and direct cash transfers for vulnerable.
  - Geographic targeting to appropriate areas.
  - Linking MASAF with FISP and extension activities.
  - Give participants time horizon when program will end.
- Consider piloting flexible voucher program
  - Potentially link it to use of proper management practices.
• Other investments have high payoff in long run
  – R&D for new technologies
  – Roads/infrastructure
  – Education

• Need to find ways to maintain funding for these over time.

• Should not be compromised by FISP.
Thank you for your time!

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