



Deconstructing the Success Myth: A Case of the Malawi Farm Input Subsidy Programme (FISP)

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Abstract

This article critically analyses the FISP to interrogate the claims that it could be the model for the rest of Africa to emulate in a bid to revive the fledging agricultural sector after years of neglect. A critical analysis reveals that the FISP is a qualified and not an absolute success as propagated in the calls for it to serve as a model for implementing smart subsidy across the continent. It further shows how the FISP has been exploited in terms of design, implementation and management to achieve political dividends while guaranteeing food security since its launch in the 2005/06 growing season. The main argument of this article is that challenging the absolute success narrative of the FISP is critical because it would enable African countries to adapt it to the uniqueness of their domestic political, economic and social realities. The main issue is that policies' chance of success cannot be judged on their theoretical or technical attributes without considering the institutional, political and cultural context in which they are applied.

Introduction

This paper draws extensively from fieldwork conducted between August and December 2010. The main aim of the fieldwork was to critically analyze the widely acclaimed Malawi's success story in showing the rest of Africa how to implement smart subsidy as a way of kick-starting the fledging agricultural sector after decades of sheer neglect. Malawi has become a regular feature in global policy discussions about food security and the possibility of a uniquely African green revolution following the tremendous success of the Farm Input Subsidy Programme (FISP). The FISP has been implemented since the 2005/06 growing season and during this period; Malawi has successfully produced enough maize to meet its national food requirements estimated at 2.1 million metric tonnes per year (Chinsinga, 2007 and Dorward, et al., 2008).

The maize surplus, estimated at about 500,000 metric tonnes, in the initial year of implementing the FISP, was the first in almost two decades during which the country was unable to produce enough maize to satisfy the national food requirements. This invariably resulted in the country experiencing pervasive and chronic food shortages making it heavily dependent on food aid and commercial imports (Devereux, 2002 and Chinsinga, 2004). The capacity of the country to feed itself was decimated, inter alia, by regular bouts of flash floods and droughts, removal of fertilizer and hybrid maize seed subsidies and sharp devaluation of the local currency that made farm inputs virtually unaffordable to the majority of the chronically impoverished smallholder farmers.

The success of the FISP has been echoed in many different ways and forums. For example, the New York Times applauded Malawi for "ending famine [by] simply ignoring experts" (Dugger, 2007); the UK Guardian carried a piece on Malawi's green revolution arguing "Africa's green revolution may be several

steps nearer after a pioneering experiment in seed and fertilizer subsidies to smallholders in Malawi” (Perkins, 2009); AGRA (2009) described Malawi as “a model of success showing the rest of the African governments the way towards a sustainable version of the African green revolution”; and the UN Secretary General praised Malawi saying “in a few short years Malawi has come from famine to feast: from food deficit to surplus; from food importing country to food exporting country” (Vandermoortele and Bird, undated:1).

It is even argued that the success of the FISP contributed greatly to Malawi’s economic success story between 2004 and 2009 (Dorward and Chirwa, 2011). Annual growth averaged around 7 percent during this period, well above the sub-Saharan average; Malawi ranked among the top 20 performers on several Millennium Development Goals (MGDs) indicators; Gross Domestic Product (GDP) increased over 40 percent from US\$ 1.8 million to US\$ 2.5 billion; GDP per capita rose almost a third, from US\$ 130 to US\$ 166; gini coefficient fell from 0.62 to 0.39; and poverty rates fell from 52 percent to 39 percent (Vandermoortele and Bird, undated).

However, the FISP is not without its critics. Most of the donors were opposed to the introduction of the FISP. They argued that it was not sustainable using the conventional arguments against subsidies that they are ineffective and inefficient policy instruments. They promote over expenditure, fiscal and macro-economic problems (Chinsinga, 2007 and Dorward, et al., 2008). Some domestic fiscal conservatives joined donors to argue that the implementation of the FISP would undermine altogether the economic gains realized as a result of liberal economic reforms that were being implemented at that time. The FISP critics somewhat changed their views following the tremendous success registered in the 2005/06 growing season. Most donors opted to engage the government on the FISP’s design, implementation and management in order to enhance its overall efficiency and effectiveness. There has also been some change in the position of donors recently. Instead of simply engaging the government on the FISP’s design, implementation and management, there is a strong feeling among donors that this engagement should be within a medium term plan. The government has generally resisted the idea of a medium term plan for FISP on the premise that donors would like it to serve as an exit strategy (Chinsinga, 2011).

This paper is inspired by the fact that the FISP’s success story has not been thoroughly scrutinized as to whether it is a viable model or not. Combining insights from various studies that have been conducted on the FISP and the four month fieldwork that was conducted between August and December 2010, this paper attempts to deconstruct the myth about the unqualified success of the FISP. The implementation of the FISP for over six consecutive growing seasons has generated the breadth and depth of experiences that would form an adequate basis for a thorough, critical and reflective review about whether or not the Malawi FISP qualifies as the model for the rest of Africa to emulate. The critical review of the FISP’s design, implementation and management experiences is vital for African countries interested in it because context matters in policy processes. This suggests that no matter what the technical arguments for or against particular policy positions are, it is ultimately the specificities of the domestic context that determine policy outcomes (Whitfield and Therkildsen, 2011).

