

The Future of the Farm Input Subsidy Programme (FISP): A Political Economy Investigation

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Table of Contents

| | |
|---|-----------|
| ACRONYMS | 3 |
| 1. INTRODUCTION..... | 4 |
| 2. ORIGINS AND CONTEXT FOR FISP | 5 |
| 2.1 THE POLITICAL DRIVERS OF FISP | 5 |
| 2.2 FISP AS A NECESSARY EVIL | 7 |
| 3. DONOR REACTIONS TO AND ENGAGEMENT WITH FISP | 8 |
| 4. DESIGN, IMPLEMENTATION AND MANAGEMENT EXPERIENCES | 11 |
| 4.1 LACK OF CLARITY OF THE OVERALL OBJECTIVE OF THE PROGRAMME..... | 11 |
| 4.2 POOR INFORMATION FLOW AND MANAGEMENT | 13 |
| 4.3 COST MANAGEMENT AND OVERRUNS..... | 13 |
| 4.4 FRAUD AND CORRUPTION..... | 14 |
| 4.5 DEINSTITUTIONALIZATION OF THE AGRICULTURAL SECTOR | 15 |
| 5. THE FUTURE AND OPTIONS FOR FISP..... | 16 |
| 5.1 ALTERNATIVE SCENARIOS FOR FISP | 17 |
| 5.1.1 <i>Continue with the Current Version of FISP</i> | 18 |
| 5.1.2 <i>Consider Scaling down the FISP to Few Geographical Areas</i> | 18 |
| 5.1.3 <i>Return to Starter Pack (SP)</i> | 18 |
| 5.1.4 <i>Redesign FISP within the Framework of the Medium Term Strategy</i> | 19 |
| 6. CONCLUDING REMARKS AND REFLECTIONS | 20 |
| REFERENCES..... | 20 |
| List of Tables | |
| TABLE 1: DONORS NARRATIVES AND EVIDENCE ON FERTILIZER SUBSIDIES | 8 |
| TABLE 2: POTENTIAL GRADUATION CONDITIONS FROM FISP | 19 |

Acronyms

| | |
|---------|---|
| ADMARC | Agricultural Development and Marketing Corporation |
| AGRA | Alliance for Green Revolution in Africa |
| APIP | Agricultural Productivity Investment Programme |
| CSOs | Civil Society Organizations |
| EDRRP | Emergency Drought Relief and Recovery Programme |
| FISP | Farm Input Subsidy Programme |
| GDP | Gross Domestic Product |
| IFDC | International Fertilizer Development Centre |
| LMPT | Low Maize Productivity Trap |
| MDGs | Millennium Development Goals |
| MoAI&WD | Ministry of Agriculture, Irrigation and Water Development |
| NSO | National Statistical Office |
| SAPs | Structural Adjustment Programmes |
| SFFRFM | Smallholder Farmer Fertilizer Revolving Fund of Malawi |
| UDF | United Democratic Front |
| UK | United Kingdom |
| UNESCO | United Nations Education Scientific and Cultural Organization |
| USAID | United States Agency for International Development |

1. Introduction

Malawi has implemented the Farm Input Subsidy Programme (FISP) since the 2005/06 growing season. 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 FISP has been widely regarded as a tremendous success both locally and internationally. There have actually been calls in the global policy circles for the rest of African countries to emulate Malawi's FISP as a model for successfully implementing subsidies to revamp sustainable agricultural growth and poverty reduction (Denning, et al., 2009; AGRA, 2009; UNESCO, 2009). In fact, Malawi is touted to have pioneered the implementation of smart subsidies described as "mechanisms to provide subsidized goods and services designed to promote both market development and to enhance the welfare of the poor" (Minot and Benson, 2009: 4).

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 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).

The implementation of the FISP for six consecutive growing seasons has generated a wealth of practical as well as policy lessons and experiences. This is, therefore, an opportune time to reflect on the FISP thoroughly for purposes of thinking about its future. Several evaluations and studies about the FISP have been carried out. They have highlighted successes, identified problems and noted challenges that would form an adequate basis for a thorough, critical and reflective review about the potential future of the FISP.

This paper attempts such a review using a political economy framework. The political economy framework is relevant 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.

The paper is divided into six sections. Section II examines the origins and context for the FISP. The third section charts out the evolution of donors' reactions to the FISP over time. Section IV reports on the reflections on the design, implementation and management experiences of the FISP drawing heavily from various FISP evaluations and studies. Section V examines the possible options or scenarios about the future of the FISP. The sixth and final section offers some concluding remarks and reflections.

2. Origins and Context for FISP

2.1 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.

2.2 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.

