

## **1 INTRODUCTION AND BACKGROUND**

### **1.1 Fertilizer Marketing Situation before the year 1990**

During the period before the year 1990, the inputs prices and distribution were controlled through the National Agricultural Marketing Board (NAMBOARD) to keep the prices as low as possible for smallholder farmers. A uniform price policy was maintained through subsidies to promote equity in fertilizer use and food production among smallholder farmers. But this policy did not reflect the true relationship in market forces and associated costs, thus stifling private sector interest to participate in fertilizer trading. During that period Nitrogen Chemicals of Zambia (NCZ) was the sole supplier and distributor of fertilizers.

During the 1990s, government repealed the act to allow free entry into the fertilizer market by the private sector. It also liberalised the pricing of fertilizer to reflect seasonal and spatially differentiated costs.

At the time Government liberalization the fertilizer marketing, in the year 1992, other than the Nitrogen Chemicals of Zambia, which produced and distributed fertilizer, no private sector existed with experience and capacity in fertilizer distribution and providing credit to small-scale farmers. Government therefore created three facilities namely: The Agricultural Inputs Credit Revolving Fund (AIRF), Fertilizer Loan Supplier Fund (FLSF), and Trader/Agency Training Facility. These facilities were aimed at building capacity among traders in fertilizer importation, handling and financing.

The AICRF was accessed by the three traditional lending institutions: - Lima bank, Zambia Cooperatives Finance Services (ZCF-FS), and Credit Union and Savings Association, to market fertilizer to smallholder farmers on behalf of government. Under this facility, fertilizer was distributed for both cash and credit and the credit recovery rate was 29%.

The FSLF facility was a fund created for on-ward lending to locally based fertilizer manufacturers, importers and suppliers on commercial terms. The fund was accessed through Lima bank. This facility was access by NCZ, Sable Transport, Zambia Cooperative Federation (ZCF), and Mazabuka marketing and Development Company. There was a 100% recovery under this facility as the recipients pledged collateral to the bank.

Under the Trader Training Facility, the Government conducted a number of workshops on fertilizer handling and storage. Further, it appointed warehouse managers who received and stored government fertilizer at a fee.

These above three facilities were implemented during the 1992/93 and 1993/94 farming seasons.

However, due to the shortcomings experienced during the first three (3) years of liberalized input marketing, in 1994, Government established the ACMP. This was a transitional intervention to deliver inputs to small-scale farmers and also to enhance the capacity of the private sector in agricultural input marketing and credit delivery. The ACMP provided inputs to the appointed Credit Managers and Coordinators on credit basis. It was envisaged that through the ACMP, the private sector would eventually takeover the agricultural inputs marketing and credit management. Two Firms, namely Cavmont Merchant Bank and SGS Zambia Limited were the appointed Credit Managers. This ran programme for two (2) seasons, namely 1994/1995 and 1996/97 seasons. The recovery under this programme was less than 10% hence in 1997 government abandoned the ACMP.

When the ACMP was abandoned, the Food Reserve Agency (FRA) took over the function of inputs distribution. This activity was an ad-hoc and transitional arrangement as it was not among the roles of FRA as prescribed by the FRA Act of 1995. The engagement of FRA in fertilizer was perceived to be transitional in nature and the FRA would disengage from input marketing once an alternative mechanism was developed or private sector capacity was developed to take on commercial credit programmes for small-scale farmers. However, the FRA continued to play the role of importing fertilizer and distribution to small-scale farmers. The distribution of inputs to small-scale farmers under the FRA was through credit and the recovery was less than 5%.

## **1.2 Performance of the Fertilizer Markets from 1990 to 2001**

During the period 1990 to 2001, there were inadequate incentives for the private sector fertilizer companies to supply inputs to rural areas. Therefore, very few suppliers and distributors operated in rural areas thereby reducing competition resulting into high prices. This also created cartels in fertilizer marketing contributing to high cost of fertilizers.