Interviews were carried out during August-December 2010 with key informants among government agricultural sector staff, academics, representatives from donors and NGOs, and private sector representatives. A total of 40 key informant interviews were carried. Secondary data sources included NGO reports, government policy and strategy documents, and donor agency reports. The assessment adopted entirely a qualitative approach due to the nature of the issues that were targeted. The qualitative approach focuses on perceptions, reactions and opinions of stakeholders rather than quantification in the collection and analysis of data (Bryman, 2001 and Campbell, 2002). This yields opinions and sentiments that are of greater value when analyzing policy, institutional and development issues.

The fieldwork was carried out using a political economy framework. It was considered appropriate for this exercise because it provides the opportunity to understand the political, economic and social

processes that either promote or block pro-poor change as well as the role of institutions, power and the underlying context for policy processes (Synder, 2005 and Scoones, 2005). This, among other things, suggests that policies are more effective when they are informed by an understanding of power relations, incentives and change processes. According to Araujo, et al., (2004), the political economy framework underpins steps of discussions, negotiation, approval and implementation in the policy processes which are at the core of the messy world of politics. This implies that the making and shaping of policy is less of a set of organized, predictable and rational choices than a complex, often unpredictable and above all political process (de Janvry and Sadoulet, 2008). The hallmark of the political economy framework is that context matters a great deal since policies' chance of success cannot be judged abstractly in their theoretical or technical attributes without considering the institutional, political and even cultural context in which they are applied.

Origins and Context for FISP

The Political Drivers of FISP

Until the introduction of the FISP in the 2005/06 growing season, Malawi grappled with pervasive food insecurity and chronic food shortages (Devereux, 2002 and Chinsinga, 2004). The twin problems of pervasive food insecurity and chronic food shortages persisted despite efforts to address them through the Starter Pack (SP) initiative between 1998 and 2000 and the Targeted Input Programme (TIP) between 2001 and 2005 (Levy, 2005 and Dorward, et al., 2008).

The gravity of the twin problems was underlined by two episodes of severe hunger during the 2001/02 and 2004/05 growing seasons. The 2001/02 hunger crisis affected over 3.2 million people. Translated in terms of food requirements, the deficit of maize was high as 630,000 metric tonnes but if other foodstuffs were taken into account such as rice, sorghum and cassava, the deficit fell to 570,00 metric tonnes (Stambuli, 2002). The 2004/05 hunger crisis affected more than 4 million people translating to a food deficit of about 700,000 metric tonnes against the annual food requirements estimated at 2.1 metric tonnes (Chimphonda and Dzoole-Mwale, 2005).

While the question of food security has always been a sensitive political question, the two hunger episodes further reinforced food security as a highly charged political issue. The question of food security has since the 2001/02 hunger crisis "appeared in the platforms of politicians, on the agendas of policy makers, in the programmes of public bureaucracies, among the duties of village chiefs, and on the pages of national newspapers and is thoroughly researched and debated" (Sahely, et al., 2005: 17).

In many ways, therefore, these experiences did set the stage for the May 2004 electoral politics. In these elections, all major political parties made manifesto commitments to fertilizer subsidies as the most feasible alternative to dealing with the twin problems of pervasive food insecurity and chronic food shortages (Chinsinga, 2007 and Dorward, et al., 2008). There was thus a strong national consensus for fertilizer subsidy as all leading candidates promised some kind of support to the agricultural sector. The differences in the subsidy proposals between and among political parties reflected to a large extent the variations in their regional support bases and constituencies.

The prominence of fertilizer subsidies in the May 2004 elections culminated in a simple but very persuasive narrative. Hunger and recurrent food crises are best responded to by supporting agriculture, and this means providing subsidies to get agriculture moving with a focus on the key crops notably maize and tobacco (Chinsinga, 2007). It was argued that national food security and a reduction on the dependence on food imports required concrete state action. The basic argument in this narrative was that Malawi ought to be self sufficient and reliant when it comes to food security. This cannot be left to chance the argument went since it costs much more for the country to import than to grow its own food especially when foreign exchange reserves are not always available.

There was, however, some hesitation to implement the subsidy programme in the 2004/05 growing season by the United Democratic Front (UDF) government which won the May 2004 elections. This was perhaps a reaction to the warnings by donors that the implementation of a fertilizer subsidy programme would jeopardize prospects for reaching the completion point to qualify for debt relief through the implementation of the Malawi Poverty Reduction Strategy (MPRS) (Rakner, et al., 2004). The uncertainty in the implementation of the subsidy programme coupled with a severe drought during the 2004/05 growing season culminated in a worst hunger crisis affecting up to about 4 million Malawians as already stated earlier.

The impact of the hunger crisis coupled the dramatic changes on the political landscape made it impossible for the government to resist calls to implement the fertilizer subsidy programme. The opposition became dominant in Parliament following the decision by President Bingu wa Mutharika to form his own political party, the Democratic Progressive Party (DPP), once he had fallen out with former President Bakili Muluzi (Chinsinga, 2007). As a minority led government, it succumbed to the sustained opposition pressure to introduce FISP covering both maize and tobacco. The intention of the government was to introduce a fertilizer subsidy programme targeting only maize as the main staple.

It is impossible for any government to ignore a subsidy of some sort to the agricultural sector in Malawi. According to Dorward, et al., (2008), agricultural input subsidies have a long history and a major political and economic significance in Malawi. This prompted Smale (1995) to describe maize as life in Malawi. Some scholars have even gone a step further to argue that Malawi's politics is essentially the politics of maize (Harrigan, 2005). The conclusion is that the legitimacy of a government in Malawi is closely linked to its ability to make maize readily available through either subsidizing production or guaranteeing affordability of maize in the market. This has become more or less an important part of the social contract between the government and the citizens.