3. Donor Reactions to and Engagement with FISP

As stated in the introduction, donors were generally opposed to the implementation of the FISP. This explains why no donor supported the maiden FISP during the 2005/06 growing season. It was funded entirely by government resources provided largely through budgetary support from development partners (Chinsinga, 2007). However, the views of donors soon diverged into three distinct categories: 1) those totally opposed to subsidy; 2) those skeptical but willing to engage with subsidy (searching the holy grail of smart subsidy); and 3) those supportive of subsidies.

The main argument of those donors entirely opposed to the FISP was that subsidies create market distortions that make private sector development virtually impossible (Harrigan, 2005). They argued that the implementation of the subsidy programme risked wiping out their entire private sector dealing in fertilizer. These included the International Monetary Fund (IMF) and the United States Agency for International Development (USAID). These agencies argued that the most effective way to boost agricultural production is to promote a market based approach to input provision.

The donors that were skeptical but willing to engage with the FISP included DFID, World Bank and EU among others. These donors were reluctant to endorse the FISP because they were wary about the government's capacity to effectively target deserving beneficiaries. These donors advocated for well targeted subsidies within friendly market mechanisms and well defined in terms of duration and financial commitments as to ensure predictability (Devereux, et al., 2006). They thus argued for well spelt out exit strategies since they strongly believe that subsidies are only a short term intervention, and fiscally unsustainable in the long run.

Donors supportive of the FISP included most of the UN agencies and the Norwegians. The basic argument of these donors was that agriculture in Malawi cannot survive without subsidies and subsidies would not distort the market because the private sector is almost non-existent. The belief of these donors was that subsidies can lead to net welfare gains by encouraging an expansion in fertilizer use toward the socially optimal level (IFDC, 2003 and Pender, et al., 2004). This donors' position build on the Sachs-Bono position that subsidies are the only surest way to achieve food security in the large part of the developing world. They argue that once farmers have access to fertilizer, improved seed and with good water and land management, developing countries like Malawi can achieve food security.

The donors' narratives and evidence about their positions on the FISP immediately it was launched in the 2005/06 growing season are summed up in Table 1 below.

Table 1: Donors Narratives and Evidence on Fertilizer Subsidies

| Donors and their Positions | Narratives | Evidence |
|--|---|---|
| Totally opposed to subsidies: <ul style="list-style-type: none"> • IMF • USAID | <ul style="list-style-type: none"> • Subsidies risk crowding out the private sector • Subsidies create market distortions and displace public infrastructure investment • Targeting extremely difficult to achieve | <ul style="list-style-type: none"> • Smallholder farmer annual demand for fertilizer estimated at 200,000 metric tonnes against 150,000 target for the subsidy programme • Uncertainty over fertilizer prices, as happened during the 2004/05 growing |

| | | |
|---|--|--|
| | | season |
| Willing to engage with subsidies: <ul style="list-style-type: none"> • DFID • World Bank • EU | <ul style="list-style-type: none"> • Capacity challenges for government to properly target subsidies which are desirable only in exceptional cases of market failure • Subsidies fiscally unsustainable if they become part of a long-term development strategy • Predictability of subsidies in terms of size and duration | <ul style="list-style-type: none"> • SP/TIP as clear examples of fiscal non sustainability of subsidies (donors withdrew leaving DFID as a sole donor) • High incidence of poverty and vulnerability • Problematic targeting (beneficiaries not really making productive use of inputs) |
| Supportive of subsidies <ul style="list-style-type: none"> • UN Agencies • NORAD • Oxfam • Plan International | <ul style="list-style-type: none"> • Promotion of viable livelihoods rather than perpetual crisis management as the way to go • Agriculture cannot survive without subsidies because of high costs of transport • No market distortions because the private does not exist • Net welfare gains by promoting optimal use of fertilizers, need for subsidies underscoring failure of liberal reforms | <ul style="list-style-type: none"> • High levels of poverty exacerbated by the failure of neoliberal reforms • Up take of fertilizer is currently very limited estimated at 34kg/ha against the recommended rate of 150kg/ha |

Source: Chinsinga (2007)

However, the tremendous success of the maiden FISP somewhat changed the attitudes of most donors toward the FISP. This prompted most of the donors who were critical of the FISP to begin to engage with the government on how the design, implementation and management of the programme could be improved in order to enhance its overall efficiency and effectiveness. A consortium of donors has since then been sponsoring monitoring and evaluation studies to garner empirical evidence on how the design, implementation and management of the FISP could be improved and strengthened. These donors have included DFID, World Bank, USAID and Norwegians among others. The engagement between donors and government on the design, implementation and management has resulted in several modifications to the FISP. The most notable ones include the following:

- The involvement of the private sector in the importation and distribution of inputs particularly seed. Except for the 2007/08 growing season, the distribution of fertilizer has been restricted to two parastatals, namely: Agricultural Development and Marketing

Corporation (ADMARC) and the Smallholder Fertilizer Revolving Fund of Malawi (SFFRFM). A larger proportion of the FISP's seed is distributed by the private sector through an extensive agro-dealer network.

