

**Potential of Input Vouchers as a Mechanism for
Integrating the Non-Commercial and
Commercial Input Markets: The Case of
Malawi**

Final Report

By

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ABSTRACT

This rapid field research was conducted during the 2006/07 agricultural subsidy programme period as a second phase of a study commissioned by FANRPAN. The objective of the study was to test the potential benefits of using voucher systems to integrate the commercial and non-commercial input distribution channels. The study also aimed at establishing the nature of fraud and to determine anti-fraud measures so that the system is not abused.

The study revealed that the subsidy programme has contributed to improved food security at household level and surplus maize production at national level. The Ministry of Agriculture attributes the 0.5 million and 1.3 million tonnes surplus production during the 2005/06 and 2006/07 seasons to the government subsidy programme. Within these two seasons, Malawi has been able to export some surplus maize to neighbouring countries after having been a net importer of maize for over a decade.

Implementation of the programme has however not been effective in terms of reaching the majority of the real intended beneficiaries. This has largely been attributed to a number of logistical hiccups, amongst which are:

- Unavailability of coupons in some places resulted in large amounts of input (seed and fertilizer) returns at the end of the programme. This was expensive for the suppliers;
- Tenders open to companies and individuals that are not officially registered and have no substantial investment in the seed industry to assure quality;
- Much publicity about the subsidy programme is on fertilizer and not seed;
- Lower quantities of inputs available compared to the number of coupons, such that people did not use the coupons and they still have them;
- Mismatch between the quantities of fertilizer issued (50 kg) bag and the seed (2 kg). Ideally the 50 kg fertilizer bag should go with a 5 kg seed pack;
- Late planning and implementation also resulted in coupons being delivered as late as January in some cases; and
- Delayed payments stifled operations of some companies.

The programme was also affected by some alleged fraud/corrupt practices such as:

- Lack of transparency in some cases amongst chiefs, Village Development Committees (VDCs) and subsidy committee members. This made people suspicious of some fraud and corruption;

- Bribes being given at various levels (during registration and issue of coupons by chiefs and other local leaders and at distribution points);
- Some chiefs suspected of releasing fewer coupons than they received and then selling the remaining coupons;
- Some chiefs influenced the selection of the subsidy committee and the VDC members to participate in the implementation of the programme; and
- Ghost names registered at village level and the concerned village chief either sold those coupons or issued them to his close relatives.

The issue of continuity and sustainability of the programme still lingers in most people's minds. Currently the programme is heavily dependent on government coffers and no clear solution is in place to relieve the pressure on government expenditure and make the programme sustainable without being dependent on government funding.

Some strategies to improve sustainability and effectiveness include:

- Inclusion of a range of cash crops in the programme and in accordance to climatic conditions;
- Strengthening farmer organizations to increase their bargaining power;
- Establishing revolving funds within the farmer organizations for farmers to borrow with the intention of investing in farming activities;
- Promoting an efficient and effective marketing system;
- Building capacity amongst smallholder farmers to manage the farmer organizations and to consider farming as a business and not just for subsistence; and
- Diversifying into other enterprises such as livestock and agro-processing in order to increase the financial base and also to reduce various forms of risk.

These strategies will be effective if the programme improves on delivery of services by addressing the logistical challenges and minimizing/eliminating fraud/corrupt practices in the system.