FISP as a Necessary Evil

The uniqueness of Malawi's agricultural sector makes the FISP a necessary evil. Since the mid 1970s, the country's agricultural sector has not survived without any form input support. Even during the brief period in the mid 1990s when subsidies of fertilizer and improved seed were withdrawn, there was some form of support that was extended to smallholder farmers (Chilowa, 1998 and Chinsinga, 2004). Support to farmers was extended through the Emergency Drought Relief Recovery Programme (EDRRP) and the Agricultural Productivity Investment Programme (APIP).

According to Dorward, et al., (2008) and Chirwa, et al., (2011), the challenge is that Malawi is locked up in a low maize productivity maize trap (LMPT) underlined by instability in inter year maize prices. The instability in maize prices means that the fear of low maize prices does not make it attractive for potential maize surplus producers to invest in maize production while the fear of high maize prices forces maize deficit farmers to grow as much maize as they can on their land even though they cannot afford improved seed and fertilizer.

The main challenge is that as many as 60 percent of the smallholder farmers are net buyers of maize while only 10 percent are net sellers. For instance, according to Anderson (2011), fewer than 15 percent of maize producers participated as sellers in the maize market in the 2007/08 growing season. This implies that a very large majority, 85 percent, did not market any of their production. It is against this backdrop that high maize prices can serve as a double edged sword. They can enhance profitability of maize production but at the same time they can be damaging for the majority of smallholders who are net buyers of maize.

Consequently, substantial input price reductions through the FISP provides a way of addressing both the problems of profitability and affordability of maize among net producers and net buyers respectively

(Dorward and Chirwa, 2011). To address these twin constraints whereby net producers are inhibited to invest in maize production and net consumers cannot rely on the maize for maize purchases, the FISP would require sustained and consistent investment over many years. This would, in turn, allow poor farmers to exit from low maize productivity cultivation and eventually diversify their livelihood portfolios beyond agriculture.

The FISP is thus a potential means of breaking down the constraints that have locked up Malawi in the low maize productivity trap (LMPT). If properly implemented, therefore, the FISP would enable a decent number of smallholder farmers to step up their productivity and eventually step out of agriculture. According to Dovers and Hezri (2010), the major bottleneck to agricultural investment in rural Malawi is the lack of affordable credit and the absence of functioning markets for financial services to which the FISP is providing remedies. However, the most important question is how is the FISP designed, implemented and managed? The bottom line is that if the FISP is to address the twin problems of profitability and affordability of maize it must be effective, efficient and sustainable.

Benefits of the FISP

The FISP reviews have identified several positive benefits that can be attributed to its implementation (Dorward, et al., 2008 and Chirwa, et al., 2011). Some of the positive impacts of implementing the FISP have included the following:

- Economic growth, low inflation and growth in exports. The FISP has greatly contributed to controlling the level of inflation since food constitutes about 58 percent of the Consumer Price Index basket.
- Higher degree of food self sufficiency among deficit producers as well as reduction in household food insecurity underlined by improvements in the number of meals taken in a day and notable decline in the incidence of malnutrition.
- Higher volumes of marketed maize resulting in downward pressure on maize prices to the benefit of food purchasers.
- Higher wages and farm and non-farm employment.
- Increased use of improved maize seed by smallholder farmers.
- Growth of the seed market as well as the growth of agro-dealers in rural areas.

There are, however, some challenges to accurately quantify let alone attribute these positive benefits to the implementation of the FISP. These benefits are largely rough estimates. There is, for instance, a strong argument that the surplus production of maize registered since the launch of the FISP cannot entirely be attributed to efficiency and effectiveness of the FISP's design, implementation and management. It is argued that the favourable weather and climatic patterns since the 2005/06 growing season have also greatly contributed to the success (Dorward, et al., 2007).

While the evidence from Malawi is rather inconclusive, the evidence from the empirical work in Zambia is quite illustrative. The evidence suggests that favourable weather patterns contributed heavily to the record bumper harvest in the 2009/10 growing season. Zambia recorded a 48 percent remarkable increase in maize harvest over and above the 2008/09 growing season's harvest. Detailed empirical analysis showed that the largest factor contributing to yield growth was the weather, explaining up to 61 percent of the increase in yield while fertilizer use from both the private sector and the subsidy programme explained an additional 32 percent of the yield increase (Burke, et al., 2010).

It is further argued that there is simply no way of establishing whether the investment in the FISP is the most efficient way of using scarce resources. There are some alternative means of achieving the very same objectives of FISP such as low cost financial services, improved research and extension and new

risk management mechanisms among many others. Critical public expenditures on these alternatives might actually be crowded out by dominance of subsidies (World Bank, 2005).

Behind the FISP's Success

Evolution of the FISP: Context Matters

The success of the programme forced a change of mind on the part of donors that had initially resisted its implementation. When the fertilizer subsidy programme was launched in the 2005/06 growing season, maize farmers were entitled to one 50kg bag of basal and top dressing fertilizers. Both fertilizers were sold at MK 950 compared to the market price of MK 5000. Tobacco farmers were entitled to one bag of CAN and D compound each at MK 1450 per bag against the prevailing market price of MK 6500. Maize farmers had access to 3kg OPV maize at MK 150/3kg compared to the market price of MK 500/kg (Dorward and Chirwa, 2009). The distribution of the inputs was done entirely by two government agencies, namely: Agricultural Development and Marketing Corporation (ADMARC) and Smallholder Farmer Revolving Fund of Malawi (SFFRFM). Private sector companies were involved in the procurement of fertilizer for the programme alongside SFFRFM through a competitive tendering process.