By the end of the decade of liberalized fertilizer marketing, the small scale farmers were economically too weak to provide adequate demand for fertilizer due to low farm incomes. Low farm incomes led to erosion of resource base, poor access to inputs, low

productivity and increased poverty among small-scale farmers. It is estimated that at that by the year 2001, only 20 percent of farm households accessed fertilizer, while only about 30 percent accessed improved seed in the whole country. This directly translated into increased cases of food insecurity and poverty at household and national levels.

From 1990 to 2001, government failed to provide adequate facilities and infrastructure to enable expanded private sector participation in input marketing. As a result, the FRA continued to be the key player in input marketing. Unfortunately, farmers continued to face chronic problems of timeliness in input delivery, inadequate quantity and inferior quality. Input dealers operated in an unpredictable policy environment leading to uncertainties about long-term sustainability. Therefore, the private sector could not effectively fill up the gap left by the government in fertilizer markets.

### **1.3 Rationale for the formation of the Fertilizer Support Programme (FSP)**

In order to address the dynamic constraints experienced in fertilizer markets during the 1990s, in 2002, Government developed the Fertilizer Support Programme (FSP). It was justified that Government runs a managed transition to full market liberalization to build the capacities of both the private sector and small-scale farmers.

The FSP was aimed at improving household and national food security, incomes, accessibility to agricultural inputs by small-scale farmers through a subsidy and building the capacity of the private sector to participate in the supply of agricultural inputs.

Through FSP the Government aimed also at rebuilding the resource base of the smallholder farmers and instilling their sense of self-reliance.

### **1.4 Original Features of the Programme**

- (i) Suppliers/distributors position inputs in designated districts at main depots and satellite depots, and sell the inputs at full market price. The suppliers/distributors will be selected through the National Tender.
- (ii) Selected cooperatives and other farmer organizations deposit 50% or 40% of the inputs cost in a Participating Bank. The cooperatives and other farmer organizations would be selected by the District Agriculture Committees (DACs) and approved by the PCO.
- (iii) Once the selected co-operatives and other farmer organizations have paid their part, then government would deposit the matching grant of 50% or 60% of the cost of inputs in the Participating Bank.

- (iv) On instruction from government, the bank would then issue full payment to the input suppliers and other service providers.
- (v) Stringent full proof measures and mechanisms have been established to avoid fraud.
- (vi) The DACs, Extension Officers (EOs), local administration, and local NGOs would monitor the Programme at district level.
- (vii) The programme would promote a savings mobilization component.
- (viii) The programme would be implemented through Programme Coordination Office (PCO) supervised by a Fertilizer Steering Committee and guided by a Technical Committee. The DACs would recommend beneficiary farmer groups and local agricultural input distributors.

## 2 OVERVIEW OF PERFORMANCE OF FSP

The programme has over seasons, targeted a total of 855,000 small-scale farmers with 342,000 metric tonnes of fertiliser and 17,100 metric tonnes of maize seed. This support has ranged from 125,000 small scale farmers in 2002/03 season to 210,000 farmers at its highest during the 2006/07 farming season. The total cost to the programme over the six years of implementation is approximately K869.1 billion, while the programme is estimated to have contributed about 2,535,000 metric tonnes maize grain (See details in table 1 below).

2.1 Table 1: FSP Performance 2002/03 – 2007/08 Seasons

SEASON	BUDGET(K BILLION)	FERTILIZER (MT)	NO. FARMERS	EXPECTED PROD. (MT)
2002/03	100.0	48,000	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
<b>Totals</b>	<b>869.1</b>	<b>342,000</b>	<b>855,000</b>	<b>2,535,000</b>

\* NOTE: 4,200 mt of Fertilizer donated by Japanese Govt. under 2KR

The Fertilizer Support Programme scored some successes and encountered some challenges.

