

ACF/FSP Study Team - Policy Advisory Note

Proposed Reforms for the Zambian Fertilizer Support Programme (FSP) (27 February 2009)

Objectives and Assessment Procedures: Given government and stakeholder concerns about achieving greater effectiveness from GRZ budget allocations to the fertilizer support programme, a representative study team of major agricultural industry players and stakeholders was established by the Ministry of Agriculture and Cooperative (MACO) following a Cabinet directive to review the FSP implementation thus far, and to proceed with a view to coming up with recommendations for improved FSP future implementation, effectiveness and efficiency. Results of this review exercise are summarized in this advisory note.

The study team collected and reviewed numerous assessments of Zambia's experience with FSP, and as well as studies of similar programmes in neighboring countries. The study team organized and conducted careful case review visits to three countries (Kenya, Tanzania and Malawi) and likewise sought-out input from key Zambian stakeholder assessments and relevant on-going agricultural input and productivity enhancement projects.

A draft study tour and review report was developed by the study team, and was subjected to review and debate by stakeholder in two specific review sessions (See Annex 1 for lists of participants in these review sessions.) The full Study Tour Report with detailed recommendations is attached in Annex 2, and contains schedules of all interviews conducted in each country (Study Tour Report Annexes 1 to 3).

Situational Analysis: The assessment identified key findings and stakeholder supported concerns about FSP past and current performance. These include the following:

- Little overall progress in improving productivity on maize, the principal crop targeted in FSP;
- Poor targeting of farmers/beneficiaries to achieve programme food security objectives;
- Fundamental disconnects between improved farmer, extension agent and agro-dealer training, and the distribution of productivity enhancing inputs like fertilizer and improved seed;
- Delays in input distribution beyond recommended application dates which significantly reduces the effectiveness of both seed and fertilizer use;
- Poor fertilizer use efficiency among many targeted farmers due to poor and/or missing crop/agronomic management practices and use of complementary inputs as well as recommended conservation farming practices;
- Inconsistency in FSP policy implementation, especially in reversal of plans to reduce the subsidy level, and to stimulate learning by public sector extension agents as well as private sector agro-dealers;
- Negative FSP impact on achieving a broader private sector participation in input distribution;
- Long-term concerns about the FSP sustainability; and
- Poor monitoring of program effects making it difficult to measure programme achievements against objectives.

Stakeholder Feedback on Proposed Reforms: Three stakeholder meetings (see Annex 1) contributed to and endorsed the Proposed FSP Reforms. The following were among the key stakeholder feedback on the proposed reforms:

- Change FSP name to Farmer Input Training Support Programme.

- Programme should have a foundation of strengthened links to training in order to benefit farmers through upgraded extension services as well as agro-dealer training in yield enhancing technologies such as conservation farming technologies and appropriate input application practices.
- Programme should employ a flexible (electronic) Input Voucher System and its implementation should be immediately (2009/2010 agricultural cropping season).
- Over the longer-run diversify the input pack to include other seed and the pack size should start at ½ hectare and a farmer can access up to two packs. In the first year of implementation keep the programme as simple as possible by reducing the pack size, restricting to inputs such as fertilizer and seed.
- Selection/targeting of farmers should be done at the community level using the farmer register and MACO camp officers.
- A given beneficiary shall access The Farm Input Training Support Programme for 2 consecutive seasons only, and the subsidy is to start at 50% for first season and reduce to 25% in the second season. New entrants benefiting in subsequent years will follow the same subsidy structure of 50 % in the first year and 25 % in the second year.
- Graduation is assisted by improved farmer knowledge and better payoff to the farmers own investment in improved input use. Linkages are also to be encouraged to Micro Financial Institutions and banks with rural coverage such as ZANACO and Finance Bank. Camp Officer and agro-dealer training of farmers will continue after graduation.
- Improved M/E to determine effects of the support programme and to make mid-course adjustment to better achieve objectives, which has lacked in FSP implementation

Recommendations: In order to improve the FSP's effectiveness and efficiency, the programme should be changed towards a **Farmer Input Training Support Programme** and be implemented through a **Voucher Scheme** (smart subsidy) starting in the 2009/2010 agricultural season. It is further recommended that the Ministry draw upon the expertise represented by the study team to help with the guiding of the implementation of the programme.

Implementation Actions: In order to implement the above recommendation, the following Actions need to be undertaken:

| Actions | Dates |
|--|---|
| Implementation Actions for the 2009/2010 Agricultural Season | |
| 1. Government to announce the new system and make known the quantities of inputs under the subsidy programme | By March, 2009 |
| 2. Camp farmer registers must be completed and submitted to district, province and national level | By 30 th April, 2009. |
| 3. Review of the FSP implementation manual | By 31 st March 2009. |
| 4. Printing of all programme documentation should be completed | By 1 st June 2009. |
| 5. Farmers' selection should be completed | By 1 st June 2009 |
| 6. Stakeholder sensitization for farmers, suppliers, extension workers, politicians, associations, NGO's | By 31 st August 2009 |
| 7. Agro dealers should receive vouchers | By 1 st November 2009 and redeem them by 30 th November 2009. |
| 8. A register of Agro Dealers based at the district completed through the DACO's office | By end of June 2009. |
| Implementation Actions for the 2010/2011 Agricultural Season | |
| 9. Training of Agro dealers | Ongoing |
| 10. Increase farmers contribution in the second year to 75% | By 2010 |
| 11. Diversification of composition of seed. | By 2010 |

| Actions | Dates |
|---|---------|
| 12. Enhance number of importers, wholesalers and local manufactures | By 2010 |
| 13. Stockiest infrastructure development | By 2010 |
| 14. Infrastructure development | By 2010 |
| 15. Financial support to Agro Dealers | By 2010 |
| Long Term Actions | |
| 16. In an event that input prices in a given year rise to alarming levels, Government should consider shifting to a general subsidy program which subsidizes the importers and producers of fertilizer. | |
| 17. Government withdrawal from input supply and distribution. | |

Resource Requirements: In the 2009 National budget, Government allocated significant resources to the FSP. These resources will be used primarily to reimburse agro-dealers whom have redeemed the vouchers from farmer beneficiaries. Government and cooperating partners must partner to assist the FSP implementation office in MACO to undertake a series of start-up planning, organization and training activities. Among others, this will include rapid start efforts to complete a computerized farmer register, rapid development of the voucher programme design/implementation details, and development/printing of farmer and agro-dealer sensitization/training materials.

Expected Impacts: The expected impacts of implementing the recommendations in this Advisory Note will be, among others, improved (more productive and profitable) smallholder farmers' use as well as access to improved farm inputs; reduced household-level food insecurity and reduced rural poverty levels; increased national effective demand for fertilizers and related inputs; and increased private sector participation in input and output markets. These recommendations will also increase the potential for foreign exchange earnings from more competitive agricultural exports

Recommended Minister's Action: Adoption of the recommendations as raised in this Advisory Note.

Other Options Considered: Continuation of the FSP status quo is unlikely to trigger the expected agricultural sector performance increases and will continue inhibiting the availability of affordable and improved use of farm inputs at the farm level. Government will continue incurring large investments on subsidies with limited payoffs, and at the expense of other important developmental works to promote growth in the agricultural sector. Farming inputs distribution and availability will continue to be concentrated along the line of rail.

Annex 1. List of Participants in Stakeholder Review

Annex 1 A. Participants in ACF Organized Stakeholder Review of Study Team Recommendations. Seeking Input from Prior Assessments and Ongoing Projects

ATTENDANCE LIST FOR THE ACF MEETING ON OBTAINING EXPERIENCES WITH THE FERTILIZER SUPPORT PROGRAM AND SIMILAR ACTIVITIES, HELD ON TUESDAY 3RD FEBRUARY, 2009 AT THE ACF OFFICES AT 09:30 HOURS

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**ANNEX 1 B. Seeking Input from Stakeholders
on the Draft Study Team Report**

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FOR THE ACF MEETING ON 'THE PROPOSED REFORMS FOR THE ZAMBIAN
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Agriculture and Lands Committee of Parliament**

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ANNEX 2. Report of Study Tour
(Including annexes of study tour agenda, people/organizations visited, resource materials consulted by country, including Zambia, and examples of voucher experiences and agro-dealer training activities in Zambia)

Report on Proposed Reforms for the Zambian Fertilizer Support Programme

February 2009

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Executive Summary

This report presents: 1) a situational analysis/review of the Fertilizer Support Programme (FSP) past performance; 2) findings of the Zambia fertilizer reform study tour team on past performances and experiences of regional agricultural inputs subsidy programmes in Kenya, Tanzania and Malawi; and 3) the study team's proposed reforms of Zambia's agricultural inputs procurement and distribution systems. Specifically, the report outlines proposals responding to various stakeholders' concerns about the Fertilizer Support Programme's:

- ☞ Poor targeting of farmers/beneficiaries
- ☞ Delays in inputs distribution;
- ☞ Limited programme impact on agricultural production and impact on food security;
- ☞ Policy inconsistencies on some key programme implementation features, especially with regards to the programme's plans to reduce subsidy levels, increase number of beneficiaries and the need to stimulate agro-dealer development;
- ☞ Poor monitoring of programme effects, a situation which has made it difficult to clearly point out programme achievements against its objectives; and
- ☞ Long-term concerns about the FSP sustainability.