- Diversification of crops targeted beyond maize and tobacco to include legumes as a strategy for integrated soil fertility management, improvement of nutritional status and income of farmers. Cotton was also added to the list and there were plans to extend coverage to coffee and tea farmers but this was never implemented. The diversification to include legumes has not been very successful although the decision to include legumes in the subsidy package has stimulated the legume seed industry in order to meet the very high demand for legumes. Since the 2009/10 growing season, the focus in the FISP is almost exclusively on maize.
- Improvement in the design features of coupons to enhance security, identification and targeting of beneficiaries, logistics to ensure timely delivery and distribution of FISP inputs as well as transparency and accountability in the award of tenders for procuring and distributing fertilizer.

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). 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. This sense of skepticism is heightened by the wide ranging concerns about the design, implementation and management experiences of the FISP since the 2005/06 growing season. These concerns, discussed in the next section, raise more questions than answers.

As stated earlier, the cumulative design, implementation and management experiences of the FISP over the years have influenced some change in the donors' position or attitude toward FISP. While donors are generally willing to continue supporting the FISP, they would like to do so within the framework of a medium term strategy (Holden and Tostensen, 2011). Donors argue that the medium term plan would ensure predictability as opposed to ad hoc approaches

that have characterized the implementation of the programme thus far. The medium term strategy would, among other things, clearly spell out the goals and objectives of the programme, lay out procedures for critical elements such as procurement of inputs and clearly stipulate indicators for success or failure. The medium term plan would further allow for a balanced planning process in the agricultural sector that would pay attention to such activities as research, extension and commercialization that are equally important in stimulating growth and productivity of the agricultural sector. Perhaps more importantly for the donors, the medium term plan would serve as a planning tool for their support to the FISP either as individual agencies or a consortium.

The calls by donors for a medium term plan for the FISP has been a bone of contention between them and the government since the 2008/09 growing season. While the government through the Ministry of Agriculture, Irrigation and Water Development (MoAI&WD) has drafted the medium term plan, it has been rather reluctant to commit itself fully to its finalization and implementation. The government is apparently reluctant to commit itself to the medium term plan on the basis that it is considered as a strategic ploy by donors to force it to exist from the FISP (Chinsinga, 2011). The view of the government is that it is premature to start thinking of an exit strategy. The popular line, especially among political cadres, is that as a country we cannot exit from eating.

There are, however, reports that donors and government have finally agreed on the medium term plan as the basis for implementing the FISP. The medium term plan spans between 2011 and 2016. This is encouraging because it presents considerable opportunity to continue improving on the design, implementation and management of the FISP in a manner that would ensure efficiency, effectiveness and responsiveness of the programme on the basis of clearly articulated and widely agreed upon benchmarks.

4. Design, Implementation and Management Experiences

This section critically examines some of the design, implementation and management experiences of the FISP. The aim is to identify challenges and constraints that have affected efficiency, effectiveness and responsiveness of the FISP in meeting its goals and objectives. The main challenges and constraints include: 1) lack of clarity of the overall objective of the programme; 2) poor information flow and management; 3) cost management and overruns of the programme; 4) fraud and corruption; and 5) deinstitutionalization of the agricultural sector. These challenges and constraints are essentially a synthesis of insights from several FISP evaluations and studies that have been carried out since its launch in the 2005/06 growing season.

4.1 Lack of Clarity of the Overall Objective of the Programme

Attempts by the government to define at least clearly the overall objective of FISP are widely acknowledged. The overall objective of the programme has been further clarified in the Agricultural Sector Wide Approach (ASWAp) as to achieve sustainable food security and self-sufficiency at national and household levels (GoM, 2008). There are, however, some design, implementation and management issues that create confusion about the exact underlying intent of the programme. The apparent uncertainty in the objective of the programme raises one important question. Is FISP a productivity enhancing or social protection programme? This question is mainly for two reasons.

First, the targeting criteria for the beneficiaries are generally unclear, fluid and inconsistent. They vary from year to year and across areas. While guidelines for identifying beneficiaries are

provided the actual practices of identifying beneficiaries vary a great deal (Dorward and Chirwa, 2011). The primary target of beneficiaries of the FISP is a resource poor Malawian resident in a village where they own a piece of land. There is, however, a caveat in the guidelines that in seeking to identify this ideal beneficiary the following vulnerable groups should also be considered (GoM, 2010):

- Elderly resource poor household heads.
- HIV positive resource poor household head with proof of status.
- Resource poor child headed household head.
- Resource poor physically challenged headed household head.
- Resource poor household heads looking after elderly and physically challenged.