Donors were motivated to engage with the government on the subsidy programme in order to contribute to the improvement of the programme's design, efficiency and effectiveness (Chinsinga, 2007 and Mangisoni, 2007). The main thrust of the donors' argument was that the involvement of the private sector would facilitate the diversification of the fertilizer subsidy programme beyond maize and tobacco which, in turn, would stimulate progressive and sustainable private sector growth and development. The private sector would ensure farmers' access to other crops through the programme beyond maize and tobacco. Donors were concerned that the exclusion of the private sector from the fertilizer subsidy programme would slow down, if not reverse, gains from economic liberalization, which was vital to the development of a private sector-led agricultural growth and recovery. As a result of their pressure, the private sector has been consistently involved in the delivery of seed since the 2007/08 growing season and was involved in the distribution of fertilizers in the 2006/07 and 2007/08 growing seasons. The other four years (of the 6 year programme) the distribution of fertilizer has been restricted to the two state agencies-ADMARC and SFFRFM (Chinsinga, 2007 and Chinsinga, 2010).

The debate between the government and donors on the involvement of the private sector in both the procurement of fertilizer and seeds and the apparent insistence of the government to exclude the private sector in the distribution of fertilizer underlies the political sensitivity of the programme. The private sector was excluded in the maiden fertilizer subsidy programme because the country was reeling from the devastating effects of the 2004/05 hunger crisis and the government did not want to take a chance by involving the private sector in a programme in which the political stakes were huge. The government therefore wanted to take full responsibility for the programme to ensure that it delivered but also that it was strategically administered to shore up the new government's/DPP's fledging support (Chinsinga, 2007 and Dorward&Chirwa, 2009).

The minority status of the government during the 2005-2009 period was a double-edged sword. It had a fairly positive impact on the technocratic orientation of the programme especially in the first two years since the government was determined to see it succeed "as a strategy for building up its own legitimacy since it did not have a support base of its own following the fall out of the President with UDF"¹. This was inevitable because maize, as stated above, is at the heart of the social contract between the rulers and the ruled (Sahely, et al., 2005 and Anderson, 2011). The regime needed to demonstrate tangible achievements to the people to get their support since the President had won the May 2004 elections with the slimmest margin since the transition (at 36 percent) and his party had no parliamentary support.

¹Interview with a government official, 18th August 2010.

The DPP government was further under constant pressure from the opposition-dominated Parliament that was often threatening to invoke section 65 which regulates MPs' crossing the floor from one party to another, and to impeach the President for a series of serious constitutional violations. The fact that he had ditched the UDF riled its leadership, which was keen to pay Mutharika back for his treachery. Besides the DPP wanting to make a difference in the lives of the people (Kanyongolo 2010), it wanted to demonstrate to the people that the strong opposition had nothing to offer apart from politicking, and trying to eject a well-performing government from power.

This perhaps explains the government's positive reception to the overtures of the donor agencies to the proposals to improve the efficiency and effectiveness of the fertilizer subsidy programme during the second year of implementation (Dorward, et al., 2007). The government agreed to the involvement of the private sector in the procurement and distribution of both fertilizer and seed although the involvement of the private sector in the distribution was subsequently discontinued. The government further agreed to broaden the scope of crops involved in the subsidy programme, particularly the inclusion of legumes as a means of diversifying away from maize, improving soil fertility and boosting farmers' income and nutrition. However, as further demonstrated below, these are the only technical suggestions about the improvement of the programme that the government has taken on board to improve its overall efficacy.

While working hard to deliver on development including food security, the government was simultaneously courting chiefs as a strategy for propping up its legitimacy (Chinsinga, 2008 and Chiweza, 2010). Chiefs have become important players in Malawi's politics since there is evidence that they are influential in the lives of their subjects due to the fact that "their word is much respected, their praise is appreciated, and their example is emulated" (Chinsinga, 2006: 37). The rise to prominence of chiefs in the multiparty political dispensation is attributed mainly to the regionalistic orientation of politics in Malawi. Parties in power often turn to chiefs as a strategy for extending their reach and authority in areas where they have anaemic support. Chiefs play a key role in determining the political level playing field by either opening up or denying political space to competitors.

The Chiefs Act has been instrumental on the part of the government to court support of chiefs since it empowers the government to hire and fire them (Chiweza, 2010). In addition, several inducements are targeted at the chiefs. The President promotes chiefs to higher ranks which was not previously the case; chiefs are now on the government's payroll and in the last five years, their salaries have been revised upwards by over 1000 percent; and a housing scheme has been introduced for them. Salaries of some grades of chiefs are higher than the salary of fresh graduates in the civil service (Chinsinga, 2008 and Chiweza, 2010). The attempts to draft in chiefs to bolster the regime's legitimacy across the country have further strengthened and deepened patronage links between chiefs and the governing elite.

Several evaluations have shown that the government has exploited the fertilizer subsidy programme to shore up its popularity and legitimacy. This is the case because the fertilizer subsidy programme has become the centrepiece of its agricultural policy whose main goal is to achieve food security at national and household levels (GoM 2006 and GoM, 2008). The government has exploited the subsidy programme through populist pricing of fertilizers. Tobacco and maize fertilizer prices started off at MK 1, 450 and MK 950 respectively. They were harmonized at MK 900 in the subsequent growing season; reduced to MK 800 before being slashed to MK 500 in the lead up to the May 2009 general elections and remains as such to date. In the third year of its implementation, the subsidy programme was extended to cotton farmers and there were indications that it would be extended to coffee and tea growers during the 2009/10 season. The cotton, tea and coffee areas were widely perceived as strongholds of the governing party.