To come up with the above outlined results, a representative study team of major agricultural industry players and stakeholders was established by the Ministry of Agriculture and Cooperative (MACO) following a Cabinet directive to review the FSP implementation thus far, and with a view to coming up with recommendations for improved FSP future implementation, effectiveness and efficiency. Results of this review exercise are summarized below.

FSP PAST PERFORMANCE: During the first seven years of FSP implementation, the programme has undoubtedly improved small scale farmers' access to agricultural inputs (i.e. fertilizers and improved maize seeds). Since inception, FSP has managed to distribute a total of 422,000 Mt of fertilizer (valued at ZMK1,361.1 billion), covering a total of 1,505,000 hectares of small scale maize. Annually, the programme supplied an average of 60,000 metric tonnes of fertilizer covering about 150,000 small scale farmers, (each with a 1 hectare input pack for maize) countrywide.

The above positive results notwithstanding, there has been a number of concerns about FSP past performance, especially with regards to FSP's beneficiary targeting; impact on household and national food security (value for money); effect on private sector investment and participation in agricultural inputs supply markets; and the programme's long-term sustainability, given the ever increasing competition for national resources by various sectors.

Due to weak organizational structures and leadership at districts and local levels, there has been an increase in cases of inaccurate targeting and selection of FSP beneficiaries. In some cases smallholder farmers who do not deserve subsidized inputs have ended up benefiting from FSP. As a result, the programme has also found it very difficult to establish the actual number of beneficiaries under this programme.

It has also not been easy to measure or establish the exact FSP impact on household and national food security mainly due to weak FSP beneficiaries' performance monitoring mechanisms. FSP effect to agricultural productivity and impact on food security has been compromised by poor fertilizer use efficiency by FSP beneficiaries. For instance, the 2004 CSO/MACO crop forecast data estimated an average maize yield of 2 metric tonnes per hectare (about 1 metric tonne less the expected FSP maize yield per hectare) among small scale farmers who used FSP fertilizers. The main reasons for low maize yields have been poor agronomic practices like delayed planting, poor and untimely fertilizer application, weed infestation among others.

A limited number of fertilizer companies have been able to participate in the procurement and distribution of FSP fertilizers since FSP inception. The situation is however completely different with regards to seeds, where a larger number of seed companies have been able to participate under the FSP. If left unchecked, such a development could lead to a lesser competitive fertilizer procurement distribution market in the country.

FSP implementation has also been characterized by a number of policy inconsistencies, especially with regards to level of subsidy and farmer graduation. Initially the level of government subsidy per FSP input pack was expected to gradually decrease while FSP beneficiary contribution was expected to steadily increase from 50% towards 100%. For some reason, this has not happened as initially planned. As a result it has been difficult to make beneficiaries to graduate out of FSP.

REGIONAL EXPERIENCES ON GOVERNMENT SUPPORTED INPUTS PROGRAMMES: All three countries which were visited by the study team have run subsidized agricultural inputs programmes, as a way of helping to improve access to improved inputs among resource constrained small scale farmers and to improve their household and national food security. Each of these countries' input subsidy programmes are implemented differently and possess a number of unique features.

When compared to the Tanzanian and Malawian agricultural inputs subsidy programmes, the Kenyan inputs subsidy programme (NAAIP) is unique with regards to its "one off subsidy" approach for each of the beneficiaries. NAAIP beneficiaries receive subsidized inputs only once and are weaned of thereafter. After a year of receiving subsidized inputs, farmers are linked to Equity Bank for seasonal input loans. The rationale behind this is that Government does not want to create perpetual dependency among beneficiaries. Farmer's names are also electronically registered and this makes beneficiary tracing easy.

The Tanzanian inputs voucher programme seems more superior in that vouchers are reimbursed at a local Bank; in this case Micro Finance Bank of Tanzania. The programme has also a much diversified input pack mix, thereby enabling farmers to access other agricultural inputs like agrochemicals, seedlings for plantation crops and other seeds for crops like rice and sunflower.

Malawi on the other hand, has a flexible voucher which is given to farmers who have not benefited from the full input pack (the fertilizer and seed vouchers). The Malawian input voucher is specific to the target group's average of cultivated land size. The Malawian input subsidy programme constitutes about 80% of the overall input requirements for the country. The programme is the main driver of the agricultural sector.

PROPOSED REFORMS OF THE ZAMBIAN FSP: In order to improve FSP effectiveness and efficiency, especially with regards to timeliness and cost-effectiveness of inputs procurement and distribution, FSP impact on food security and farm incomes, and a better value for money, the study team proposes a change in the mode of inputs procurement and distribution, from the current system to a **Voucher Based Inputs Supply System**. A Voucher Based Inputs Supply System will:

- ☞ Enable FSP empower beneficiary farmers with requisite purchasing power (in form of a discount voucher) to purchase inputs of their choice at their nearest input outlets, resulting into timely distribution of inputs;
- ☞ Help minimize administrative burden and costs, thereby reducing direct government involvement in inputs procurement/importation and in-country distribution;
- ☞ Stimulate market competitiveness and in turn encourage the development of a private sector led agro-dealer (stockists) inputs supply networks in agricultural areas; and
- ☞ Encourage private sector participation in agricultural inputs importation, manufacturing and in-country distribution, amongst other attendant benefits of a well functioning voucher based inputs distribution system;

Other specific proposed reforms to the current FSP are as follows:

- ☞ Establishment of agro-dealers' supply networks in rural areas (to be done in collaboration with on-going private sector initiatives)
- ☞ Flexible FSP input pack and size (min 0.5ha and max 1 hectare input packs with options of including seeds of other preferred crops and/or agrochemicals);
- ☞ Establishment of up-to-date computerized farmer register/database and camp based beneficiary selection criteria;
- ☞ Establishment of functional linkages to financial institutions for inputs and stock credit facilities for farmers, agro-dealers and fertilizer importing and manufacturing companies; and
- ☞ Improved inputs utilization and beneficiaries' performance monitoring mechanisms.

1. Introduction

Following concerns raised by stakeholders on the performance of the FSP with regards to poor targeting, delays in input distribution, limited private sector participation, poor fertilizer utilization by small scale farmers, inconsistency of policy implementation especially in reversal of plans to reduce the subsidy level and to stimulate agro-dealer development, and the long term sustainability of the Program, a representative team of major industry players was put in place to review and recommend proposals to reform the Zambian Fertilizer Support Programme.

This report presents a situational analysis on past and current performance of Zambia's Fertilizer Support Programme (FSP); findings of the Zambia fertilizer reform study tour on past and current performances and experiences of regional agricultural inputs subsidy programmes in Kenya, Tanzania and Malawi; and it outlines the study team's proposals meant to help improve the effectiveness and efficiency of FSP.

1.1 Situation Analysis/Problem Statement

Like many other developing countries in Africa, Zambia is characterized by:

- Poor access to improved inputs (for instance prior to FSP, only 20 and 30% of small scale farmers accessed fertilizer and improved seeds respectively);
- High food insecurity and poverty levels, with about 67% and 73% food insecure and poverty stricken households respectively (PRSP, 2001);
- Low farm incomes;
- Low national effective demand for fertilizer;
- High cost of farm inputs (fertilizers and seeds) at Farm-gate levels;
- Limited private sector participation in input and output markets.

In order to improve smallholder farmers' access to affordable improved inputs; reduce food insecurity and poverty levels; increase national effective demand for fertilizers; and to encourage private sector participation in input and output markets, the Government of the Republic of Zambia has put in place policies meant to liberalize agricultural markets. It is on this basis, that Government is running "a managed" transition towards full market liberalization. With supportive agricultural policy in place, emphasis is now on gradual disengagement, from agricultural services provision in order to give room to the private sector. While some positive developments such as increased out-grower schemes and contract farming, crop diversification and changes in land management strategies have been recorded, the private sector has, however remained constrained in providing input and output marketing services.

In response to the above, Government designed the Fertilizer Support Programme (FSP). FSP is meant to improve: 1) household and national food security and incomes; 2) access to agricultural inputs for smallholder farm households; and 3) build the capacity of the private sector in inputs marketing. The FSP is also meant to help cushion smallholder farmers from the adverse effects of unfavourable weather conditions that destroyed the asset base of smallholder farmers in Zambia.