## **2.2 Achievements**

- Private sector dealing in agricultural inputs has increased and input distribution networks have started emerging and strengthening. The private sector companies have also improved their capacities in the importation and supply of agricultural inputs in the country.
- The programme has improved the access by small-scale farmers to agricultural inputs. The purchasing power of farmers has improved, though a good number of them are still economically weak resulting mainly from low farm gate prices for their produce and other factors.
- The production of the staple food (maize) has increased to satisfying levels, so that there are very rare incidences of hunger even in rural areas except in severely disadvantaged areas. Hence, Zambia has not imported food (maize and mealie meal) in the recent past.
- Banking facilities are being introduced even in far-flung rural areas, thus creating conditions for savings mobilization among small-scale farmers.

## 2.3 Challenges and Weaknesses

### 2.3.1 Deviation from the Original FSP Concept

There was deviation in the implementation of Fertilizer Support Programme from the original Concept. The main deviations included the following:

- The idea of the National steering and Technical Committees, which were intended to give policy guidelines and backstop the operations of the programme respectively, was implemented. Therefore, the absence of the two (2) committees meant that there were limited consultations with various stakeholders.
- The initial design was that, the budget for the FSP would only cater for the percentage of subsidy and the general operation of the programme. However, due to limited financial strength by the private sector to import and supply fertilizer at the beginning of the programme, the budget was transformed to cater for 100% of the implementation. This consequently meant reducing the number of farmers to benefit under the programme. Even today when the private sector has developed its capacity, this trend has continued to constrain the number of farmers targeted.
- Initially, it was designed that all fertilizers would be procured through an open tender, but in implementation NCZ was engaged to supply D-compound and was not subjected to open tender but single sourcing. This disadvantaged the programme because NCZ did not have the capacity to manufacture and supply the fertilizer beyond a certain quantity timely. This consequently delayed the whole process of delivering inputs to farmers.

During the first two years of FSP implementation, NCZ was contracted to supply only a fraction the total required D-compound hence the fertilizer was manufactured and distributed timely. However, starting from the 2004/2005 farming season, NCZ was contracted to manufacture and supply the whole D-compound required under the programme. This was done in the spirit rebuilding the resource capital base of NCZ, but caused delays in the supply of D-compound.

- In the initial design, the farmers were supposed to be graduated after two (2) consecutive years, and the lifespan of the programme was to be three (3)

years. However, in the implementation, no farmers were graduated and the lifespan of the programme was left open ended.

- The subsidy level was supposed to have been reducing each year, instead in implementation the subsidy by government was increasing, limiting the number of beneficiaries.

### **2.3.2 Poor Infrastructure**

The success of the FSP, particularly in the rural areas, relies heavily on the infrastructure. In the design, inputs were supposed to be delivered by the private sector up to satellite depots, but due to poor or non-existence of storage facilities and feeder roads this objective was not achieved. In view of this, it is very difficult for the private sector to deliver inputs in outlying areas.

### **2.3.3 Weak Co-operatives and Farmer Organizations**

The programme has continued to face some setbacks in a number of areas due to existence of weak and uncoordinated cooperatives and farmer groups. Such co-operatives and farmer groups fail to adequately monitor their members and consequently the utilization of inputs and as a result some members sell inputs on open markets defeating the whole purpose of the support.

### **2.3.4 Low Crop Yields**

Farmers have continued to face low agricultural yields despite improved access to inputs by small-scale farmers through FSP. Crop Production depends on several factors including good extension services and good farming practices. The current poor extension service in Zambia greatly contributes to low yields among small-scale farmers. This has an effect also on the yields of farmers under the FSP. Therefore, farmers are not getting the full benefit from the support.

### **2.3.5 Inaccurate Targeting and Selection of Farmers**

The selection of beneficiary co-operatives and farmer organizations including farmers under the FSP is done by District Agriculture Committees (DACs). Therefore, the accuracy of selecting beneficiaries depends on the strength of DACs. However, most DACs are today either non-existent or are in poor shape increasing cases of inaccurate targeting and selection of beneficiaries. The DACs were created in the 1990s under ASIP to spearhead the general development of agriculture in various districts hence FSP was just an added function that came at a later stage. At creation of FSP in 2002, most of the DACs were either weak or non-existent. The contributing factor to the collapse of

most DACs was that there was no budgetary allocation to support their operation. The terms of reference for DACs were also not tailored to suit the FSP implementation

### 2.3.6 Escalating Prices of fertilizer and food

The escalating world prices of fertilizer are heavily affecting the performance of the programme. The prices of both fertilizer and raw materials for the manufacture of fertilizer have risen from about US\$300 to US\$800 per metric tone and US\$600 to US\$1200 per tone respectively. Therefore, this year, with the same amount of money, the programme can only procure half the amount of fertilizer compared to last year.