Second, the FISP is designed with no clear plans about beneficiaries graduating out of it. The impression this creates is that beneficiaries will always be beneficiaries as long as the FISP is implemented (Chirwa, et al., 2011). The fact that there have not been some thoughts about the FISP beneficiaries graduating from it is underlined by the haphazard receipt of vouchers among beneficiaries across years. While there are some beneficiaries who have consistently received vouchers there are others who have been beneficiaries in some years and not others. This raises doubts about the prospects of beneficiaries graduating from the FISP since evidence from elsewhere suggests that programmes of this nature should be designed in such a way that people are beneficiaries for a defined period of time during which complementary services are provided to them such as training in some skills to prepare them for graduation at the end of the period. A widely cited example in this regard is the Challenging the Frontiers of Poverty Reduction (CFPR) in Bangladesh in which beneficiaries receive a large cash grant for the purchase of a productive asset, get trained in basic skills for managing the asset and enjoy a cash stipend for 18 months. The stipend is important because it enables households to meet short term consumption needs and maintain their assets before they can start to produce income on their own (Slater, 2009).

The caveat in the targeting criteria that introduces groups that have to be prioritized conflates poverty with vulnerability which, in many ways, contributes to the inconsistency and fluidity of the targeting criteria. This, coupled with the absence of a clear plan for graduation of beneficiaries from the FISP, raises serious questions about the overall objective of the programme. Is the purpose of the programme simply to help beneficiaries to hang in there to avoid falling down and out? Is the programme meant to help beneficiaries to step up productivity in existing agricultural activities? Is the programme meant to help beneficiaries to step out of agriculture into new and more productive activities? These questions are difficult to answer but nonetheless it would appear that the practice so far is skewed in favour of simply helping beneficiaries to hang in there to avoid falling down and out. In this regard systematic considerations about possibilities of the FISP beneficiaries are out of question.

These flaws make it difficult to ensure that there are viable complementary linkages between the FISP and other programmes such as research and extension, integrated soil fertility management, agricultural and rural development (Dorward, et al., 2008). The FISP is, in practice, treated as an isolated programme although in the ASWAp there is recognition that it should be implemented in a complementary manner with other related interventions to facilitate fundamental and sustainable rural transformation (GoM, 2008). There are also concerns that FISP has not given adequate attention to post production activities such as storage, processing and marketing. While farmers have produced surplus maize, they have had problems finding lucrative markets to dispose of it. The failure to deal with post production issues reinforces the dynamics of the low maize productivity trap (LMPT) which makes it difficult for farmers to step

up productivity and eventually step out of agriculture as their principal source of livelihood (Dorward and Chirwa, 2011).

4.2 Poor Information Flow and Management

There are concerns with various attributes of the FISP in this regard although attempts have been made to rectify some of them. There are some serious questions about the accuracy of the estimates of surplus maize production. An example that features in most FISP evaluations and studies is that of the 2007/08 growing season. It was estimated that the country had recorded maize surplus in excess of 1.5 million tonnes (Dorward, et al., 2008 and Holden & Tostensen, 2011). It is against this backdrop that the government committed itself to exporting 400,000 metric tonnes to Zimbabwe. However, by the time about 300,000 tonnes had been exported, maize suddenly became scarce and prices rose sharply prompting the government to ban maize exports. This raises two possibilities. It is either the estimation techniques used are outdated or the estimates are deliberately exaggerated to perpetuate the grand success narrative of the FISP. It is difficult to understand how maize scarcity could come about when the country had recorded in excess of 1.5 million metric tonnes of maize over and above the annual national food requirements.

The unresolved debate about the exact number of farming families in the country raises more questions than answers (Holden and Tostensen, 2011). There are enormous disparities between the statistics from the National Statistical Office (NSO) and the Ministry of Agriculture, Irrigation and Water Development (MoAI&WD). The former estimates the total number of farming families at 2.3 million whereas the latter pegs them at 2.8 million. The main cause for concern is that there is no sense of urgency to reconcile these disparities much as an independent census of farming families in rural Malawi sponsored by one of the development partners has been finalized. These disparities could merely be an issue of methodological differences but the question remains: why is it just too difficult to reconcile these differences in the interest of the integrity of the programme?

It is difficult to estimate the full cost of the FISP beyond the amount that is used for the procurement of inputs. Dorward and Chirwa (2011) observe that it is impossible to get a full sense of the magnitude of resources committed to the administration of the FISP. The magnitude of the overhead costs would help to get an accurate picture about the total financial outlay of the FISP. Likewise, there is no information about how the proceeds from FISP are used. While the seed is distributed through a variety of outlets, fertilizer is distributed exclusively by the Agricultural Development and Marketing Corporation (ADMARC) and the Smallholder Farmer Fertilizer Revolving Fund of Malawi (SFFRFM). The question is whether these two agencies remit the proceeds to the government or keep them for their use?