FSP has been in operation for seven (7) years and has since managed to distribute a total of 422,000 Mt of fertilizer, valued at ZMK1, 361.1 billion, to cover about 1,505,000 hectares of small scale maize. The table below summarizes the FSP performance since 2002/2003 agricultural season to-date.

Table 1: FSP Performance since Inception

| Season | Budgeted (ZMK billion) | Fertilizer Amount (MT) | Number of Farmers | Expected Production in (MT) |
|--------------|------------------------|------------------------|-------------------|-----------------------------|
| 2002/03 | 100 | 48000 | 120,000 | 360,000 |
| 2003/04 | 114.5 | 60,000 | 150,000 | 450,000 |
| 2004/05 | 112.6 | 50,000 | 125,000 | 375,000 |
| 2005/06 | 140.0 | 50,000 | 125,000 | 375,000 |
| 2006/07 | 252.0 | 84,000 | 210,000 | 630,000 |
| 2007/08 | 150.0 | 50,000 | 125,000 | 375,000 |
| 2008/09 | 492.0 | 80,000 | 200,000 | 600,000 |
| TOTAL | 1,361.1 | 422,000 | 1,505,000 | 3,135,000 |

Source: MACO/FSP Annual Reports

The above FSP performance figures notwithstanding, there have been a number of stakeholders' concerns about FSP effectiveness and efficiency. Recent comparative analysis demonstrates Zambia's poor record in reaching targeted farmers through subsidized input programmes over the past decades. In addition private input importing and distribution networks are not growing fast enough and are fundamentally discouraged by existing programs. Specifically, stakeholders have raised the concerns about FSP past and current performance. These include the following:

1. Poor targeting of farmers/beneficiaries;
2. Delays in input distribution;
3. Poor fertilizer use efficiency among targeted farmers;
4. Inconsistency in policy implementation, especially in reversal of plans to reduce the subsidy level, and to stimulate agro-dealer development;
5. FSP impact on private sector participation;
6. Long-term concerns about the FSP sustainability; and
7. Poor monitoring of program effects making it difficult to measure programme achievements against objectives.

Poor Beneficiary Targeting and Selection

The selection of beneficiary cooperatives and farmer organizations and farmers under FSP has been by the District Agriculture Committees (DACs). However, most of the DACs have been either non-existent or poorly managed during the most part of FSP implementation period. This has led to increased cases of inaccurate targeting and selection of beneficiaries. In some cases smallholder farmers who do not deserve subsidized inputs have benefited from FSP. The programme has found it very difficult to establish the actual number of beneficiaries under this programme.

Delays in input distribution

Delays in the release of funds by the Ministry of Finance and National Planning and the prolonged tendering process have led to delayed payments to input suppliers and service providers under the FSP. Further, the annual contracts for the supply of inputs under the FSP do not provide incentives for investment and availability of inputs all year round. The suppliers of fertilizer are unable to make long term plans to supply fertilizer in rural areas because of uncertainty.

Poor Fertilizer Use Efficiency

Another critical stakeholders' concern about FSP has been the seemingly limited programme impact on agricultural productivity and its consequential effects on household and national food security. The 2004 CSO/MACO crop forecast data estimates an average maize yield of 2 metric tonnes per hectare among FSP beneficiaries. Such a yield level means a reduction by about 1 metric tonne (33%) of maize per FSP sponsored hectare. Implicitly, failure by FSP beneficiaries to achieve the expected FSP minimum of 3 metric tonnes per hectare means poor fertilizer use efficiency among FSP beneficiaries. This in turn limits FSP impact on agricultural production and food security. There is therefore need for deliberate measures

to help improve productivity among FSP beneficiaries. It has also been difficult to establish how much of FSP subsidized inputs have been used on maize production or other crops.

Policy Inconsistencies in FSP Implementation

FSP implementation has also been characterized by a number of policy inconsistencies, especially with regards to level of subsidy and farmer graduation. Initially the level of government subsidy per FSP input pack was expected to gradually decrease from 50% in the first year to 25% in second year and zero subsidy in the third for each beneficiary. Conversely, each FSP beneficiary was expected to contribute 50% of total costs of inputs in the first year and increase to 75% in the second year, and finally meet the full inputs cost in the third year. For some reason, this has not happened as initially planned. Subsidy levels have instead steadily increased from 50% to 60% in 2007, then to about 85% in 2008/2009 agricultural season. The increasing subsidy levels present challenges in the graduation of programme beneficiaries.

FSP Impact on Private Sector

Notwithstanding the initial FSP aims of wanting to ensure competitiveness and transparency in the procurement and distribution of agricultural inputs, there are concerns that FSP is slowly creating a monopoly in the inputs industry (especially with regards to fertilizer procurement and distribution). Only a limited number of fertilizer companies have been able to participate in the procurement and distribution of FSP fertilizers. The situation is completely different with regards to seeds, where a larger number of seed companies have been able to successfully participate under the FSP. If left unchecked, such a development could lead to a lesser transparent and uncompetitive inputs distribution market.

Long-term Concerns about FSP Sustainability

Another very critical factor about FSP has been the stakeholders' concerns about the efficiency of the programme. In the absence of a comprehensive analysis of economic efficiency and programme effectiveness, stakeholders are wondering if at all Zambia is getting the best value for money from FSP interventions, especially that more money is being allocated to FSP every year. In view of such concerns, there is need for improved programme monitoring and comprehensive analysis of economic efficiency and programme effectiveness.

Poor monitoring of program effects

FSP was not designed with adequate monitoring and evaluation instruments to ensure that the programme implementation runs according to plan. Hence there has been ineffective monitoring and evaluation during its implementation.

Given the various concerns raised by stakeholders, a team was constituted to review the implementation of the Fertilizer Support Programme. The team undertook a study tour to Kenya, Tanzania and Malawi in order to learn experiences of government supported input distribution programmes in existence in the region.

1.2 Purpose and Objectives of Study Tour

The principal objectives of the study tour that was undertaken from 14th to 24th February 2009, were to better understand various approaches by national Governments in Kenya, Tanzania and Malawi to (i) effectively build capacity among the resource constraint smallholder farmers for strengthening their ability to acquire input delivery services under full market conditions and (ii) assist private sector players in developing a service delivery network that reaches out to previously under-served rural farming communities.

2. Key Features of Regional Agricultural Inputs Subsidy Programmes

A number of key features for each of the subsidy programmes in the 3 countries were identified and summarized for purposes of sharing past programme performance experiences. For easy comparison, key features are presented in accordance with the following categories:

1. Procurement and Distribution Process;
2. Subsidy Programme scope;
3. Inputs Pack Size;
4. Beneficiary selection criteria; and
5. Other features unique to each of national subsidy programme.

2.1. Kenya's Agricultural Input Supply System

The subsections below summarize the key features of Kenya's Agricultural inputs distribution policy and initiatives.

2.1.1 Procurement and Distribution

The Kenyan government liberalized the importation and distribution of fertilizers in 1991. Prior to this, government used to control fertilizer importation into the country. Currently, Kenya's bulk of fertilizer, including estate fertilizer (tea, coffee, sugarcane and flowers), is imported by the private sector. Since liberalization of the fertilizer trade, there has been a significant increase in Kenya's fertilizer demand from about 150,000mt in 1986 to 270,000mt in 1996. The country now uses up to 450,000mt of fertilizer and about 40,000mt of improved seed. The Kenyan government has been consistent with its liberalized policy on fertilizer importation and distribution for the past ten years. This has facilitated the growth of a strong private sector participation in the distribution of agricultural inputs in the country. There are about 5 big strong private companies involved in fertilizer marketing with about 500 wholesalers and 8,000 small holder stockist networks countrywide. As a result, the distances from farm gate to the nearest depot have been drastically minimized to an average of about 4 kilometres.

2.1.2 Process Subsidy Programme Scope

Following the 2006 Abuja conference and in an attempt to improve access to quality inputs by small scale farmers, the Kenyan government initiated a National Accelerated Agriculture Input Access Project (NAAIP). Inputs under this programme are distributed using a voucher system through private sector led agro-dealer networks which have been developed throughout the country. The adoption of the use of the voucher system was meant to ensure that efforts made by the private sector are not disturbed. The development of the agro-dealer network has been supported by substantial investments in road infrastructure networks by the government. NAAIP seeks to address the problem of food security and poverty among resource poor farmers (with land size of 2.5 acres or less); by providing start-up inputs grant and establish linkages with input dealers, produce markets and financial services. The project is planned to run from 2006 to 2010 and targets about 2.5 million small scale farmers by the end of its life span. Annually, the project targets 45,000 beneficiaries. In 2007, government allocated about US\$3.3 million and US\$4 million (2.3% of the US\$17 million Ministry of Agriculture budget) in 2008 budget. This subsidy programme is about 13% of the overall total budget allocation to the agricultural sector.

