This brief addresses two main questions:

- What have been the impacts of FISP? and
- Is FISP worth the investment?

We first set out the potential benefits that the programme may generate and factors that affect the achievement of these benefits. We then summarise available evidence on FISP impacts and its cost-effectiveness in achieving these. Questions about ways of implementing FISP to improve its impacts are addressed in a separate brief.

The potential impacts of the FISP

The FISP medium term plans sets out the objectives of the FISP as being to ‘increase food security at household level through agricultural output growth’ by increasing agricultural productivity and input market development. However economic theory and experience from other countries suggests that if implemented consistently, effectively and efficiently at a manageable cost the programme has the potential to drive broad based national economic growth.

Figure 1 summarises the potential beneficial impacts of the programme. The potential immediate impacts of the programme are incremental maize production (and increased land and labour productivity), improved cash flow for beneficiaries, and stimulus for the development of input supply systems. These in turn should lead to increased national maize production, reduced domestic maize prices, and improved household food security, income growth, and welfare (including nutrition, health, asset ownership and education). These benefits should accrue to both beneficiaries and non-beneficiaries, and lead to broad based (pro-poor and diverse) economic growth. This, however, depends upon good design and implementation of the programme supported by other policies and investment complementing investments in the FISP (shown at the top of figure 1).

Beneficial impacts are also impeded by four important factors (shown on the right of the figure), all of which have in different years played an important role in reducing some of the benefits: maize exports, population growth, economic crises, and poor rainfall. Not shown in the figure are the costs of the FISP, against which benefits have to be compared.

Evidence on FISP impacts

FISP impacts on maize production depend upon the productivity of extra inputs used as a result of FISP (taking account that some FISP inputs are diverted or stolen before they reach farmers and some that farmers receive may ‘displace’ unsubsidised purchases that they would have made anyway without FISP). ‘Diversion’ of inputs is very difficult to estimate, but is likely to have been between 15 and 30% over different years of subsidy implementation, and in 2012/13 was probably around 15 to 20% for fertilisers. Displacement rates also vary. For fertilisers, estimates have ranged from 3 to 22% but most recently are probably around 15%. Estimates for seeds are much higher, at around 50%. The productivity of subsidised inputs received by farmers then depends upon the timing of input receipt, on rainfall, and on the overall management of the crop they are applied to.

Agronomic yield data, crop simulation models and survey information on farmers’ maize crop management suggest a nitrogen yield response a little over 18kg grain per kg N for hybrid maize and a little over 14kg grain per kg N for local maize. These yield responses mean that in 2012/13 the programme should have led to increased profitability of maize production by beneficiary households, with increased rural incomes of between MK50,000 and MK70,000 per household receiving and using a full pack of fertiliser and maize seed (ignoring spillover effects and benefits from receipt of fertiliser that does not contribute to incremental production). For many poorer beneficiaries, who receive only one coupon for 50 kg of fertiliser, it seems that benefits are only sufficient to reduce their food insecurity, and are not enough to enable them to advance their livelihoods – to ‘step out’ or ‘step up’ rather than just ‘hang in’. Addressing this in the context of both limited fiscal resources and rapidly growing population pressure is a major challenge facing the programme and the Government and country as a whole. There is, however, some evidence that the FISP is encouraging some diversification out of maize into increased legume production – presumably associated with higher maize yields from greater cultivation of fertilised hybrid maize. These observations must be considered in the context of Malawi’s rapid population growth, discussed overleaf.

Figure 1 FISP’s main impacts and their determinants

Source: Evaluation of the 2012/3 Farm Input Subsidy Programme, Malawi
http://eprints.soas.ac.uk/17822/
Implementation of the 2012/13 Farm Input Subsidy Programme

Recommendations drawing on this information are provided in Policy Brief 2014/2, Implementation of the 2012/13 Farm Input Subsidy Programme

Source: Evaluation of the 2012/3 Farm Input Subsidy Program
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