This did not happen, however. Instead the government even withdrew the subsidy from tobacco and cotton farmers during the 2009/10 growing season. The focus is now exclusively on maize and legume seed which is often not readily available to farmers. This could be attributed to the landslide victory of the governing party in the May 2009 polls. From only six seats in the previous Parliament, the governing

party controlled 114 seats out of the 193 seat legislature before President Mutharika died. In addition, the majority of the 33 independent legislators were aligned to the governing side. As a result of this victory, the DPP knew its decisions could not be challenged. The withdrawal of the subsidy from tobacco farmers was justified as a means of controlling costs for the subsidy programme but it can also be argued that the government had considerable room of manoeuvre because of a substantially weakened opposition. Tobacco farmers did not have any voice in the government dominated legislature whose primary base is outside the tobacco growing areas. Indeed, the government discontinued subsidizing tobacco without any notable ramifications at all, whereas it could not have been able to do this when it was a minority government, even when it was clear that the programme was costly.

The fact that the government has held onto the distribution of fertilizer could be seen in a similar perspective. The private sector is involved in the procurement of fertilizer through a competitive tendering process but as indicated above it is entirely excluded from distribution. This reflects the fact that the distribution of fertilizer provides politicians with significant opportunities of patronage since the whole question of food security lies at the heart of the country's political economy. According to Holden and Tostensen (2011), the disposition of the government underlies the fact that the fertilizer subsidy programme is the most expedient vehicle for garnering rural support. For this reason, they argue that government is likely to cling to it whatever its other merits.

Design of the FISP

The design has been debated in several respects. However, the main issues of intense and protracted debate have included the modalities of delivering the subsidy packages to the beneficiaries, the mechanisms of accurately identifying deserving beneficiaries of the programme and the potential exit strategies from the programme (Chinsinga, 2007; Dorward & Chirwa, 2009; Holden & Tostensen, 2011). The argument is that very little progress has been made to improve the technical robustness of the programme in these areas because "the President has had a decisive hand in both the design of [the subsidy programme] and its implementation and was Minister of Agriculture and Food Security until 2010 bearing his personal imprint on the direction of the programme"².

This, in itself, does not automatically mean that the programme cannot be technically robust. The main concern relates to how the direct involvement of the president has constrained the uptake and subsequent implementation of potential technical improvements (Holden and Tostensen, 2011: 11). For instance, some informants observed that "improvements to the programme are difficult because the programme is used for political goals"³. In this sense, technical improvements "would run counter to the desire of politicians to add extra coupons which Ministers and MPs are personally responsible for distribution"⁴. This underlies the justification of the subsidy programme not only in terms of its stated objectives but also its underlying political rationale and ramifications.

This should not, however, be understood as implying that there have not been significant technocratic contributions to the design, implementation and management of the programme. The concern is that the uptake of the technocratic insights has been very low especially "in areas that would have positively contributed to the enhancement of the overall efficiency and effectiveness of the programme"⁵. The observation of the informants is illustrative: "what we think should be happening technically is not presented to the outside world; we have been conditioned by the president's thinking about the

² Interview with an official from the Ministry of Agriculture and Food Security, 19th December 2010.

³ Interview with a CISANET official, 20th October 2010.

⁴ Interview with a donor agency official, 16th September 2010.

⁵ Interview with a Ministry of Agriculture and Food Security official, 28th October.

programme”⁶. In short, the technical improvements are difficult to implement because they are not in favour of the political goals of the programme.

The debate about the modalities of delivering the subsidy package has focused on two main aspects, namely: the use of coupons by beneficiaries to access the subsidy inputs and the involvement of the private sector in the procurement and distribution of the subsidy inputs, a subject that has been dealt with at some length in the previous section. The debate about the use of coupons is as old as the programme itself (Chinsinga, 2007 and Dorward, et al., 2007). The opposition has had serious reservations with the use of coupons arguing that the coupon system is prone to manipulation and corruption especially when administered by a government that had a very weak and fragile political base. The government defended the use of coupons as a viable strategy for targeting the poorest of the poor. Moreover, the use of coupons works to systematically limit the amount of fertilizer that households could access justified both as a control mechanism and as an equity strategy. Ideally, those accessing the subsidized fertilizer would be only those that have been formally identified as beneficiaries.

The use of coupons as an allocative mechanism of the subsidy programme is at least in theory based on the area planted to maize, the number of farming households and soil characteristics across districts. A distribution matrix based on these variables is developed each year to guide the distribution of coupons in order to maximize the programme’s efficiency and effectiveness (Dorward and Chirwa, 2009). There is, however, evidence that the tender for printing as well as the distribution of coupons is not transparent and accountable which provides for frequent and substantial irregularities. In the interviews, many informants observed that “there are often two rounds of coupon distribution, formal and informal”⁷. They further observed that “informal distribution of coupons is presided over by political functionaries mainly MPs and Ministers targeting existing and potential supporters”⁸. There are allegations that the distribution of coupons “favours politically important districts at the expense of other districts especially where the opposition is particularly strong”⁹. This is further elaborated below. There are thus strong sentiments about the objectivity of the allocation of coupons to the extent that some informants argued “the allocation of the subsidy is questionable; productive areas are not getting enough. If they get enough coupons, they do not get enough inputs for farmers to redeem their coupons since in the distribution of coupons and inputs, they are targeting those areas where there are more votes at the expense of guaranteeing productivity”¹⁰.

