

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

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

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

Key features of Regional Agricultural input subsidy programme

- 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, soyabeans 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 soyabeans.

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.