## 3 RATIONALE FOR THE EVALUATION

Despite successes the FSP has recorded and contributed to the national economy, the programme has also been hampered with some setbacks, which have over years affected the operation of the programme. Some of the setbacks have however not been thoroughly addressed, though over years a lot of improvements have been made in the operation of the programme.

Since the inception of the programme, during the 2002/2003 farming season, government has also spent huge sums of money to support small-scale farmers in the production of maize through a subsidy. However, so far no official assessment to 'measure' the actual impact of the programme has been done. As a result, this has raised anxiety among stakeholders, particularly Ministry of Finance and National Planning (MFNP) who are financing the programme and also in charge of national planning. In its submission for estimates for revenue and expenditure for 2008, MFNP proposed to replace the FSP with a general fertilizer subsidy.

In view of the above, Cabinet directed that Ministry of Agriculture and Cooperatives (MACO) produces a document on introduction of a general subsidy on fertilizer to benefit the farming community countrywide and replace the current FSP. MACO, in its response, indicated that it would respond to Cabinet once it had made consultations with all major stakeholders of the Fertilizer Support Programme. Consequently, the Ministry of Agriculture and Cooperatives organized a stakeholders' evaluation workshop from 28<sup>th</sup> to 30<sup>th</sup> April 2008 at Kafue Gorge.

## **4 OVERVIEW OF THE CHALLENGES AS BROUGHT OUT DURING THE EVALUATION WORKSHOP**

The evaluation workshop was organized in two phases. The first phase comprised presentations and contributions from various stakeholders. The second phase consisted of detailed discussions on the challenges that were identified by the participants.

Arising from various presentations and discussions, a number of challenges affecting the operation of the programme were identified. The following are the major challenges identified:

### **4.1 Short Term Contracts for suppliers**

Under annual contracts the supply of inputs does 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 various rural areas because of uncertainty if they would be contracted the following season or not.

### **4.2 Inaccurate Targeting and Distribution**

It came to light that in some cases beneficiaries who do not deserve subsidized inputs benefitted from the programme. This is due to the fact that District Agricultural Committees (DACs) are either inactive or non-existent. The DACs were created in the 1990s under Agriculture Sector Investment Programme (ASIP) to spearhead the general development of agriculture in various districts hence FSP was just an added function that came at a later stage. At creation of FSP in 2002, most of the DACs were either weak or non-existent. The contributing factor to the collapse of most DACs was that there was no budgetary allocation to support their operations. The terms of reference for DACs were also not tailored to suit the FSP implementation.

### **4.3 Poor and Late Funding to the Programme**

Delayed release of funds by Ministry of Finance and National Planning leads to delayed payment to input suppliers and service providers under the programme. In some cases this has led to closure of storage facilities with inputs by suppliers in demand for payments, leading to late release of inputs to farmers and destructing the planting season.

### **4.4 Carryover inputs**

The programme has over years recorded carryovers of inputs in several districts. The major reasons for the carryovers are due to delayed supply and delivery of

inputs. In addition, the problem has been compounded by supply of wrong types of inputs due to inadequate consultations with farmers. This is particularly common for maize seed. As a result, huge amounts of expired and weeviled seed have been destroyed over years. Weeviling of seed is in many cases due to little capacity and lack of knowledge in handling and managing such products by contracted warehouse managers.

#### **4.5 Monitoring and Evaluation**

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 by MACO and other stakeholders during the implementation of the programme. The budgetary allocation for monitoring and evaluation within the FSP budget is inadequate making monitoring of the programme not effective enough.