2.1.3 Input Pack Size

Under this project a farmer is given a 50kg bag of basal (Di Ammonium Phosphate (DAP)), 50kg bag of top dressing (Urea) and a 10kg bag of maize seed. This input pack translated to US\$87 per farmer in 2006 and increased to US\$100 per farmer in 2007. The inputs under the projects are at an agreed price, which is about 10% less than the prevailing market prices. Selected farmers receive input vouchers (valid for 60 days) from government, which they redeem at their nearest accredited stockists/agro-dealers. The agro-dealers thereafter take vouchers to the Ministry of Agriculture for re-imburement. The use of vouchers has enabled farmers to access inputs within their localities and in a timely manner. The voucher system also gives farmers room to choose their preferred inputs.

In tandem with the voucher programme, government negotiated a US\$40 million credit facility with Equity Bank to provide loans to farmers and stockists (e.g. Equity Bank lends at 10% and 15% to farmers and stockists respectively). **Citizens Network for Foreign Affairs (CNFA)**, an international NGO (originally American), supported by the Alliance for a Green Revolution in Africa (AGRA), guarantees the credit to farmers at 3% value of credit amount. These loans enable stockists to procure input supplies in advance; and farmers to easily access input loans after they are weaned out of the subsidy programme. The government has forced the programme to be expanded against the original plan of starting in few places. This has put pressure on CNFA on the capacity building training programme for the agro-dealers.

2.1.4 Beneficiary Selection

NAAIP uses a village based beneficiary selection criteria, where community based selection committees and Village Assemblies scrutinize and approve lists of selected beneficiaries for each year. Upon approval, lists of beneficiaries are submitted to the Ministry of Agriculture for final approval and voucher issuance. The beneficiary list is computerized and this makes it easy for the Ministry of Agriculture to monitor and trace the beneficiaries using the electronic database. For one to qualify as a NAAIP beneficiary, such a farmer should meet the following conditions:

- Own at least an acre of farm land;
- Be vulnerable,(either be a widow, orphan, child headed household, HIV/AIDS affected/infected);
- Be willing to join a group;
- Show willingness to contribute towards mobilization of resources for input ; and
- Willingness to be trained.

2.1.5 Features Unique to NAAIP

When compared to the Tanzanian and Malawian agricultural inputs subsidy programmes, NAAIP has the following Key features unique to its operations: i.e. one off subsidy for each of the beneficiaries. NAAIP beneficiaries receive subsidized inputs only once and are weaned off thereafter. After a year of receiving subsidized inputs, farmers are thereafter linked to Equity Bank for seasonal input loans. The rationale behind this is that the Government does not want to create perpetual dependency among beneficiaries. Farmer's names are electronically registered and this makes tracing easy.

2.2 Tanzania's Input Supply System

The Tanzanian inputs supply system was also studied and its key features are summarized as follows:

2.2.1 Subsidy Programme Scope

The Tanzanian government used to subsidize fertilizer through a reimbursement programme at the national level in the past years. Even with this type of subsidy, government used to contract the private sector to import specified quantities of fertilizer into the country. Under this bulk procurement and reimbursement system, the government negotiated with the private sector, the national/standard price at which fertilizer would be sold to farmers. Government reimbursed the price differential to the private sector. Under this type of subsidy, the Tanzanian government noted that the reimbursement programme did not benefit the farmers at the grassroots and therefore decided to change the programme.

As a result of the concerns noted in the reimbursement programme, the government introduced a voucher system to distribute agricultural inputs in the country in 2008/2009. The objective of voucher input programme is to promote proper utilization of fertilizer to enable farmers increase maize crop productivity. The programme targets 700,000 small scale farmers. For the 2008/2009 agricultural season, the programme has been allocated US\$51.5 million targeting 155,000 tonnes of fertilizer, 6,000 tonnes of improved seeds (i.e. maize, rice and sunflower), 2,000 litres of agro chemicals, 8,000,000 and 9,000,000 improved tea and coffee seedlings to cater for 700,000 farmers.

2.2.2 Procurement and Distribution Process

The voucher programme is being implemented in regions and some districts with potential for maize production. Even under the voucher system, importation of most fertilizer and other agricultural inputs is mainly done through the private sector. A government owned Tanzania Fertilizer Company limited, which was originally established to manufacture fertilizer, is also involved in fertilizer importing and trading and has been competing alongside with other private sector companies with very little support from the government. The factory was established in 1972 and closed in 1992. The company changed its mandate from manufacturing to trading and also participated in the importation and distribution of subsidized inputs under the voucher programme.

Inputs under the subsidy programme are distributed through an agro-dealer network developed across the country. Farmers are expected to take the vouchers to an agro-dealer and make a top up payment and secure inputs. The network of the agro-dealers has grown and the government has up scaled the programme. CNFA provides regular business and management training to the agro dealers. CNFA also provides guarantee funds being managed by the national Microfinance Bank. Like in Kenya CFNA in Tanzania is also being supported by the Alliance for a Green Revolution in Africa (AGRA). After training, these dealers are accredited and eligible to participate in the voucher programme. With accreditation, an agro-dealer can access credit facility from the National Microfinance Bank (NMB). NMB is the contracted bank that redeems the agriculture input vouchers. The Bank also hosts the Guarantee Fund to agro dealers. The Agriculture Council of Tanzania provides overall planning, monitoring and evaluation of the Tanzania Agricultural Inputs Partnership.

2.2.3 Input Pack Size

Beneficiaries under the input voucher programme receive a one (1) acre input pack for maize consisting: 1 x 50kg of basal fertilizer (DAP); 1x50kg of Urea and a 10kg of maize seed. To allow for diversification of crop commodities, beneficiaries are also given cashew, tea and/or coffee seedlings, agrochemicals; and seed for rice and sunflower. There is no specified time under which beneficiaries are expected to be weaned off the programme.

2.2.4 Beneficiary Selection

In Tanzania the selection of farmers is done by the Village Inputs Committee of the Village Assembly which is a local authority establishment. For a farmer to be selected, he/she must meet the following criteria:

- Must be a permanent resident of a said village
- Must have own field which is cultivatable but produces less due to low or non-utilization of modern agricultural inputs
- Must be able to follow the recommended agricultural practices
- Be able to pay the difference of the voucher value (subsidy) and the market prices of the recommended inputs for crop productivity and production

2.2.5 Features Unique to Tanzanian Model

The Tanzanian inputs voucher programme seems more superior to the Kenyan input subsidy model in that vouchers are reimbursed at a local Bank; in this case Micro Finance Bank of Tanzania. The programme has also a much diversified input pack mix, thereby enabling farmers to access other agricultural inputs like agrochemicals, seedlings for plantation crops and other seeds for crops like rice and sunflower.

2.3 Malawi's Input Supply System

The Malawian agricultural input subsidy programme was also studied in detail with its key features summarized below.

2.3.1 Subsidy Programme Scope

In Malawi the main objective of the Agricultural Input Subsidy Programme is to improve food security and improve accessibility and affordability of agricultural inputs among most vulnerable farmers in the country. The programme started in 2005 and targets 1.7 million small scale farmers annually.

The programme in Malawi covers inputs for maize, tobacco and legumes. However, maize and tobacco dominate the programme due to the importance of these crops in the Malawi economy.

2.3.2 Procurement and Distribution Process

Importation of fertilizer and other agricultural inputs is through government tenders issued to the private sector. Government contracts private sector to supply input requirements under the subsidy programme. After importation, contracted private sector firms deliver fertilizer to designated government owned warehouses for onward distribution throughout the country.

Distribution of fertilizer under the subsidy programme is done by two government owned companies. In 2006/2007 the government involved some private companies to participate in the programme. However, there were complaints that most coupons were redeemed in exchange for other goods like bicycles and groceries. In trying to resolve this problem, government has now decided to only use the two parastatal bodies to distribute fertilizer to farmers. This again has displaced the private sector participation in agricultural input marketing. However, this subsidy programme on fertilizer runs parallel with the voucher programme on seed, which is mainly distributed through the private sector. The two government companies have established depots throughout the country. The procurement of inputs is done under an international competitive bidding process and an internal procurement committee evaluates the tender documents. Successful bidders will later sign a

contract with government. The importation of fertilizer is done by the private sector. The inputs will be distributed to designated warehouses under the two government owned companies in the main three regions. The two companies later distribute the inputs to designated beneficiaries. Transport services are contracted out to private transporters.

2.3.3 Input Pack Size and Mix

The Malawian subsidy programme supports a farmer with a 50 kg bag of basal (DAP), 50kg of top dressing fertilizer and 10 kg bag of maize seed. The programme also supports farmers with other inputs such as tobacco, groundnuts, soyabeans and beans.

