STUDY TEAM REPORT
ON
PROPOSED REFORMS OF THE FERTILISER SUPPORT PROGRAMME (FSP)

Presentation provides

• An Introduction
• Situation Analysis of FSP Past and Current Performance (Programme Concerns)
• Purpose & objectives of the Study Tour
• Key features of Regional Agricultural Inputs subsidy programmes.
• Proposed reforms to Zambia’s FSP
• Proposed Action Plan
Introduction

• A representative team was put in place to review and recommend proposals to reform the Zambian Fertilizer Support Programme

• The team was drawn from Government, ZNFU, Farming Sector, Private Sector and Non Governmental Organizations

Situation Analysis

• The FSP programme was designed to improve:
  – Household and national food security and incomes
  – Access to agricultural inputs by smallholder farm households
  – Build the capacity of the private sector in input marketing
  – help cushion smallholder farmers from adverse effects of unfavorable weather conditions
Situation Analysis continued

- FSP has been in operation for seven years since 2002/2003 agricultural season

- To date, FSP has distributed:
  - a total of 422,000mt of fertilizers,
  - valued at ZMK1.4 trillion
  - to cover about 1,505,000 hectares.

### PERFORMANCE OF FSP - 2002-2007

<table>
<thead>
<tr>
<th>Season</th>
<th>Budgeted (ZMK billion)</th>
<th>Fertilizer Amount (MT)</th>
<th>Number of Farmers</th>
<th>Expected Production in (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/03</td>
<td>100</td>
<td>48,000</td>
<td>120,000</td>
<td>360,000</td>
</tr>
<tr>
<td>2003/04</td>
<td>114.5</td>
<td>60,000</td>
<td>150,000</td>
<td>450,000</td>
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<td>2004/05</td>
<td>112.6</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
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<tr>
<td>2005/06</td>
<td>140.0</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
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<td>2006/07</td>
<td>252.0</td>
<td>84,000</td>
<td>210,000</td>
<td>630,000</td>
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<tr>
<td>2007/08</td>
<td>150.0</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
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<tr>
<td>2008/09</td>
<td>492.0</td>
<td>80,000</td>
<td>200,000</td>
<td>600,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,361.1</td>
<td>422,000</td>
<td>1,505,000</td>
<td>3,135,000</td>
</tr>
</tbody>
</table>
Concerns about FSP Past Performance

• Stakeholders concerned about FSP performance, especially with regards to:
  – Poor targeting of farmers/beneficiaries
  – Delays in input distribution
  – Poor fertilizer use efficiency among targeted farmers
  – Inconsistencies in policy implementation
  – FSP impact on private sector participation (limited private sector participation)
  – Long term concerns about the FSP sustainability, and
  – Poor monitoring of programme effects

• To help resolve some of the above concerns, a study tour was planned and undertaken

Objectives of the Study Tour

• To understand various approaches in input distribution by governments in Kenya, Tanzania and Malawi

• This was meant to help inform stakeholders on how to make FSP:
  – Effectively and efficiently improve household and national food security;
  – Improve resource constrained farmers’ access to quality agricultural inputs; and
  – Assist private sector players in developing an input delivery networks
Key features of Regional Agricultural input subsidy programme

• Kenya
  – Inputs procurement and distribution is mainly done by private sector
  – Subsidy programme is only 13% of overall budget allocation to the agric sector & targets 45,000 SSF/year
  – Government gives vouchers to farmers to purchase inputs on open market.
  – Input pack size is 50kg bag of basal and another 50 kg of top dressing and a 10kg bag of maize seed
  – The programme is a one-off subsidy for each beneficiary
  – Weaned beneficiaries are linked to Equity bank for seasonal loans
  – Agro dealer network are fully developed and have been trained to handle agricultural inputs

Key features of Regional Agricultural input subsidy programme

• Kenya (Cont..)
  – Beneficiary selection is done at Village level using community based committees and Village Assemblies.
Key features of Regional Agricultural input subsidy programme

• Tanzania
  – Procurement and distribution of inputs is by the private sector through Agro Dealer network which is developed across the country.
  – CNFA provides regular training in business and management to the Agro-dealers
  – Accredited Agro dealers can access credit from the National Microfinance Bank

• Tanzania (Cont..)
  – Initially there was a blanket subsidy at national level which did not benefit farmers at the grassroots.
  – The Government introduced a voucher system in 2008/2009 in order to distribute inputs to small scale farmers.
  – The Subsidy programme targeted 700,000 small scale in the initial year.
  – The input pack includes a 50kg bag of basal and a 50 kg bag of top dressing and 10 kg of maize seed.
  – The programme includes other crops such as cashew nuts, tea, coffee, rice, sunflower and agro chemicals.
Key features of Regional Agricultural input subsidy programme

- Tanzania (Cont..)
- Beneficiary selection is done by the Village Inputs Committee of the Village Assembly
- The Tanzanian inputs voucher is superior to the Kenyan model in that vouchers are reimbursed at a local Bank.