There are concerns with the wide variations of the share of households allocated vouchers across districts. According to Holden and Tostensen (2011), the share of households allocated vouchers varies between 33 and 49 percent across districts. The concern is that there has never been clear information to justify the variations apart from general statements about population size, maize area and soil quality. Studies show that there are some districts that have been clearly favoured while other districts have been clearly marginalized suggesting some political bias. However, some of the bias could be attributed to logistical challenges associated with the distribution of the FISP inputs across the country.

4.3 Cost Management and Overruns

The FISP evaluations and studies have revealed that there are often cost overruns in the implementation of the FISP although the situation has been improving since the 2009/10

growing season. There have been limited divergences between planned and actual expenditures for the programme. However, between the 2005/06 and the 2008/09 growing seasons there were often enormous disparities between planned and actual expenditures. The 2008/09 growing season holds the record. The planned expenditure for the programme was about MK 19 billion against the actual expenditure of about MK 33 billion (Dorward and Chirwa, 2011). The disparities between planned and actual expenditures could partly be attributed to the enormous fluctuations in the prices of fertilizer in the world markets. The price fluctuations of fertilizer invariably triggered cost overruns since it is the main component of the FISP.

Granted the fluctuations in the fertilizer prices, there are still concerns due to the fact that the FISP's programme's costs have been increasing on almost every account: 1) as a percentage share of the Ministry of Agriculture, Irrigation and Water Development's (MoAI&WD) budget; 2) as a percentage share of the national budget; 3) as a percentage share of GDP. In the 2005/06 growing season, the FISP expenditures as a percentage share of MoAI&WD's budget stood at 61 percent but it was high as 74 percent in the 2007/08 growing season. It jumped from 5.6 percent in the 2005/06 growing season to 16.2 percent in the 2008/09 growing season as a share of the national budget. As a share of the GDP, the FISP expenditures stood at 2.1 percent in the 2005/06 growing season jumping to 6.6 percent in the 2008/09 growing season. In addition, the level of subsidy to farmers has been increasing instead of decreasing raising further doubts about graduation. It started off at 64 percent of the unsubsidized price of fertilizer in the 2005/06 growing season jumping to 92 percent in 2008/09 growing season and it has remained as such up to date (Dorward and Chirwa, 2009).

The reports that the costs of the FISP are steadily getting under control are a positive development which would greatly contribute to enhancing the programme's overall efficiency, effectiveness and responsiveness. However, there are still some areas that require attention. As indicated earlier, the exact magnitude of administrative overheads for the programme are not known which would still have a significant impact on the overall expenditure. According to Dorward and Chirwa (2011), there are no proper accountability mechanisms for the supplementary or second round coupons whose distribution is dominated by political functionaries. In the 2008/09 growing season, it is estimated that up to 1 million supplementary vouchers were issued. The question of opportunity cost for the FISP's apparent displacement of some critically important activities in MoAI&WD such as research and extension is yet to be addressed. While the procurement costs for the programme are getting under control, the question about the programme's value for money cannot be adequately addressed when the associated costs remain a grey area including how the FISP proceeds are used by ADMARC and SFFRFM.

4.4 Fraud and Corruption

There are concerns that the design, implementation and management of the FISP render it susceptible to fraud and corruption. It is argued that the unclear, fluid and inconsistent targeting criteria create room for potential manipulation of the implementation of the FISP (Holden and Tostensen, 2011). The vagueness in the targeting criteria makes it difficult to properly account for the administration of the vouchers as well as the inputs.

These concerns are further emphasized with respect to the disparities between the NSO and MoAI&WD about the actual population of the farming families in rural Malawi. As stated earlier, there is apparently no sense of urgency to reconcile the disparities even though an independent census of farming families in rural Malawi has been carried out. This raises unnecessary suspicion on the part of the stakeholders. The main question is why is it that there is no political will to have the differences reconciled? The speculation on the part of most stakeholders is that

it allows vested interests manipulate and dictate the implementation of the programme for their own selfish goals (Holden and Tostensen, 2011). These claims are justified with reference to the supplementary or second round of coupons whose distribution is often dominated by political functionaries.

There are concerns about the awarding of contracts and tenders for the FISP. 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 its overall efficiency and effectiveness. The verdict of the assessment was that the apparent competitive tendering exercises for both fertilizer and transport are not strictly adhered to. The assessment observed that the award quantities kept changing between evaluation 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 any strong justification; and some bidders who were disqualified during the evaluations were brought back (World Bank, et al., 2011).

The main concern was that the FISP has degenerated into a source of some kind of political patronage. Holden and Tostensen (2011) observed that most of the companies that were awarded the contracts were not established ones in the fertilizer industry. This created fears of potential deinstitutionalization of the fertilizer industry since the companies' existence could be linked to the lifespan of the FISP. Meanwhile established companies in the fertilizer industry could scale down their business due to lack of business. Similar observations were made with regard to the transportation contracts. It is argued that most of the transport contracts were awarded to companies with close connections to the government. The companies were charging higher than the recommended private sector rate. It was, in fact, argued that the cost of the FISP could be more by as much as 50 percent necessarily due to favouring certain contractors rather than applying competitive pricing.