2.3.4 Beneficiary Selection

The Ministry of Agriculture has developed a distribution matrix for each village and section within Extension Planning Areas (EPAS) based on the number of farm families. The list of beneficiaries for each village is availed at an open forum and beneficiaries are identified and pre-registered according to the laid out criteria. Only one beneficiary per household is registered based on the following criteria:

- A resource poor Malawian farmer that owns a piece of land (the household should own land and should have be cultivated during the season)
- Guardians looking after physically challenged persons (care should be taken to offer chance to those looking after the physically challenged. The community should determine the legibility of the guardian)
- Resident of the village (the community shall identify the bona fide residents of the village as beneficiaries)
- The vulnerable group (These households could be child headed, female headed or orphan headed and those with infected or affected with HIV and AIDS)

2.3.5 Features Unique to Malawian Inputs Model

Malawi has a flexible voucher which is given to farmers who have not benefited from the full input pack (the fertilizer and seed vouchers). The Malawian input voucher is specific to the target group's average of cultivated land size. The Malawian input subsidy programme constitutes about 80% of the overall input requirements for the country. The programme is the main driver of the agricultural sector.

2.4 Summary Comparison of findings from the Tri-nations input Support Study Tour

| | Kenya | Tanzania | Malawi |
|--|--|---|--|
| Name of Input Support programme | National Accelerated Access Agriculture Input Programme | Agriculture Input Subsidy through Voucher | Input Support Programme |
| Objectives | Increase access to quality inputs to poor small holder farmers | Promote proper utilization of fertilizer to enable farmers increase maize crop productivity | Improve food security; Improve food accessibility and affordability of agro-inputs among vulnerable farmers in the country |
| Input support target group size | 2,500,000 | 700,000 | 1,700,000 |
| National Fertilizer Consumption (MT) | 451,240 | 215,411 | 213,000 |
| o/w fertilizer Input support expressed as percent | 4,500 1 | 96,820 45 | 170,000 80 |
| Input Support Composition | One 50kg of basal fertilizer (DAP) | One 50kg of basal fertilizer (DAP) | Maize One 50kg of basal fertilizer |

| | Kenya | Tanzania | Malawi |
|--|---|---|---|
| | One 50kg of basal fertilizer (Urea) One 10kg of maize seed | One 50kg of basal fertilizer (Urea) One 10kg of maize seed Cashew seeds Agro-Chemicals Tea and Coffee seedlings Rice and Sunflower | (DAP) One 50kg of top fertilizer (Urea) One 10kg of maize seed or Tobacco One bag of D compound and one bag CAN Tobacco and legumes seeds |
| Input distribution mode | Voucher redeemed at stockists; Stockists reimburse | Voucher through smart subsidy redeemed at the local bank | Vouchers (paper trial) are redeemed at the Ministry of Agriculture. |
| Scope of programme | 451,240 MT of fertilizer 40 MT of improved seed (maize, Rice and Sunflower) | 96,820 MT of Fertilizer 1,769 MT of improved seed (maize, Rice and Sunflower) 1,100 MT and 50,000 litres of Agro-chemicals, 5 million improved coffee seedlings | 6000 MT of Maize Seed, 1000 MT of legumes o/w 400MT of groundnuts 300MT of Soya beans 300 MT of beans |
| Cost of the subsidized fertilizer | KShs 4,000 (US\$ 53.33) | (Data needed) | MK 950 (US\$ 6.33) |
| Cost of fertilizer on the commercial market | KShs 6,400 (US\$ 85.33) | (Data needed) | MK 14,500 (US\$ 96.66) |
| Subsidy as Percent of the Ministry budget | 2.3 percent | (Data needed) | |
| Level of private sector participation | Importation and distribution; To-date 300 wholesalers 5,000 stockists established | Importation and distribution through agro-dealers; | Only local distribution. Government imports through a Parastatal company (ADMAC) |
| Parameters in targeting beneficiaries | Poor and privileged farmers Farmer groups with a common interest | Permanent resident of a said village; Has a field which cultivatable but produces less due to low or non-utilization of modern agricultural inputs; Must be able to follow the recommended agricultural practices; Be able to pay the difference of voucher value (subsidy) and the market prices of the recommended inputs for crop productivity and production | Resource poor Guardian looking after physically challenged persons Resident of the village Vulnerable |
| GDP in US\$ | 6.96 billion | 16.18 billion | 2.1 billion |
| Percent contribution of Agric to GDP | 28% | 40% | 42% |
| Percent of the subsidy of the GDP | (Data needed) | (Data needed) | 13.5 percent |
| Graduation period from ISP | One year | One year | Perpetual |

3. Proposed Reforms of the Zambian FSP

The study team process has worked over the past 3-4 months in planning the study programme, in reviewing Zambian experiences and in consulting with selected stakeholders, and in final deliberations.

To reach agreement on proposals for going forward, apart from drawing on the regional experiences, the Ministry of Agriculture and Cooperatives of Zambia has already been involved in some internal evaluations of the FSP which have been taken into consideration in this evaluation and coming up with the set of recommendations presented below (See annex 3 of this report for a list of resource materials by country that the team drew upon.). In addition to consulting the FSP self-evaluation, a number of local private companies, NGO's., agricultural development projects and other government agencies were consulted as part of the fact finding efforts of the team. Finally, several other consultancy reports which have evaluated the FSP programme in different years of operation have been consulted (see Annex 3.).

In summary, from this review, consultation and team deliberation process, ZAM-FAST offers the following proposed reforms.

3.1. Overall objective

The overall objective of the input support programme is to increase small scale farmers' productivity in order to contribute to improved household and national household food security.

3.2 Specific Objectives

Specifically, the fertilizer support programme should redouble efforts to:

- Improve access of small scale farmers to agriculture inputs
- Increase private sector participation and agro dealer network expansion in input marketing.
- Ensure timely, effective and adequate supply of agricultural inputs to small scale farmers.

3.3 Procurement

Importation and manufacturing of fertilizer will remain fully liberalized while GRZ will strengthen market/industry coordination, regulation, and competition enhancement efforts, as well as continue important trunk line, and rural road infrastructure which is fundamental to bringing down the long-run cost of using improved agricultural inputs.

The private sector will be encouraged to import/manufacture all fertilizer requirements for the country. The government will announce the amount of inputs to be purchased by farmers via an input voucher system under the Fertilizer Support programme early in each season in order enable the private sector to make their importation plans in good time to cater to the sum of FSP and private/commercial fertilizer import demands. To ensure that the intended farmers have the benefits of the input subsidy from the government programme the selected farmers will, from now onwards be given supplemental resources directly from government so that they can buy desired inputs directly from agro-dealers.

3.4 Distribution (Agro-dealer network)

All the inputs under the Fertilizer support Programme will be distributed through the existing and to be upgraded private sector agro dealer network. Many private input agro-dealers are already operating, as documented in the CSO/MACO crop forecast of 2007/2008 which found that small and medium farmers obtained significantly more fertilizer from commercial/private sources than they did from the FSP programme. Yet more effort is required to strengthen agro-dealers. This will have to be developed with efforts from government with the support from other collaborating partners. The fertilizer and seed companies will be expected to deliver inputs to agro dealers and be expected to sell them to various farmers at competitive prices.

3.5 Pack (mix and size)

The programme will support a minimum of half hectare and a maximum one hectare of maize input pack per beneficiary. As part of the up to one hectare pack, the programme will be flexible and may also support beneficiaries with any of the following crops: rice, sunflower,

groundnuts, beans and soyabeans. Herbicides, plant protectant chemicals and lime may also be considered under the programme.

3.6 Beneficiary Selection

The beneficiaries will be selected at camp level based on the farmers' register. The selection criteria will include:

- A Zambian resident in the participating Camp
- Capacity to grow half hectare to five hectares
- Should be trained (or willing to be trained) in conservation agriculture and proper use of productivity enhancing inputs
- Capacity to pay farmers' contribution
- Should not be a current beneficiary of the Food Security Pack, among others
- Special efforts should be made to assist farmers who have graduated from the Food Security Pack programme.

3.7 Farmer Graduation

Small and medium-scale households participating in the program will agree to be graduated from subsidized assistance after 2 cropping seasons of participation. In addition, programme participants will agree to contribute 50 % of the cost of the inputs in year one, and 75 % of the cost in year two. These measures are important to build from the beginning an existing strategy to assure programme sustainability and to encourage farmers to become self-reliant in obtaining agricultural inputs.

A clear and practical graduation policy will also assure government that it can assist over time a larger number of smallholders. The graduation will be assured/controlled by the use of the farmer register at the camp level, and by a certification to be given by the camp officer that after two years a given farmer has indeed graduated. In addition, any farmers in the program during the allowed two-seasons of participation will also be asked to sign a certification in the second year that he/she agrees to graduate at the end of the second season.

The certification signed by the farmer will also confirm that it is understood that it will be an offense for the farmer to re-register his/her household under another name/identity or under the name/identity of other members of this household so as to avoid graduation from the programme. Verification of graduation of the head of household and related members of the household will likewise be confirmed by the responsible camp officer.