Key features of Regional Agricultural input subsidy programme

- Malawi
  - Procurement is through tenders issued to the private sector.
  - Distribution is done by two government owned companies.
  - The subsidy programme covers 1.7 million small scale farmers per year
  - The input size includes 50 kg basal, 50 kg top dressing and 10 kg maize seed.
  - It includes other inputs such as tobacco, groundnuts, soyabean and beans.
Key features of Regional Agricultural input subsidy programme

• Malawi (Cont..)
  – Beneficiary selection is done at Village level at an open fora.
  – The Malawian input subsidy is specific to the target groups average of cultivated land size.

Proposed Reforms: change in Name & objectives

• Name of programme – Input support Programme (ISP)
• Overall objective
  – To increase small scale farmers productivity in order to contribute to improved household and national food security.
• Specific objectives
  – Improve access of small scale farmers to agricultural 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 all year round.
Proposed Reforms: introduction of a Voucher System

• Propose that all FSP inputs be distributed through an electronic inputs voucher system.

• Inputs voucher system will:
  – Enable FSP empower beneficiary farmers with requisite purchasing power to purchase inputs of their choice at their nearest input outlets,
  – Result into timely distribution of inputs;
  – Help minimize administrative burden and costs, and
  – Reduce direct government involvement in inputs procurement/importation and in-country distribution;

A voucher based inputs distribution system will also:

• 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.
**Proposed Reforms: procurement, Distribution & Pack Size**

- **Procurement**
  - Allow the private sector to import and/or manufacture inputs.

- **Distribution**
  - Inputs will be distributed through the existing private sector agro dealer network.

- **Pack size**
  - A minimum of half a hectare and a maximum of one hectare input pack per beneficiary.
  - The programme should be flexible to cover other crops such as rice, sunflower, groundnuts, beans and soyabees.

**Proposed Reforms: Beneficiary Selection**

- **Beneficiary selection should be at camp level based on Farmers Register**

- **Farmer graduation**
  - Farmers are expected to graduate after two cropping seasons
  - Selected farmers will contribute 50% in the first year and 75% in the second year.

- **Linkage to finance**
  - Graduating farmers and Agro dealers should be linked to available credit facilities

- **Input Utilisation**
  - Need to strengthen extension services
**Action Plan (Short Term 2008/2009 season)**

- Government and cooperating partners must partner to assist the FSP implementation office in MACO to undertake a series of start-up planning, organisation and training activities.

- Among others, this will include:
  - Rapid start up efforts to complete a computerised farmer register,
  - Rapid voucher programme design/implementation details,
  - Development and printing of farmer and agro-dealer sensitisation/training materials.

- 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.)

**Action Plan (Short Term 2008/2009 season)**

- Agricultural Camps farmers’ registers must be completed and submitted to district, province and national level by 30th April, 2009.

- Government must make known the quantities of fertiliser and seed to be procured under the subsidy programme by March 2009.

- Review of the FSP implementation manual by end of March 2009.
Action Plan

• Printing of all programme documentation should be completed by 1st June 2009.
• Farmers’ selection should be completed by 1st June 2009.
• Stakeholder sensitisation for farmers, suppliers, extension workers, politicians, associations, NGO’s by end of August 2009.
• Agro dealers should receive vouchers by 1st November 2009 and redeem them by 30th November 2009.
• The vouchers will be printed according to pack size.

Action Plan

• 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 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.
• The initial level of subsidy should be 50%.
• A register of Agro Dealers based at the district should be completed through the DACO’s office by end of June 2009.
Medium Term (2009/2010 season)

- 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 fertilise importers and producers

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 fertiliser.
- In general, Government withdrawal will be assured with a plan for an orderly exit strategy from input supply subsidies.