#### **4.6 Political Interference**

There have been several reports of political influence in the implementation of the programme at various levels.

#### **4.7 Inadequate or Poor Infrastructure**

The uneven development of the agricultural infrastructure is one of the major impediments in the distribution of inputs. Due to poor or non-existent storage facilities and feeder roads in outlying areas, the private sector fails to deliver inputs to satellite depots and farm gates, creating difficulties in small-scale farmers accessing inputs. Poor state of roads also increases the cost of delivering inputs in outlying areas. Due to inadequate or substandard storage facilities in some districts, the FSP is sometimes forced to deliver inputs to the nearest district for safe keeping. Besides poor infrastructure, some districts have no banking facilities, making it difficult for farmers to deposit their money.

#### **4.8 Deviation from original FSP concept**

The idea of the National steering and Technical Committees, which were intended to give policy guidelines and backstop the operations of the programme respectively, was implemented. Therefore, the absence of the two (2) committees meant that there were limited consultations with various stakeholders.

#### **4.9 Financing**

There has been inconsistency in the budget allocation for the programme thereby affecting effective planning of the distribution of inputs. This has led to fluctuating quantities of inputs procured each season.

#### **4.10 Extension Services**

The poor extension service has been cited to be one of the causes of low yields despite availability of improved agricultural inputs for small-scale farmers. This has over years denied beneficiaries under the FSP an opportunity to maximize the benefit of the support.

#### **4.11 Inter-institutional Linkages**

There have been weak linkages between the Ministry of Agriculture and Cooperatives and other institutions in regard to the operation of FSP. This has affected decision-making and implementation of the programme, especially at times of soliciting for funds.

#### **4.12 Input Prices**

It has become apparent that fertilizer prices on the international market are increasing rapidly. The prices of both fertilizer and raw materials for the manufacture of fertilizer have risen from about US\$300 to US\$800 per metric tone and US\$600 to US\$1200 per tone respectively. Therefore, this year, with the same amount of money, the programme can only procure half the amount of fertilizer compared to last year.

### **5 MAIN FOCUS AREAS**

Following presentations and discussions from participants, four (4) thematic areas emerged. The workshop subsequently broke into groups to discuss issues under each thematic area in detail.

The four (4) key thematic areas were as follows:

1. Procurement and distribution of inputs,
2. Implementation and Management,
3. Financing the Fertilizer Support programme, and
4. The way forward.

Recommendations which came up under each thematic area were as follows:

#### **5.1 PROCUREMENT AND DISTRIBUTION OF INPUTS**

##### **5.1.1 INPUT TARGETING**

Since its inception, the Fertilizer Support Programme has mainly been supporting maize production. During the evaluation, participants recommended that the programme

should include other crops such as rice, sorghum and one legume, depending on the suitability of the crop to a particular agro-ecological zone.

Further to this, the participants recommended that suitable types of fertilizers be delivered to corresponding regions or provinces, unlike the current practice where the whole country is supplied with only D-Compound for basal dressing and Urea for top dressing.

The workshop further recommended the inclusion of Lime in the FSP packs in high rainfall regions as a way of improving soils for increased crop productivity.

In the same vein, the workshop recommended that seed varieties to respective regions should be in line with rainfall patterns and agro-ecological regions, e.g.

- -Region i: Early and medium maturing variety
- -Region ii: Medium maturing variety
- -Region iii: Medium and late maturing variety

The Seed Control and Certification Institute and Zambia Agricultural Research Institute should be part of the Technical Committee in order to give appropriate technical advice concerning the proper targeting of inputs to respective regions.

## **5.2 NATIONAL TENDERING**

The current tendering procedures were found not to be conducive with the FSP implementation operations. The workshop felt that a system of annual tendering is not very convenient to both suppliers and farming community. Hence, the workshop recommended that longer term input supply contracts should be considered to facilitate for early delivery of inputs and appropriate investment in the inputs consumption areas. This will also allow farmers to plan their farming activities ahead of the planting season.