The distribution matrices are therefore largely on paper. According to Holden and Tostensen (2011), the share of households allocated coupons varies between 33 and 49 percent of all resident farmers in a district but no clear information has been provided by the Ministry of Agriculture and Food Security as to how these variations come about except general statements about population size, maize area and soil quality. However, studies show that the President Mutharika’s home district, Thyolo, has received significantly more than other districts while Machinga an opposition stronghold has received less than other districts (Dorward and Chirwa, 2010). According to one informant “the southern region, the President’s region, has had a substantially bigger share of the subsidy the dominance of its populace notwithstanding”¹¹. This was deemed “particularly pronounced in the election year during which households in southern region received an average of three coupons with some districts such as Thyolo, Phalombe and Mulanje standing out”¹².

⁶ Ibid.

⁷ Interview with a civil society organization official, 18th October 2010.

⁸ Interview with a government official, 1st November 2010.

⁹ Interview with a government official, 19th November 2010.

¹⁰ Interview with a civil society organization official, 29th August 2010.

¹¹ Interview with a civil society organization official, 21st August 2010.

¹² Interview with a government official, 26th November 2010.

Several cases were reported in which committees at district levels entrusted with the distribution of coupons have to constantly contend with undue political interference from party governors at different levels, MPs and Ministers. Some informants observed that “there have been cases when these functionaries [party governors, MPs and Ministers] have brought their own lists of beneficiaries of the subsidy, replacing those chosen according to the stipulated guidelines, boasting that they are government”¹³. To illustrate the impact of political interference in the subsidy programme, a story was told of by-elections in a particular district during which the District Agriculture Development Officer (DADO) was transferred to the Ministry Headquarters for acting professionally. This allowed the subsidy programme to be run by the District Commissioner who has stronger ties to the politicians as well as chiefs. Consequently “the programme was administered in a way that ensured that the governing party manipulated it to achieve some political dividends”¹⁴. The campaign slogan of the governing DPP was that subsidy beneficiaries would be only those that would have demonstrated commitment to vote for it.

The programme has been debated with reference to the soundness of its targeting criteria in order to ensure efficiency and effectiveness. As stated above, the justification for targeting the subsidy programme is that it ensures that poor smallholders are reached and to avoid large farmers benefitting disproportionately from subsidies (Dorward and Chirwa, 2008). It would make sense to target productive farmers as beneficiaries of the programme but “it is the political imperatives of the programme that makes it sensible to target poor farmers most of whom do not make productive use of the inputs as potential voters and resist any improvements that would have enhanced the efficiency and effectiveness of the programme”¹⁵. Moreover, targeting helps to minimize crowding out demand for commercial fertilizer which, in turn, “enhances the smartness of the subsidy”¹⁶. The concern is that the targeting criteria for the beneficiaries have not been very clear and consistent. Many informants observed that “the targeting criteria are vague and they keep on changing from year to year which simply creates confusion”¹⁷.

The popular view is that the vagueness of the targeting criteria is deliberate “because it provides room for flexibility in the implementation of the programme especially since the programme is primarily a political programme”¹⁸. This is underscored by the apparent failure by the Ministry of Agriculture and Food Security (MoAFS) and the National Statistical Office (NSO) to agree on the exact size of the rural household population in Malawi. Yet the actual number of households is critically important for determining the targeted share of beneficiaries and by implication for assessing the efficiency of targeting and possible leakage of inputs (Holden and Tostensen, 2011). The NSO and MoAFS project the numbers of rural farm families at 2.52 and 3.3 million respectively but of particular concern is that there is no political will to reconcile the disparity. As one of the supporters of the fertilizer subsidy programme, the Norwegians sponsored an agricultural census which would have helped to rectify the results but MoAFS has reportedly been reluctant to release the results.

The key question is what is it that motivates the reluctance of the government to resolve an issue that would enhance the integrity of the programme? This suggests that key players have an interest in keeping the picture equivocal or blurred because it affords opportunities for manipulation and fraudulent behaviour. According to Holden and Tostensen (2011), the failure to reconcile household data creates considerable room for corruption at all levels of the programme. Since the launch of the programme the number of beneficiaries has fluctuated between 1.4 and 1.7 million. This concern is more credible when the issue of supplementary or second round coupons is taken into account (Dorward and Chirwa, 2011).

¹³ Interview with a government official, 1st December 2010

¹⁴ Interview with a government official, 17th October 2010.

¹⁵ Interview with an NGO official, 12th August 2010.

¹⁶ Interview with a donor agency official, 9th August 2010.

¹⁷ Interview with a donor agency official, 22nd August 2010.

¹⁸ Interview with a donor agency official, 5th December 2010.

They estimated that the second round coupons in the election year peaked to about 1 million resulting in enormous cost overrun of the planned expenditures.