There are reportedly significant improvements in the award of procurement and transport contracts since the 2009/10 growing season. In both cases, the number of companies qualifying for the contracts has expanded from about less than 10 to over 20. The processes are reportedly more transparent and accountable which has in a way contributed to the control of the overall FISP expenditures. This is a positive development which has to be fully entrenched and institutionalized. However, there is still need to carry out a thorough political economy analysis of the companies awarded the FISP's procurement and transport contracts. Several questions would be critical in this regard. Who are the owners of these companies? What social, political and economic interests do they represent? What are the power relations among the owners of these companies? Which of these companies are locally and internationally owned? What is the scope of the investment portfolios of these companies?

4.5 Deinstitutionalization of the Agricultural Sector

The manner in which the FISP is designed and implemented poses some threats to the integrity of the agricultural sector. There is evidence that it can engender substantial deinstitutionalization of the agricultural sector (Dorward, et al., 2007; Chinsinga, 2010; Holden & Tostensen, 2011). In their study, Dorward, et al., (2007) showed that the implementation of the FISP displaced a significant portion of the private sector commercial fertilizer sales estimated at between 30-40 percent. There is, however, evidence to suggest that the magnitude of displacement of commercial fertilizer sales has declined to below 20 percent (Dorward and Chirwa, 2011). While this is commendable, the magnitude of displacement is still a great cause of concern especially when there are concerted policy initiatives to empower the private sector as an engine of growth and sustainable poverty reduction in the agricultural sector.

The agro-dealer network is not thriving as was the case prior to the introduction of the FISP during the 2005/06 growing season. According to Chinsinga (2010), institutional arrangement associated with the FISP has led to the flourishing of seasonal agro-dealers who are only interested in FISP inputs and have some close ties with seed company officials. Most of these agro-dealers are white job collar elites who are mainly driven by the desire to make the most of the largesse associated with the FISP. The dominance of seasonal agro-dealers defeats the original idea of the concept as a mechanism that would ensure the expansion of the input distribution networks to zones and farmers that are currently underserved on a permanent basis (Kelly, et al., 2003 and Crawford, et al., 2003). The original idea was that agro-dealers should be entrepreneurs based in their respective localities to serve farmers throughout the year but perhaps more critically important to act as a referral point in case of problems and challenges in the utilization of inputs by farmers.

There are concerns that the coincidence of the interests of donors, government and seed companies, even though for different reasons, poses a considerable threat to the stature of the domestic seed industry (Chinsinga, 2010). The coincidence has led to the creation of a seed industry that has a narrow product portfolio, distributes benefits to a very small proportion of the population through forms of commercial ventures and schemes of political patronage buoyed by excessive weaknesses in the regulatory framework for the seed industry. The government is interested in fixing the problem of food security at whatever cost; donors are keen on the involvement of the private sector in agriculture; and seed companies are interested in making profits. The resultant nature of the seed industry as described above does not bode well with the quest for a sustainable green revolution. Existing evidence suggests that no country has been able to achieve and sustain a green revolution without a strong domestic seed sector.

As intimated in the previous section, the manner in which the fertilizer contracts were being awarded risked weakening the fertilizer seed industry. The sidelining of companies with credible track records in favour of those with political connections had the potential to disinstitutionalize the industry since the lifespan of the new players in the industry could as well be closely linked with the duration of the FISP. The reported improvements in how contracts are awarded are encouraging about the future prospects of the fertilizer industry although a thorough political economy analysis is yet to be conducted about the new set of players. As stated earlier, there are concerns that the dominance of the FISP in MoAI&WD risks marginalizing other equally important activities such as research and extension due to heavy demands of FISP on staff time (Dorward, et al., 2008 and Chirwa, et al., 2010).

5. The Future and Options for FISP

There should be absolutely no concerns about the future of the FISP even if there is change of government in May 2014 since there is somewhat a national consensus about the desirability of the FISP as a strategy to ensure food security and self-sufficiency compared to alternatives such as food aid and commercial imports (Chinsinga, 2007). In a way, the FISP is an integral part of the social contract between the government and the citizens to ensure that maize, the main staple, is widely available either through own production or affordable prices in the market. Moreover, FISP is widely regarded as a vote spinner and greatly bolsters the legitimacy of a government (Sahely, et al., 2005).

The next President is likely to inherit the championship of the FISP because of the legitimacy it bestows on a government. Scholars like Smale (1995) and Harrigan (2005) have actually argued that maize is life in Malawi and Malawi's politics is essentially about maize. However, the concern should perhaps be with respect to the manner in which the new champion shall relate

himself or herself to the technocrats. As the FISP experiences suggest, the success of the programme depends as much on the political will as on the technical competence underpinning the FISP's design, implementation and management. The main challenge is that the programme is highly personalized and heavily politicized given its centrality in the country's political economy. This potentially crowds out room for technical initiatives geared toward the improvement of the programme.