On the other hand it was recommended that open tendering for fertilizer should be considered, whilst single sourcing seed supply contracts will be entered into in accordance with farmer demands.

## **5.3 DISPOSAL OF CARRY-OVER STOCKS**

It was discovered that a lot of carry-over stocks were getting to waste in some districts. Workshop participants recommended that such left over stocks can be used in wetland/dambos cultivation or under irrigation where conditions allow. The left over seed may be sampled by Seed Certification and Control Institute to confirm its viability.

## **6 IMPLEMENTATION AND MANAGEMENT**

In order to strengthen the implementation process, the workshop participants recommended that certain structures should immediately be created while the existing ones needed to be strengthened. These structures are at various levels.

### **6.1 NATIONAL LEVEL**

A Steering committee should be constituted at national level with the following membership:

- Ministry of Finance and National Planning (MoFNP) - Secretary to the Treasurer (to be Chair)
- Permanent Secretary (MoFNP) - Budget
- Permanent Secretary MACO - Agriculture
- Permanent Secretary - Marketing and Cooperatives
- Bank of Zambia – Bank Governor
- Agricultural Consultative Forum (ACF) - Chairperson
- Bankers Association of Zambia - Chairperson
- Inputs suppliers Association of Zambia (to be identified)
- Chairpersons from Farmer organizations (ZNFU, Peasant Farmers Association (PFA), ZCF)
- Program Coordinating Office (PCO) - Secretariat

The steering committee should be appointed by the Minister (MACO) with authority from Secretary to the Cabinet. It is important to constitute the steering committee at this high level in order to effect quick decisions and their implementation.

Also at national level a Technical Committee should be constituted comprising the following members:

- MoFNP- Director Budget
- MACO-to include the Director s from:
  - Agri-Business and Marketing,
  - Cooperatives
  - Agriculture
  - Policy and Planning
  - SCCI
  - ZARI
- Farmer Organizations
  - ZNFU
  - ZCF

- PFA
- FRA (Food Reserve Agency)
- ACF
- Bankers Association of Zambia
- Program Coordinating Office (PCO) - Secretariat

The technical committee should be appointed by the Permanent Secretary - Agriculture (MACO) with authority from Secretary to the Cabinet

## 6.2 PROVINCIAL LEVEL

At the province the office of the Provincial Agricultural Coordinator (PACO) will supervise the operations of the programme. However, the PACO's office should be supported with the timely release of funds.

## 6.3 DISTRICT LEVEL

The District Agriculture Committees (DAC) should be strengthened and their Terms of Reference must be revised. The Policy and Planning Department should ensure that a budget line for DAC operations is provided for.

## 6.4 COMMUNICATION GUIDELINES AND INFORMATION FLOW

All communication and information flow should follow government guidelines and should be in writing.

(HQ ↔ PACO ↔ DACO ↔ BLOCK ↔ CAMP)

Instructions from PCO should follow the above channel especially on delivery of inputs.

## 6.5 FARMER SELECTION AND GRADUATION

The workshop agreed that farmers should be selected from the genuine cooperative societies and other farmer organizations. The farmer registration should be used to identify small-scale farmers belonging to these cooperatives and other farmer organizations. Therefore it is necessary that the farmers' register is in place.

The Cooperatives or farmer organizations should meet the minimum requirements for eligibility as follows:

- Written by-laws/constitution to manage their funds and have appropriate accountability mechanisms;
- Have an executive committee structure and should operate a bank account.
- Demonstrate the need and ability to use the inputs well;

- Should be duly registered by the Registrar of Cooperative Societies and Registrar of Societies.
- Should have no outstanding loans from the past seasons, FRA or any other lending institution.
- Should be located in an agricultural area and should be engaged in agricultural activities; and
- Should demonstrate knowledge in agribusiness management.

The participants agreed that the small-scale farmers should participate in the programme for only two (2) consecutive seasons per farmer. Thereafter, they will be expected to graduate.