The final area of debate has centred on the proposal by donors about developing a medium-term plan for the subsidy program as a critical first step toward exit. This debate can be traced back to the 2006/07 growing season. Donors have pushed for a medium term plan for the subsidy programme for several reasons. They argue the medium term plan would ensure predictable as opposed to ad hoc annual planning that has characterized the programme thus far. The medium term plan would clearly spell out the goals and objectives of the programme, lay out procedures for critical elements such as procurement and indicators of success or failure. The medium term plan would further allow for a balanced planning process in the agricultural sector that would equally pay attention to such activities as research, extension and commercialization and trade among many others. The medium term plan would also serve as a planning tool for donor support. Many donors observed that “without a medium term plan, it is difficult for us to justify to our respective headquarters the basis for funding the subsidy programme, its success notwithstanding”¹⁹. The donors have pushed for the medium term plan with “full recognition that the fertilizer subsidy programme is a home-grown programme but that doing so would enhance the quality of support and technical advice we offer”²⁰.

Two drafts of the medium term plan had been produced by the time of the fieldwork towards the last quarter of 2010 but there was consensus among both government and donor officials that the plan would not have any significant impact on the design of the programme. This was attributed to the overwhelming influence of the President who until April 2010 was also the Minister of Agriculture and Food Security. In response to the demands for an exit strategy of the programme, the President has publicly stated that he has “never heard anywhere in the world about exiting from eating”²¹. Against this backdrop, the medium term plan “is widely seen as a gimmick on the part of the donors to force upon the government to exit from the programme yet it is home-grown”²². The tone of the President therefore set the parameters of policy engagement between technocrats and donors. This is reinforced by the fact that the subsidy programme is a successful home-grown solution to the intractable hunger problem that was implemented in total disregard of fierce donor resistance which is why none of the donors supported the FISP in its maiden year of implementation.

Many informants argued that the fate of the medium term plan for the subsidy programme exemplifies how technical advice toward the potential improvement of the programme is regarded. The popular view is that the medium term plan is resisted because it would hurt the political goals of the programme since “the scope for political manipulation and reaping political capital is widened when supporters can be rewarded with no effect on the number of beneficiaries” (Holden and Tostensen, 2011: 11). The desire at the political level is “for a programme that is successful but which they [politicians] can control with a great deal of flexibility”²³. Another view is that the adoption of the medium term plan and a series of technical improvements suggested would make the programme complex. The argument is that “politicians want to keep it simple, with straightforward messages which the masses can understand since it is a populist programme meant to achieve political goals”²⁴.

Given the nature of the country’s political settlement underpinned by excessive deference to authority, the room for technocratic engagement with the programme’s design has been limited. There have been efforts to improve the programme but “their implementation has been impossible due to the fact that the

¹⁹Interview with a donor agency official, 28th November 2010.

²⁰Interview with a donor agency official, 14th October 2010.

²¹Interview with a government official, 27th August 2010.

²²Interview with a government official 23rd September 2010.

²³Interview with a civil society organization official, 18th September 2010.

²⁴Interview with a donor agency official, 19th September 2010.

programme is greatly politicized”²⁵. Most donors observed that “there is a real sense of fear in MoAFS heightened by the attitude of President Mutharika which means that critical and controversial technical issues about the programme are neither raised with the President nor dealt with hoping that they would simply go away”²⁶. Similarly most of the technocrats bemoaned the lack of manoeuvre for innovative policy analysis that would have contributed to the improvement of the efficiency and effectiveness of the programme since “it is inconceivable to contradict the views of the President and if you do, you are branded as a sympathizer of the opposition however constructive one’s views might be”²⁷. Suggestions for technical improvements to the programme cannot fly because “they are generally not in tune with the underlying goals of the programme”²⁸.

Many informants therefore argued that “the political imperatives of the programme are making technocrats dull since all they have to think about is how to distribute coupons, support the party in power and how to please political masters which does not provide any tangible learning about the potential improvements in the programme design”²⁹. This was exacerbated by the numerous international awards that recognized the efforts of President Mutharika in making Malawi food secure. While the awards serve to strengthen the political will for the programme, they have also negatively affected technocratic policy engagement. Both donors and technocrats argued that the awards have amplified the political significance of the programme to the extent that they “have transformed the President into the master of everything”³⁰. This has invariably crowded out any potential for serious technocratic engagement on the design of the programme.

Subsidy Programme and Rent Seeking

There is evidence that the fertilizer subsidy programme has been exploited as a source of rent seeking activities in the award of procurement and transport contracts (Holden and Tostensen, 2011). A recent World Bank, et al., (2011) review of the procurement of fertilizer and transport for the subsidy programme revealed enormous irregularities which have greatly undermined the programme’s overall efficiency and effectiveness. Since its launch, the programme expenditures have exceeded the initial budgets by between 41-105 percent (Dorward and Chirwa, 2010). The over expenditures could be attributed to the fluctuations in the prices of fertilizer but according to the World Bank, et al., (2011) assessment this does not tell the full story. The cost of the subsidy could have been inflated by as much as 50 percent due to favouring of certain contractors rather than applying competitive pricing. These contractors among others include Mulli Brothers and Simama General Dealers who were allegedly very close to the regime. They reportedly played a key role in bankrolling the May 2009 electoral campaign for the DPP as a governing party³¹.

The verdict of the assessment is that the apparent competitive tendering exercises for both fertilizer and transport are not adhered to. The transparent and accountable tendering exercises are apparently smokescreens since the final results are often substantially different from the initial ones. The award quantities kept changing between evaluations to contract signature with some bidders losing out completely in the process without specific reasons; some bidders who offered relatively good prices were not awarded anything without strong justification; and some bidders who were disqualified during the evaluation were brought back (Holden and Tostensen, 2011 and World Bank, et al., 2011). The review underscored the fact that the procurement exercises for both fertilizer and transport have been marred by

²⁵ Interview with a civil society organization official, 18th October 2011.