This should not be understood as implying that there have not been any significant technocratic contributions to the design, implementation and management of the programme. There is actually a task force comprising government, donor agency and CSO officials that discusses various aspects of the programme and on how to improve on them in order to enhance its overall efficiency and effectiveness (Chirwa, et al., 2010). There have been significant learning, innovation and flexibility that have benefited the programme in many ways. However, there is some concern that the uptake of technocratic insights has not been as high as one would have expected. This is partly attributed to the fact that the President himself was the Minister of Agriculture and Food Security directly overseeing the implementation of the programme, having a huge imprint on the key parameters of the programme.

It is, therefore, argued that the President's role as Minister of Agriculture and Food Security somewhat limited the extent of technocratic improvements to the programme's design, implementation and management. This is worsened by the apparent heavy politicization of the civil service. In most cases, those championing alternative views especially concerning initiatives and policies considered as the flagship of the government are often branded as opposition elements (Booth, et al., 2006). This is further worsened by the country's political culture which places emphasis on excessive deference to authority which often crowds out room for informed debate and dialogue. In this regard, many stakeholders have felt that the numerous awards in recognition of the country's achievements in the realm of food security curtailed room for technocratic improvements to the design, implementation and management of the FISP since the awards simply gave a seal of approval that all was well. The change of the incumbent may either present opportunities or constraints. Overall, however, it will depend on the leadership stature of the incumbent but it is difficult to see how the question of food security cannot be politicized in this country.

5.1 Alternative Scenarios for FISP

The key question is whether or not there are any alternative scenarios for the FISP to ensure that it is both efficient and effective. However, any reflections about the potential alternative scenarios for the FISP must take into account the following critical considerations:

- FISP is a necessary evil given the current state of the country's agricultural sector. As stated earlier, Malawi is locked up in a low maize productivity trap (LMPT) and FISP is regarded as a potential strategy to overcoming the LMPT. However, its potential success depends to a very great extent on how the FISP is designed, implemented and managed.
- Most politicians regard the FISP as a quick fix of the country's food security problems and not as a means for catalyzing transformation of the country's agricultural sector in particular and the rural economy in general.
- The FISP is currently designed, implemented and managed without any thought about beneficiaries graduating from the programme let alone potential exit strategies.

There are four potential alternative scenarios for the FISP. They include the following: 1) continue with the implementation of the FISP as it is; 2) consider scaling the FISP down to few

geographical areas; 3) consider returning to Starter Pack (SP) but its limitations are well known; and 4) redesign the FISP within the framework of the mid-term strategy with clear graduation or exit strategies while addressing the challenges currently affecting the programme. These potential alternative scenarios for FISP are further elaborated below.

5.1.1 Continue with the Current Version of FISP

The continuation of the FISP in its current version means that the abrupt end of the programme will have disastrous consequences for the agricultural sector. The analysis in this paper suggests that should that happen, the country is likely to be plunged back into a situation of chronic food insecurity as was the case prior to the implementation of the FISP. This will be inevitable due to the apparent deinstitutionalization of some of the vital aspects of the agricultural sector the implementation of the FISP has caused although there are concerted efforts to reverse the trends. There are concerns about the existence of a viable agro-dealer network, vibrant fertilizer and seed industry, and the marginalization of other key activities in the Ministry of Agriculture, Irrigation and Water Development (MoAI&WD) such as extension and research (Chinsinga, 2010 and Chirwa, et al., 2011).

5.1.2 Consider Scaling down the FISP to Few Geographical Areas

This proposal is attractive if, indeed, the overall objective of the programme is to enhance food self-sufficiency both at household and national levels. The gist of this proposal is that the implementation of the FISP would be scaled down to districts that are widely acknowledged as the main producers of maize to support the country's food self-sufficiency and security agenda. This would then be complemented by initiatives to ensure the functionality of maize markets across the country including mechanisms to ensure easy mobility of maize from surplus to deficit areas. The rationale is that not everybody should necessarily be involved in maize production in order to achieve food self-sufficiency and food security at national and household levels.

If the FISP could be redesigned and implemented in this way, this could result in dramatic reduction in the scale of administrative and logistical challenges associated with the programme. The expectation is that an efficiently managed FISP run in a few districts would help to ensure that maize affordable to the majority of the people across the country, and in away, would help the country escape the LMPT. However, this proposal is unlikely to fly politically given the centrality of the question of food security in the country's politics. For instance, the decision about which districts to target would not be easily settled even if objective indicators would be put on the table.