## **6.6 MONITORING AND EVALUATION (M&E)**

A monitoring and evaluation plan for the programme should be put in place at national, provincial and district level. This plan should be embedded within the programme and financed from FSP resources. The monitoring and evaluation reports should be submitted to all relevant authorities and committees. Composition of M&E team at national level should involve other external stakeholders.

There is an urgent need to conduct an impact assessment for the programme. Thereafter there will be need to conduct an external evaluation after two to three years.

## **7 FINANCING THE FERTILIZER SUPPORT PROGRAMME**

### **7.1 Resource Mobilization**

Currently FSP is funded by the government. The Fifth national Development Plan (FNDP) has allocated K198 billion for 2006, K185 billion for 2007 and K185 billion for 2008. The Medium Term Expenditure Framework (MTEF) has further allocated financial resources up to 2010 with K150 billion for 2009 and 2010.

The participants agreed that the Ministry of Finance and National Planning (MoFNP) should release the budgeted funds timely in order to facilitate quick payments to suppliers and service providers. It was also proposed that the farmers' contribution be revolved in the programme. This would increase the number of beneficiaries.

### **7.2 Farmer Contributions Proposals**

As soon as the prices of inputs are known in that particular season, the farmers should be encouraged to deposit the matching grant towards the cost of inputs in the accountants of their respective organizations. This will facilitate early procurement of

inputs under the programme. The participants also urged the FSP to explore the possibilities of facilitating mobile banking services by participating commercial banks.

The meeting recommended that the farmers should contribute 60% towards the cost of inputs cost for the 2008/9 season, 80% for the following year and 100% in third year as per original concept. The Ministry of Agriculture and Cooperatives has been urged to lobby for increased funding, given the upward trends in inputs and output prices on the world market.

### **7.3 Alternative Instruments**

The FSP has performed well in terms of inputs distribution from the time of its inception. However, it was felt that the grey areas discovered during the implementation ought to be addressed. The major proposal was the introduction of the voucher system that would minimize management and handling costs. In view of the foregoing, it was recommended that a voucher system be piloted in selected areas in 2009/2010 farming season. These areas should include urban, rural and moderate districts.

Based on recommendations, the Ministry of Agriculture of Agriculture and Co-operatives will constitute a team to undertake a study in countries where voucher system has been implemented. This team should be mandated to prepare a concept paper on the implementation of the voucher system to be presented to cabinet before 2009. The Permanent Secretary in charge of Marketing and Cooperatives will coordinate this exercise and report to the proposed steering committee.

## **8 THE WAY FORWARD**

Having debated on various issues on the way forward, the participants came up the way forward as regards to the implementation of the programme.

### **8.1 THE ROLE OF THE PRIVATE SECTOR (Input suppliers, Farmer Organizations, Cooperatives)**

#### **8.1.1 Input suppliers**

Input suppliers contracted by the programme should be encouraged to store commercial stocks alongside the subsidized inputs. The contracted suppliers should quote market prices prevailing in the given locality.

### **8.1.2 Cooperatives and Farmer Organizations**

The participating Cooperatives and Farmer organizations must submit their registration certificates and their membership registers to the FSP for easy of monitoring and targeting beneficiaries. The membership registers should give details including member's physical locations by district, block and camp. It was further recommended that farmer representatives should sit on the DACs.

### **8.2 SAVINGS MOBILISATION:**

The participants' general view was that savings and mobilization should be spearheaded by the respective farmer organizations by way of encouraging their members to promote savings mobilization through credit unions and other available financial institutions. The Ministry of Agriculture and Cooperatives should play a facilitating role in the savings mobilization activity.

### **8.3 SUPPORTING MARKETING INFRASTRUCTURE**

This is a cross cutting issue that required the input of other institutions. The main areas of concern include lack of appropriate storage, poor feeder road network and lack of communications facilities in some areas.

### **8.4 RURAL FINANCIAL INFRASTRUCTURE**

It is recognized that some districts of the country still lack financial services by way of commercial banks, postal services and other related services. This situation makes the collection and payment of moneys difficult. In view of this, the participants urged the Ministry of Agriculture and cooperatives to explore possibilities of mobile banking.