²⁶ Interview with a government official, 28th August 2011.

²⁷ Interview with a donor agency official, 18th November 2010.

²⁸ Interview with a government official, 19th October 2010.

²⁹ Interview with a donor agency official, 14th September 2010.

³⁰ Interview with a civil society organization official, 8th December 2010.

³¹ Interview with a private sector official in their fertilizer industry, 21st December 2010.

excessive irregularities strategically influenced by the political machine at the highest possible level. Some informants observed that “there is reordering of decisions made on the tenders in the transparent and accountable manner directing who should be involved, the quantities assigned and the prices by the owner of the programme”³².

The major concern in the assessment was that “large quantities were repeatedly awarded to some companies whose bids asked for considerably higher prices than those with the lower prices” (Holden and Tostensen, 2011: 12). In addition, some of the successful companies, such as Mulli Brothers and Simama General Dealers, have no previous experience in the fertilizer industry. A particular concern was raised with the failure to award fertilizer procurement contracts to established fertilizer companies such as Norsk Hydro, Yara and Kulima Gold “who have invested extensively in the fertilizer supply systems”³³. Most informants observed that “established fertilizer firms have been substituted by briefcase companies which are simply political cronies who are likely to exit the fertilizer industry once the subsidy programme comes to an end”³⁴. Companies such as Yara were rejected on the account of inadequate logistical support in “total disregard of the fact that Yara had been supplying up to 60 percent of fertilizer to Malawi before the subsidy was introduced and continues to supply much fertilizer to the commercial sector in the country”³⁵.

In the 2009/10 season, Mulli Brothers were offered the largest contract even though its prices were much higher than those of the lowest bidders yet they only delivered 14 percent of the NPK by the end of the initial contract period. Mulli Brothers also dominated transportation of fertilizer with government paying MK 30-34/10km while the comparable rate for the private sector is MK22/10km (World Bank, et al., 2011 and Holden & Tostensen, 2011). The exploitation of the subsidy programme in this way is thus perceived as “a means of paying back political debts to those who supported the DPP financially to secure landslide victories at presidential and parliamentary levels”³⁶. The discrepancies in the award of fertilizer and transport contracts suggest that some companies are making huge profits while others are left out altogether even if they are competitive.

The concern is that these practices are not in favour of investment in public goods upon which the potential transformation of the agricultural sector is dependent. The favoured companies are not necessarily credible fertilizer dealers but those who have emerged simply to exploit the largesse associated with the subsidy programme. They are very unlikely to invest in long-term fertilizer supply systems while those already experienced in the industry are being marginalized. The subsidy takes up to 75 percent of the total annual budget of the Ministry of Agriculture and Food Security (MoAFS). There is very little that is left for research and development, extension and many other functions that are vital to ensure sustainable transformation of the agricultural sector (Chinsinga, 2010 and Dorward & Chirwa, 2010). The major conclusion from the critical review of the subsidy programme is that political priorities are the major drivers of the programme. Consequently, there is, as consistently demonstrated above, strong political resistance to closing the loopholes in the programme that facilitate the extraction of rents.

Concluding Remarks

There is no doubt that the FISP has been a success. Since its launch in the 2005/06 growing season, Malawi has been able to produce decent maize surpluses over and above the national food requirements estimated at 2.8 million metric tonnes. The FISP brought to an end close to two consecutive decades of battling chronic hunger and severe food shortages as a matter of routine. It is therefore not surprising that

³² Interview with a donor agency official, 6th November 2010.

³³ Interview with a government official, 20th November 2010.

³⁴ Interview with a civil society organization official, 2nd December 2010.

³⁵ Interview with a government official, 18th August 2010.

³⁶ Interview with a civil society organization official, 26th November 2010.

Malawi's success has attracted considerable international attention, and quickly endorsed as a potential model for the rest of the African continent to emulate as a strategy for reviving the fledgling agricultural sector after years of total neglect. At a broader level, the ringing endorsement of the FISP as a potential model has reignited the old debate about the suitability of subsidies for African agriculture. The debate is once again polarized between whether subsidies are good or bad but without really making an effort to pass such verdicts on the basis of careful consideration of individual cases.

This article makes such an efforts inspired by the rather blanket recommendation made to African countries to look up to the FISP as the model of smart subsidy to emulate. The FISP is presented as a success in absolute terms. Yet, as demonstrated in this article, the FISP is a qualified success whose nuances can be fully understood if attempts are made to deconstruct at least systematically the success narrative that underpins it.

While the FISP is a necessary evil for Malawi, a critical analysis reveals challenges that would make it a qualified rather absolute success. The critical review perfectly shows how it has been exploited in terms of design, implementations and management to achieve political dividends while guaranteeing food security since its inception in the 2005/06 growing season. President Mutharika had a decisive hand both in its design, implementation and management which underlies its justification not only in technical terms of its stated technical objectives but also its political rationale and ramifications. While technical and professional inputs have proven useful to the design, implementation and management of the programme, these have almost always been subordinated to the political precepts and priorities (Holden and Tostensen, 2011).

These experiences suggest that other African countries can only successfully emulate the FISP as a potential model only if they fully understand how the configuration of power relations, incentive structures and dynamics of change processes have contributed to its success. This would enable them adapt the model to the uniqueness of their domestic political, economic and social realities. The main issue is that policies' chance of success cannot be judged on their theoretical or technical attributes without considering the institutional, political and cultural context in which they are applied.

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