5.1.3 Return to Starter Pack (SP)

This is the preference for the majority of the people across the country (Chinsinga, 2009). Communities are generally frustrated with the logistical and social challenges associated with the administration of the FISP. The popular view is that the targeted nature of the FISP is divisive especially since the targeting criteria are vague, fluid and inconsistent but perhaps more critically conflates poverty with vulnerability. The call for universal subsidy is justified on the basis that everybody in the communities is poor and equally deserving of any form of external support. Several studies have shown that rural Malawi is no longer clearly stratified. This is mostly due to the negative impacts of the swift implementation of structural adjustment programmes (SAPs) in the mid 1990s.

However, the limitations of SP are widely known. Compared to the FISP, the SP did not lead to the production of decent maize surpluses over and above the annual food requirements (Harrigan, 2005 and Potter, 2005). The input packages were not adequate enough for the

beneficiaries to achieve strategic impact on maize production. The overall goal of the SP was therefore not achieved.

5.1.4 Redesign FISP within the Framework of the Medium Term Strategy

This alternative scenario depends on redesigning the FISP with particular focus on beneficiaries' graduation or exit strategies while addressing the current set of challenges affecting the programme some of which have been identified in this paper. It will be important that in redesigning the FISP particular attention is paid to clarifying the notion of graduation.

There might be need to borrow from the realm of social protection where the idea of graduation is fairly well developed. According to Holmes and Slater (2008), for instance, graduation is construed as the movement of households from the state of high vulnerability to shocks and stresses to one of increased resilience to such shocks and stresses, increased investment in productive assets and subsequent improved livelihood security. Broadly speaking, therefore, graduation involves poor households moving out of poverty and away from dependency on social protection, to more sustainable, independent livelihood activities.

Redesigning the FISP with graduation as one of its centerpieces would not begin from a scratch, however. Chirwa, et al., (2011) have attempted to define graduation from the FISP's perspective including setting out potential conditions for graduation. They construe graduation as follows: removal of access to the FISP does not reduce land, labour and capital productivity in maize production. A critical examination of the potential conditions for graduation as presented in Table 2 below would greatly help to address the design, implementation and management challenges associated with the FISP as identified in this paper.

Table 2: Potential Graduation Conditions from FISP

| Potential Graduation Conditions | Likely Processes and Requirements |
|--|--|
| Reduced input prices | Efficient and competitive importers, suppliers, transporters, improved infrastructure |
| Increased efficiency in input use | Improved agronomy, complementary seed, inorganic and organic fertilizers, soil fertility management. Investment in agricultural research and extension |
| Substitution by cheaper inputs | Increased legume cultivation with rotational fallows. Good legume seed supply, produce demand and markets; stable and reliable low maize prices; and high maize productivity for transition before subsidy removal |
| Increasing working capital for input purchases | Increased incomes, diversified incomes with reduced income seasonality |

| | |
|---|---|
| Diversification out of maize production | Stable and reliable low maize prices; strong demand for high value farm products and/or non-farm goods and services, land markets and safety nets |
| Access to low cost credit for inputs | Increased and diversified incomes, innovative and low cost micro-finance system |

Source: Chirwa, et al., 2011

The implementation of the conditions for graduation stipulated in Table 2 above would require a dramatic paradigm shift about the perceptions of the FISP. The critical considerations intimated earlier that have to be taken into account in any redesign of the FISP would play a critical role in guiding the implementation process of the conditions for potential graduation. The most important thing, however, would be that the FISP would have to be looked at not merely as an isolated programme but rather as an integral part of the country's rural development agenda.

6. Concluding Remarks and Reflections

This paper has clearly demonstrated that the FISP is a necessary evil for Malawi especially given the state of the agricultural sector and an apparent national consensus of the desirability of the FISP as a way of revamping the fledging agricultural sector. There is so to speak a political-economic bind of the FISP since the question of food security is firmly at the centre of the country's electoral politics. This, therefore, suggests that the manner in which the FISP is designed, implemented and managed is critical to ensure that it is efficient, effective and responsive to the country's needs.

The review has further demonstrated that political will is vital but it has to be in such a manner that does not crowd out room for technocratic maneuver and engagement geared toward the progressive improvement of the FISP. The practicality of this is, however, somewhat difficult given the dominance of the question of food security in the country's electoral politics. It is thus extremely difficult to insulate the question of food security from politics because it is an integral part of the social contract between the governors and the governed. Moreover, the legitimacy of a regime in Malawi is closely linked to how a government handles the question of food security.

There are several possible future scenarios of the FISP but the most promising one is to redesign it with clear graduation or exit strategies and implemented in a manner that will catalyze dramatic and sustainable transformation of the entire rural economy. The clarification of the question of graduation would tremendously help to address the challenges the FISP currently faces. The continued implementation of the FISP as usual will simply lock up the country permanently in the LMPT with disastrous consequences.

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