### **8.5 PRODUCTION AND PRODUCTIVITY**

Under production and productivity the participants recommended the following mitigation measures:

- The need to incorporate liming under FSP for acidic areas;
- The need to strengthen extension services at grass roots levels (through staffing, resources, transport, and housing)
- The need to ensure that farmers complied with region/area specific fertilizer and seed regime requirements as per general recommendations by the Zambia Agricultural Research Institute (ZARI) and the Seed Control and Certification Institute (SCCI)
- The need to scale up conservation agriculture and other sustainable land use management practices
- The need to establish an FSP monitoring mechanism in view of the current perception that beneficiaries yields are not positively correlating with inputs applied.

## **9 MINISTRY OF AGRICULTURE AND CO-OPERATIVES'S COURSE OF ACTION**

Based on the challenges outlined and recommendations made at the workshop, the Ministry of Agriculture and Co-operatives will take the following course of action:

- a) In order increase representation and consultation in the implementation of FSP, the Ministry will create a National Steering Committee and Technical Committee before the commencement of the 2008/2009 farming season.
- b) In order to facilitate early delivery of inputs, the Ministry will procure both basal and top dressing fertilizers through an open tender under the Zambia National Tender Board (ZNTB). However, the Ministry will continue procuring seed through single sourcing in accordance to farmer preferences.
- c) The Ministry will encourage input suppliers contracted under the programme to store commercial inputs alongside the subsidized inputs. This will cater for farmers who want to buy additional inputs on commercial basis or those not benefiting from the programme.
- d) In order to improve targeting and selection of beneficiary co-operatives and farmers, the Ministry will reconstitute the DACs and revise their terms of reference before commencement of the 2008/2009 farming season. The Ministry will further put a budget to support the DACs starting 2009.
- e) In order to succeed in identifying genuine beneficiary farmers in various cooperative societies and other farmer organizations, the Ministry will this season, 2008/2009, put the farmers' register, which is currently being finalized, into use.
- f) In order to improve the efficiency of inputs distribution, the Ministry will develop a monitoring and evaluation tool specifically for the programme. The tool will cater for all implementation levels.
- g) In order to respond to escalating prices of fertilizer and food, the Ministry will initiate a dialogue with MOFNP to propose to increase the budget for inputs and the number of farmers under the programme. In dialogue, the Ministry wishes also to request MOFNP to allow us revolve the farmer contributions as direct funding to the programme.

- h) In order to improve yields among small-scale farmers and for farmers to get full benefit of the inputs, the Ministry will endeavor to strengthen the extension service through staffing, allocation of resources, transport etc. Through extension, the Ministry will also encourage farmers, especially those benefiting from the FSP, to practice good farming methods like soil conservation farming. Furthermore, the Ministry will endeavor to include lime in the FSP inputs pack.
- i) In order to maximize the benefits among small-scale farmers in various agro-ecological zones, the Ministry will widen the scope of the FSP to include agricultural inputs for other crops, such as sorghum, rice, legumes etc.
- j) In order to reduce costs of storage of carryover inputs and wastage, the Ministry will utilize the carryover inputs for Wetland/winter cultivation where applicable.
- k) The Ministry will restrict the participation of farmers in the programme to only two (2) consecutive seasons. The beneficiary farmers will contribute 60% of the inputs cost in 2008/2009, 80% in the following season and in the third year 100% as in original concept.
- l) The Ministry will pilot the voucher system as a way of delivering inputs to farmers in selected districts starting from the 2009/2010 farming season. A concept paper will be prepared and submitted to Cabinet before 2009.
- m) The Ministry will also carry out an Impact Assessment of the programme in 2008. Thereafter an external evaluation of the programme will be conducted every two years.

## **10 RECOMMENDATION**

Given the outlined challenges, recommendations and the cause of action brought out during the evaluation of FSP at Kafue Gorge, the Ministry of Agriculture and Cooperatives recommends that the FSP should continue to be implemented with the proposed amendments at least up to 2010.

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