3.8 Linkages to finance

Access to reliable operating as well as investment financing is essential to assure sustainability of farmer graduation and continued involvement of farmers as well as other input value chain participants over the medium and long-term. The proposed adjustments to the Fertilizer Support Programme will closely coordinate with the other training programmes supported by cooperating partners offering targeted financing to farmers and agrobusinesses. These include the IDA funded Agricultural Development Support Programme (ADSP) and the IFAD funded Rural Finance Programme, which aims at providing credit to rural agro-industry clients. The banks involved in the liquidation of vouchers should also be engaged to support farmer and agro dealer loan schemes.

3.9 Input utilization -extension and farmer/agro-dealer training

Gradual and significant improvement of crop productivity is essential for household and national income growth. The record in Zambia and other countries is very consistent that no one improved input alone can stimulate significant and sustainable productivity improvements. Improved seeds and inorganic fertilizer are fundamental, but must be complemented with other strategic inputs, as well as important improvement in farmer knowledge about agronomic practices, including the use as much as possible of organic soil fertility enhancements and other conservation farming practices.

Enhanced input utilization will be achieved through the fundamental linkage of the programme to camp extension officers and to agro-dealers who can likewise assist farmers in obtaining practical input application instructions and dosage rate information.

To achieve the needed level of enhanced extension and training, MACO camp extension officers as well as agro-dealers will be targeted for public as well as NGO programme training assistance. In addition, MACO will upgrade living and operating conditions for camp extension officers, and will seek funding to fill vacant camp officer positions. Assistance of the new MACO/SIDA ASP project is an example of MACO based improvements to be made. CARE Zambia with assistance of AGRA, as well as the PROFIT Project are examples of important agro-dealer and agro-service provider training and related assistance that will be linked to the enhanced FSP programme.

4. Action Plan for an Enhanced Fertiliser Support Programme

4.1 Short Term (for the coming farming season 2008/2009)

The fertilizer subsidy programme will be implemented through a voucher scheme (smart subsidy) to beneficiary small scale farmers. It is also assumed that GRZ may want to consider immediately allocating more resources to the food security pack programme, as it is an effectively designed programme to assist smallholders who will not yet qualify to receive benefits from FSP. To ensure the implementation of the recommended enhancements to the programme the following should be completed:

1. Government and cooperating partners must partner to assist the FSP implementation office in MACO to undertake a series of start-up planning, organization and training activities. Among others, this will include rapid start efforts to complete a computerized farmer register, rapid voucher programme design/implementation details, development and printing of farmer and agro-dealer sensitisation/training materials.
2. An important part of the immediate planning for the FSP voucher system will require close public/private collaboration to learn from and build upon the already existing voucher programmes/experiments under way in Zambia by cooperating partners (see Annex 4 for example of three such efforts.)
3. Agricultural Camps farmers' registers must be completed and submitted to district, province and national level by 30th April, 2009.
4. Government must make known the quantities of fertilizer and seed to be procured under the subsidy programme by 1st March 2009.
5. Review of the FSP implementation manual by end of March 2009.
6. Printing of all programme documentation should be completed by 1st June 2009.
7. Farmers' selection should be completed by 1st June 2009.
8. Stakeholder sensitisation for farmers, suppliers, extension workers, politicians, associations, NGO's by end of August 2009.
9. Agro dealers should receive vouchers by 1st November 2009 and redeem them by 30th November 2009.
10. The vouchers will be printed according to pack size.

11. A pack shall consist of inputs for half hectare (2 by 50 kg bags of basal and 2 by 50 kg bags of top dressing) and a beneficiary can obtain up to a maximum of inputs of two packs. Programme design and implementation efforts will need to develop the criteria which camp officers will use to prioritise voucher allocation to different beneficiary levels.
12. The initial level of subsidy should be 50%.
13. A register of Agro Dealers based at the district should be completed through the DACO's office by end of June 2009.

4.2 Medium Term (The next farming season – 2009/2010)

- Training of Agro dealers
- Increase farmers contribution to 75%
- Diversification of composition of seed.
- Enhance number of importers, wholesalers and local manufactures
- Stockist infrastructure development
- Infrastructure development
- Financial support to Agro Dealers
- Provision of general subsidy for fertilizer importers and producers

4.3 Long Term

- In an event that input prices in a given year rise to alarming levels, Government should consider shifting to a direct program which subsidises the importers and producers of fertilizer.
- In general, Government withdrawal will be assured with a plan for an orderly exit strategy from input supply subsidies.

5. Conclusion

Distributing agricultural inputs through a voucher system will help achieve GRZ objectives and also build Public-Private Partnerships. It will more effectively enable government to assure that the inputs will reach directly to intended beneficiaries at the lowest possible overall programme cost. This approach will likewise be more effective in encouraging the development of additional growth of agro dealer's networks in rural areas.

Annex 1: Zambia – Study Team Members

Timing: Jan 14-17 Kenya; Jan 18-20 Tanzania; Jan 21-23 Malawi, 2009

Zambia Ministry of Agriculture and Cooperatives

1. Mr. Green Mbozi, Director, Agribusiness and Marketing Department, (gmbozi@maff.gov.zm)
Team Leader
2. Mr. Julius J. Shawa, Director, Policy and Planning Department, (jjshawa@maff.gov.zm)
3. Mr. Sitwala H. Sikwibele, Chief Agricultural Economist (hsikwibele@maff.gov.zm)
4. Ms. Caroline Chiyooa, Principal Accountant, (lekwac@yahoo.com)

Zambia Ministry of Finance and National Planning

5. Mr. David P. Zulu, Programme Implementation Office, (dmark2000@hotmail.com)

Programme Against Malnutrition,

6. Ms Isabel L. Tembo, Senior Programme Officer, (isabel_tembo@yahoo.com)

Zambia National Farmers Union

7. Mr. Coillard Hamusimbi, Liaison and Programme Officer, (hamusimbi@znfu.org.zm)

Conservation Farming Unit

8. Mr. Collins Nkatiko, Operations Director, (cnkatiko@iconnect.zm)

Agricultural Consultative Forum

9. Dr. Hyde Haantuba , Secretariat Co-ordinator (acfs@microlink.zm)
10. Mr. Masiye Nawiko , Secretariat Programme Officer (acfs@microlink.zm)

Zambia Food Security Research Project

11. Prof Michael T. Weber , Food Security Advisor (webermi@msu.edu)

Seed Co. Ltd Zambia

12. Marx Mbunji, Zambia Business Unit Manager (MarxM@seedco.co.zm)

Annex 2a: Study Team: Kenya Study Tour Programme

Program for Zambia Fertilizer Reform Study Tour to Kenya 14-18th January, 2009

| Day | Time | Place | Contact Person | Status: C = confirmed TBC = To be confirmed |
|----------------|---|--|---|---|
| Wednesday 14th | 16:25 hrs | Arrival at Hotel Boulevard | Esther Muiru | C |
| Thursday 15th | 09:00 hrs 09:30 | Ministry of Agriculture | High Commission of Zambia in Kenya Dr. Mary Mathenge | C |
| | 14:00 hrs Courtesy Visit | PS Ministry of Agriculture | PS | C |
| | 14:30 hrs | Depart for Tegemeo Briefing | Dr. Mary Mathenge / Betty Kibarra | TBC |
| | 16:00 -17:00 hrs | MEA LTD | Mr. Muriuki | C |
| Friday 16th | 08:30 hrs | Team Discussion or possible private firm visit | Hotel Boulevard | TBC |
| | 10:00 hrs | CNFA Offices | Joseph Mwangangi | C |
| | 13:00 -14:00hrs | Rockefeller Foundation | James Nyoro | C |
| | 14:00 – 16:00 hrs | AGRA | Joe Devries, Bashir Jama & Akin Adesina | C |
| Sat 17 | Team meeting? Visit other private fertilizer and/or seed firms? Short visit to a Farmer (CNFA?) | | | |
| Sun 18 | Travel to Tanzania | | | |

