

**SPEECH DELIVERED BY THE GUEST OF HONOUR,  
HON. DR. ALLAN CHIYEMBEKEZA, MP, MINISTER  
OF AGRICULTURE AND IRRIGATION.**

**ON THE OCCASION OF THE OFFICIAL OPENING OF  
A NATIONAL SYMPOSIUM UNDER THE THEME  
"EIGHT YEARS OF FISP-IMPACT AND WHAT NEXT?"**

**Bingu International Conference Centre  
Monday, 14<sup>th</sup> July 2014**

- The Vice Chancellor of the Lilongwe University of Agriculture and Natural Resources, Professor George Kanyama-Phiri;
- The Director of Crop Development in the Ministry of Agriculture, Irrigation and Water Development;
- Representatives from the Development Cooperating Partners;
- Representatives from all Government Ministries and Departments;
- Representatives from Non Governmental Organizations;
- Representatives from the private sector, Farmer Organizations and the Civil Society;
- Members of the Media Organizations;
- All Facilitators

– Invited Guests, Ladies and Gentlemen.

It gives me a great pleasure to preside over the official opening of the National Symposium on the Farm Inputs Subsidy program being jointly organized by the Lilongwe University of Agriculture and Natural Resources (LUANAR) and the International Food Policy Research Institute (IFPRI). First of all, good morning to you all.

As you are aware, Distinguished Ladies and Gentlemen, the Government is committed to uplift the lives of rural people in Malawi and it is implementing a number of program interventions to achieve this. One such program is the Farm Inputs Subsidy Program (FISP) that the Government has been implementing for more than 8 years now. As you are aware, FISP has dominated the agriculture and food security policy landscape in Malawi since its inception in 2005/06. Under this program, Government has been subsidizing or providing free inputs to smallholder subsistence farmers, particularly chemical fertilizer, mainly to promote maize

cultivation – our main staple crop. While FISP dwarfs earlier input subsidy programs in terms of the overall and per capita quantities of inputs provided, as well as the overall program cost, the program is credited with contributing to a sustained maize surplus and ensuring national-level food security in Malawi over the past eight years.

Distinguished Ladies and Gentlemen, official government estimates show that average maize yields have more than doubled since the introduction of FISP, contributing to rapid agricultural GDP growth of around 10 percent per annum between 2005 and 2011. Considering the relative importance of the agricultural sector in the Malawian economy, this strong agricultural growth performance was a key driver of national GDP growth rate, which averaged around 7 percent per annum during the FISP period. The Malawian success story prompted many other African countries to adopt similar agricultural input programs. This represented a sharp turn-

around from the aggressive anti-interventionist structural adjustment programs of the 1990s, which promoted market liberalization and reduced government spending.

Distinguished Ladies and Gentlemen, the rationale behind a subsidy program is clear. Among other inputs, inorganic fertilizer is crucial to ensure healthy plant growth. Experience has shown that, in the absence of input subsidies, input use among Malawian smallholders is often too low to ensure household food self-sufficiency. This is indicative of the fact that inorganic fertilizer is prohibitively expensive to a large proportion of our farmers. Through the subsidy program, the government has provided an opportunity to many farmers to grow enough food to feed their families, while at the same time freeing up household resources to invest elsewhere, such as in education or the cultivation or purchasing of other nutritious foods. As a result, FISP plays the role not only of food security, but also that of a social protection as well.

Distinguished Ladies and Gentlemen, the effectiveness of an input subsidy program ultimately depends on the marginal returns that farmers are able to achieve in terms of additional grain produced per unit of fertilizer added to the soil. Under carefully managed maize field trials, marginal returns are typically in the region of 16–20 kilograms of grain per kilogram of nitrogen. These returns are sufficiently high to ensure that the direct and indirect benefits of the program outweigh the direct costs to government, as demonstrated by several successive evaluations of the FISP. However, emerging evidence suggests that actual output gains among FISP beneficiaries may be only about half the potential gain – i.e. in the region of 8–10 kilograms of grain per kilogram of nitrogen – at which point benefits may no longer exceed the costs. When considered together with other FISP implementation challenges, including corruption, displacement of commercial fertilizer, and complex logistics, serious questions need to be asked about whether

the program represents the best use of scarce public resources.

Distinguished Ladies and Gentlemen evidence on marginal returns to fertilizer use is mixed and the issue requires further analysis and debate. It is evident, however, that raising the marginal returns that FISP beneficiaries are able to achieve should be an explicit goal in the short-to medium-term. Marginal returns to fertilizer use may be raised through design and implementation reforms, many of which have been proposed and debated in the literature. This may include better targeting of farmers that use fertilizer efficiently; targeting high-potential agricultural districts, and complementing such a program with cash transfer program in low-potential areas; encouraging farmers to adopt improved soil management and fertilizer application techniques; and improving the timeliness of fertilizer delivery. Overall program costs can also be reduced by implementing better measures aimed at reducing corruption; improving logistics and procurement efficiency; adopting innovative and cost-effective ways to replace printed vouchers; reconsidering

the scope and size of the program; linking beneficiaries' contributions to the real fertilizer price; and so on.

Distinguished Ladies and Gentlemen, policymakers, analysts, and politicians should carefully consider the role of FISP in Malawi's future. If FISP is to remain an integral part of government intervention, can we rely on it to feed a rapidly growing and urbanizing population? How effective is FISP as a comprehensive, one-size-fits-all policy that aims to improve food security, reduce poverty, and contribute to growth, all at the same time? What are the trade-offs associated with policies such as input subsidies or cash transfers that tend to have immediate short-term impacts, but often come at the expense of long-term growth-enhancing investments? Does FISP indeed displace other, potentially important programs? And, if so, what are the opportunity costs of foregoing these policy alternatives? Debate and discussion around these and other

questions are crucial if we are to make informed policy-decisions.

Distinguished Ladies and Gentlemen, the aim of this FISP Symposium, entitled "***Eight Years of FISP: Impact and What Next?***" is to take stock of the evidence on FISP impact, drawing on a large and expanding body of literature. The aim is not to challenge or dismiss the program, but to highlight the positives and identify areas for further improvement in the short- to medium-term. At the same time, the political transition in Malawi provides an opportunity to reflect on this country's long-term objectives vis-à-vis agriculture, food security, poverty, economic growth, and overall development. It is an opportunity to reflect on the vision for the agricultural sector and its role not only in providing food, but to serve as an engine of growth by supplying intermediate inputs to a growing manufacturing sector and contributing to exports in a more meaningful way. It is within this context that the future role of FISP needs to be considered and debated.



Distinguished Ladies and Gentlemen, I wish to take this opportunity to thank the Lilongwe University of Agriculture and Natural Resources and the International Food Policy Research Institute (IFPRI) for organizing this Symposium; to the members of the Centre for Agricultural Research and Development (CARD) of LUANAR for their untiring efforts to make the Symposium a success. Lastly, but not least, I thank the organizing committee for successfully and efficiently coordinating this symposium.

Distinguished Ladies and Gentlemen, with these remarks, I declare the Symposium officially open and wish you all a productive one-and-a-half days. I personally look forward to the outcomes and recommendations emanating from this symposium.

Thank you very much for your attention!