Annex 2b: Study Team: Tanzania Study Tour Programme

18 -20th January, 2009

| Day | Time | Place | Contact Person | Status C- confirmed TBC- To be confirmed |
|----------------------|---|-------------------------------------|--|--|
| Sunday | Depart Nairobi 08:05 KQ 480 | Travel to Tanzania | | C |
| Sunday | Dar | Peacock Hotel- Bibi Titi Moh. Rd | | C |
| Monday 08:30 hrs | Briefing from ACT on TAP Agricultural Council of Tanzania | ACT Offices | Director ACT Mrs Janet F. Bitegeko Mark Magila, Value Chain Manager ACT | C |
| Monday 09:45 am | Briefing from CNFA | ACT Offices | Fernandos Vallerian/Frida Nyongo, Hamis Saadan CNFA | C |
| Monday 11:00 hrs | Fertilizer Company Premium | Premium office | Prakash Shar, Managing Director Confirmed | C |
| Monday 14:00 hrs | Briefing from various offices in Ministry of Agriculture | Ministry of Agriculture | Dr Musola, Assistant Director of Agriculture Inputs | C |
| Monday 15:00 | Visit to PS Office Ministry of Ag | Ministry of Agriculture | Confirmed | TBC |
| Tuesday 09:00 hrs | Yara- Chapa Meli Fertilizers - Tanzania Limited | Yara Offices | Simon Girdlestone Chapa Meli Confirmed | C |
| Tues 11:00 hrs | Tanzania Fertilizer Company | TFC Office | Fernandos Vallerian/Frida Nyongo CNFA, | C |
| Tuesday 14:00 | Ag Research on yield response or rate of return to smallholder use of fertilizer? | Ministry of Agriculture | Suggestions welcome. You will meet Director of Research and Development Mr Min of AG | C |
| Tuesday 16:00 | Wrap Up Session | ACT and CNFA CNFA Offices | Hamis Saadan CNFA | C |
| Wednesday 05:25 | Depart for Malawi | | | |

Annex 2c: Study Team: Malawi Study Tour Programme

21st – 23rd January 2009

| Day | Time | Activity/Event | Coordinator |
|--|-----------------------------------|---|---|
| Wednesday 21 st Jan. 2009 | 9.45 – 12.00 pm | Guests arrive at KIA via KQ 422 and travel to Lilongwe Hotel | CISANET Administrative Assistant |
| | 12.00 – 1.20 pm | Lunch | Lilongwe Hotel |
| | Afternoon | Rest after the early morning flight and late afternoon team meeting | Lilongwe Hotel |
| | | | |
| Thursday 22 nd Jan. 2009 | 8.30 – 10.00am | Travel to and briefing from Zambia High Commission. | Zambia High Commission |
| | 9.40 – 10:40 am | Meeting with Civil Society members at NASFAM Board Room | CISANET Secretariat |
| | 11.00 – 12:30 pm | Meeting at the Ministry of Agriculture for briefing on the Farm Input Subsidy Programme | Ministry of Agriculture |
| | 12.30 – 1.30 pm | Lunch for delegates | |
| | 1.30 – 2.00 pm | Travel to Lilongwe ADD for a debriefing on district management of the program at Lilongwe ADD | Ministry of Agriculture |
| | 2.00 – 5.00 pm | Field visit in Lilongwe ADD | (<i>T. Mpezeni, LADD</i>) |
| Friday 23 rd Jan. 2009 | 8.30 – 10.00 am | Meeting with members of private sector firms involved in inputs i.e. Fertilizer Association at CNFA conference room | CNFA & Fertilizer Association of Malawi |
| | | | |
| | Group 1 - 10.:15 – 12:30 pm | Travel to SFFRFM offices in Kanengo | CISANET & Ministry of Agriculture |
| | | Meeting at SFFRFM on program logistics | |
| | | | CISANET Secretariat |
| | Group 2 - 10.15 – 12.00 pm | Meeting with selected donors supporting the inputs program (Irish Aid, DFID and NORAD) at Irish Embassy, ARWA House | |
| | 12.00 – 1.20 pm | Lunch | |
| | | | |
| | 2.00 – 2:30 pm | Travel to Ministry of Agriculture for a wrap-up session | Ministry of Agriculture |
| | | | |
| Saturday 24 th | 7.45 am | Delegation departs Lilongwe Hotel for KIA | CISANET |

Annex 3: Study Team: Resource Materials

Zambia Agricultural Fertilizer Programme Study Tour: Gaining Insights from On-Going Reforms in Malawi, Kenya and Tanzania.

Study Tour Orientation

Description of Activities

- Fertilizer Study Tour ACF Concept Note 2008

Participant List/Contact Information

- Participant List

Program Schedule

- Jan 14-17 Kenya; Jan 18-21 Tanzania; Jan 22-24 Malawi

Cross-Country Materials

Policy Briefs

- Fertilizer Subsidies and Sustainable Agricultural Growth in Africa: Current Issues and Empirical Evidence from Malawi, Zambia, and Kenya. MSU Policy Synthesis #83, Oct 2008.
- FANRPAN Potential For Input Voucher Systems Policy Brief Nov2007.pdf
- WDR 2008 - New Approaches to Input Subsidies
- AGRA Agro Dealer Development Programme
- AGRA Soil Health Programme Africa

Papers

- Fertilizer Subsidies and Sustainable Agricultural Growth in Africa: Current Issues and Empirical Evidence from Malawi, Zambia, and Kenya. Isaac Minde, T. S. Jayne, Joshua Ariga, Jones Govere, and Eric Crawford. Report prepared for Re-SAKSS Southern Africa, November 24, 2008.

News Reports

- ICRAF Food Crisis Soil Fertility Statement-FINAL
- Making Fertilizer Subsidies Work Long Term Tough Dec2007
- McPherson Rabbinge Comments Subsidies Abuja, 2006
- Soil Fertility Futures Agriculture Debate
- Soil Fertility Futures Agriculture Debate Draft Summary

Tool Kits

- WB Fertilizer Toolkit: http://www.worldbank.org/afr/fertilizer_tk/

Malawi Materials

Policy Briefs

- NRP 116 Lesson From Malawi Experience
- Malawi Two views fertilizer support leisa, 2008
- FANRPAN Abstract Malawi Voucher Report, 2007

Papers

- Evaluation of the 2006/7 Agricultural Input Subsidy Programme, Malawi. Final Report. School of Oriental and African Studies (SOAS), Wadonda Consult, Michigan State University (MSU), Overseas Development Institute (ODI). March 2008.
- Social Analysis of Malawi's Maize Marketing Reforms. Final version: December 22, 2008. Report for the World Bank, Malawi by T. S. Jayne, Julius Mangisoni, and Nicholas Sitko

Presentations

- Evaluation of the 2006/7 Agricultural Input Supply Programme. Malawi Report conducted for the Ministry of Agriculture and Food Security by School of Oriental & African Studies (SOAS), Wadonda Consult ODI, Michigan State University (MSU). Lilongwe March 2008.
- Malawi's Maize Marketing System: A Rapid Appraisal Study. By T.S. Jayne, Julius Mangisoni, Nicholas Sitko for discussion at World Bank Maize Stakeholders Seminar, Lilongwe, Malawi, December 8, 2008

News Reports

- [President Mutharika On Fert subsidy Aug 2008](#)
- [Nyasa Times Oppositor On Fert Sept 2008](#)
- [The Window on Malawi Food Shortage Oct 2008](#)
- [Malawi AGRA Grant Agro dealers TheDailyTimes](#)

Kenya Materials

Policy Briefs

- Can The Market Deliver? Lessons from Kenya's Rising Use of Fertilizer Following Liberalization. Joshua Ariga and T.S. Jayne. July 2006. KePB 7.

Papers

- Trends and Patterns in Fertilizer Use by Smallholder Farmers in Kenya, 1997-2007. Joshua Ariga, T.S. Jayne, Betty Kibaara, and J.K. Nyoro. Draft for Review Working Paper XX/2008. October 2008
- How High Are Rates of Return to Fertilizer? Evidence from Field Experiments in Kenya. Duflo, Esther, Michael Kremer, and Jonathan Robinson. 2008. AER 98(2):482-488. (Not downloadable here due to AER property right)

Presentations

- Trends and Patterns In Fertilizer Use in Kenya by Smallholder Farmers in Kenya 1997 -2007

News Reports

- KENYA_Agro_Dealer_Grant_News
- Mbendi_Japan_Fertilizer_Grant_Kenya_Sept_2008
- KBC_Govt_fert_subsidies_next_month_Oct14_2008
- allAfrica_Kenya_Maize_Export_Ban_Oct2008
- allAfrica_Kenya_Relief_Low_Fertiliser_Costs_Oct14_08

Tanzania Materials

Policy Briefs

- TAIP_Brief

Papers

- TAIP Strategy 22 9 07 _2_
- Tap_concept_ote

News Reports

- CNFA _ Tanzania Agro-dealer Strengthening Program (TASP)
- ACT_Press_Release_President_Kikwete_GreenRevolution
- TAP_Partnership_web_page
- Agricultural Council of Tanzania - Web_Page_Home

Zambia Fertilizer Materials

Policy Briefs

- MS Zambia Newsletter October 2008 - Fertilizer support is a subsidy disaster by Michael Muleba, Executive Director, Farmers Organization Support Program (FOSUP)

Papers

- FSP_Internal_Evaluation_2008
- Fertilizer Report 4-08_CFU_ZNFU
- Chipata District Farmers Report on Findings of the Findings of the 2007/08 Fertilizer Support Programme
- Fertilizer_Support_Assessment_CSPR_2005
- CFU_Low_Yields_ZF 20.10.07
- CFU_Faidherbia_Trials_ZF 20 2.08

Presentations

- Empirical Information on Smallholder Maize Production and Fertilizer Use In Zambia. Presentation at Fertilizer Support Programme Evaluation Kick-Off Workshop. Protea Safari Lodge, Zambia. June 25-26, 2008

News Reports

- Fertilizer Programme Difficulties News Clipping 2008/2009

Zambia Smallholder Materials

Presentations

- Targeting Challenges: Using Zambian Rural Household Data Sets to Inform the Process of Categorisation of Resource Poor Smallholder Farmers. By the Food Security Research Project, Kafue Gorge ACF Sponsored Workshop, Aug 20-22, 2008.

Annex 4 Study Team: Resource Materials on Details on Voucher Programmes Operating and/or Underdevelopment in Zambia

Annex 4a. -- ZNFU-CFU Experience with Vouchers



Conservation Farming Unit

P.O. Box 30395 Lusaka Zambia. Tel (2601)265455, Fax (2601)264781
E-Mail cfu@zamnet.zm

The CFU is providing the below vouchers to farmers in order to give them a discount on **MRI Seed or SeedCo variety soya and groundnut seed**. Please accept the below vouchers, with the following conditions:

1. The voucher may be used to discount the purchase of **20kg or soya or groundnut seed, or 10kg of each seed**. The voucher may NOT be used to purchase only 10 kg of seed.
2. The farmer must pay the remaining balance for the seed in cash. Two or more vouchers may not be combined to purchase 20kgs of seed.
3. When the voucher is redeemed, please fill out each line.
4. When a farmer purchases 20kg of soya, he should receive 1 packet of inoculum that is being provided by the CFU for **FREE**.
5. The inoculum that is being provided by the CFU should NOT be sold to any farmer, and should only be given to farmers who present the below voucher and purchase 20 kgs of soya seed.
6. After you have collected the voucher from a farmer, please tear off and keep at your store the portion on the right, and send the main voucher back to your soya supplier (MRI or SeedCO).
7. If you have any questions, please contact your local CFU staff member or Meredith at 0978 694420.

K45,000 Voucher for MRI Seed or SeedCo Soya or Groundnut Seed

The Conservation Farming Unit of the ZNFU, PO Box 30395 Lusaka, guarantees to reimburse the full K45,000 to MRI Seed or SeedCo when any bona fide retailer of their legume seed endorses that the voucher was accepted by the retailer as partial payment for either soyabean or groundnut seed.

Farmer's Name: _____
Redeemed At: _____
Company Name: _____
District: _____
Date: _____
Seed Variety: _____
Retailer's Signature: _____

SAMPLE

This voucher is valid to contribute to the cost of purchasing a minimum of 20kgs of soyabean or groundnut seed or a combination.

Retailer: Tear off this portion and retain. Submit the voucher to your Soyabean seed supplier (SeedCo or MRI Seed) for redemption. Expires November 15, 2008.

When this voucher is used to purchase at least 20kg of Soyabean seed, the retailer shall give 1 package of inoculum per 20 kgs, supplied by the CFU, to the holder of the voucher **FREE** of charge.

Voucher No: N: 0002

Voucher No.: N: 0002

NOTE: The voucher expiry date has been delayed until at least November 30th, 2008. Your local CFU Staff will keep you updated.

Annex 4-b ZNFU Experience with Vouchers

Annex 4 c. PROFIT Project Experience with Vouchers

FERTILISER SUBSIDY PROGRAMME – A PILOT VOUCHER SCHEME

Current Private Sector-driven In-community Agent Fertilizer Distribution Model:

- I. Fertilizer Company issues landed price list to Agents
- II. Agents collect orders and cash from client farmers
- III. Agent pays cash into Fertilizer Company account
- IV. Fertilizer Company delivers from regional/district depot
- V. Fertilizer Company pays Agent commission

Basic Overview of MTZL e-Voucher System -the Process

- 1) Targeting of voucher Recipients
- 2) Allocation of subsidy fund matching total value of vouchers issued into an secure ESCROW account accessible electronically to the MZTL Voucher System
- 3) Recipients take NRC to local registration point where secret pin code is issued
- 4) Once NRC and pin details are entered into the system, an e-voucher is issued in the name of the Recipient and the recipient is registered in the MZTL Voucher System
- 5) Recipient now needs NRC, e-voucher and secret pin to activate the voucher, which he/she redeems through an authorised Voucher Receiving Agent, as if it was e-cash. As he pays, the three authorisation codes (NRC, voucher and pin) are entered into an enabled cell-phone, and the MZTL System verifies the authenticity of the discount, which is then authorised (in a similar way to a credit or debit card).
- 6) Once authorised and confirmed by the MZTL System, the value of the discount is automatically debited from the ESCROW subsidy account and credited to the Voucher Receiving Agent's account. The Recipient has now redeemed his voucher and is no longer on the system

Notes:

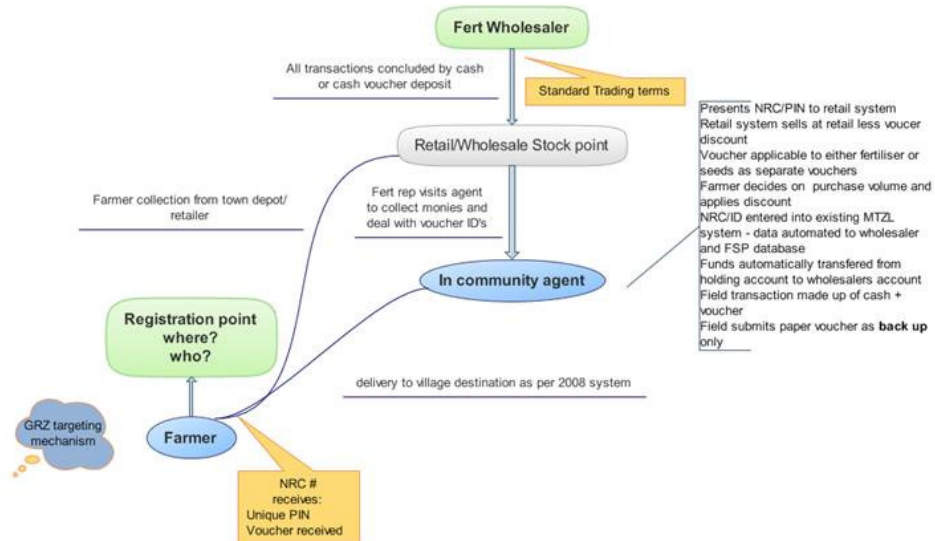
- a) The MZTL e-payment system is already in operation within Zambia, approved by the Bank of Zambia, and the voucher system would run through this channel
- b) Any supplier of fertilizer (or seed) could apply to become a Voucher Receiving Agent – they would just need to meet the MZTL agent criteria of registered business, bank account holding etc, and register with GRZ (or other donor) as a 'licensed' dealer in vouchers with access to the MZTL Voucher System
- c) Ultimately there would probably be two types of voucher transaction:
 - i. Using an In-community Agent:
 1. Fertilizer Company issues landed price list to Agents
 2. Agents collect orders from client farmers
 3. Fertilizer Company sales staff visits community, collects cash and enters voucher details into the mobile phone. Once verified by the MZTL System, the orders are confirmed
 4. Fertilizer Company delivers from regional/district depot
 5. Fertilizer Company pays Agent commission
 - ii. Using an existing 'bricks and mortar' retail agent/stockist
 1. Recipient purchases fertilizer for cash and uses voucher as a discount

2. Stockist (being an MTZL agent) enters discount details into phone and verifies authenticity
3. Sends 'invoice' on a regular basis to Fertilizer Company for redeemed vouchers which can be paid in cash or more stock

Benefits:

- a) A wide number of suppliers could participate, encouraging competition
- b) There would be no automatic tie to type of fertilizer or seed, encouraging diversification from maize
- c) Fraud is difficult due to the triangulation of NRC, e-voucher number and pin
- d) Since the Voucher is simply e-cash, there is no 'distortion' to commercial activity caused by the subsidy

Basic Schematic of the Proposed Voucher System



PROFIT 2009 Pilot Proposal

Target Group: 16,000 Dunavant 'Gold Club' members (better performing cotton farmers)

Participating Fertilizer Company: Omnia

Individual Voucher Value: K100, 000 per farmer, redeemed against any type of fertilizer from Omnia

Timeframe for Implementation: 2009, with vouchers ready for collection and redemption by June 09

Operation:

- In-community agent collects orders
- Omnia Sales Staff visits community and collects cash and vouchers, and verifies vouchers on-site through mobile phone
- Omnia delivers order to community from regional depot
- Vouchers automatically redeemed against subsidy ESCROW account via MTZL Voucher System

Funds Sought:

- approx \$300,000 for subsidy
- approx \$100,000 for design and implementation of MTZL Voucher System

