

FINAL REPORT

IMPLEMENTATION

OF

AGRICULTURAL INPUTS SUBSIDY PROGRAMME 2010/11

**Logistics Unit
May 2011**

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BACKGROUND

In 2010, for the sixth consecutive year, the Government of Malawi, through the Ministry of Agriculture and Food Security (MoAFS) announced its intention to embark on an agricultural inputs subsidy programme (AISP). The mechanics of implementing the programme roughly followed the pattern of last year (2009/2010).

However there were some significant changes. Both methodology and changes are listed below.

- The programme was once again to embrace 1.6 million farmers and required the distribution of 160,000 MTS of fertiliser.
- Selected farmers throughout the country were to receive fertiliser vouchers that could be exchanged for fertiliser when surrendering the voucher plus a cash contribution that was once more set at MK 500.00.
- Each selected farmer was to be given two vouchers. One was to be for a 50KG bag of NPK (base fertiliser), the other for a 50 kg bag of urea (to be used as top dressing).
- The same selected farmers were also to receive a maize seed voucher that could be exchanged for a maize seed package. This year the package content was set at 5kgs hybrid or 7.5kgs open pollinated variety (OPV). The redemption value of the voucher for the seed companies was increased to 1,650 MK. Once again, the seed companies could also apply a discretionary cash "top up" not exceeding MK100.00.
- The same selected farmers were also to receive a legume seed voucher that could be exchanged for a pack containing one of the following: beans, cow peas, pigeon peas, groundnuts or soya. All seed had to be certified.
- This year both the size of the legume pack and the redemption value of the legume voucher were declared to be standard at 2kgs and MK 740 respectively.
- The Ministry of Agriculture and Food Security (MoAFS) once again took responsibility for organising the printing and packing of all of the vouchers.
- The District Agricultural Development Officers of MoAFS (DADOs), working with local community leaders, were responsible for the selection of the beneficiaries and the subsequent distribution of the vouchers. The Ministry HQ provided the district allocation figure.
- The Logistics Unit's role in the beneficiary selection and voucher distribution process consisted of updating the Farm Family registers used by the DADOs when manually recording the beneficiary names during the selection process. On completion of selection, the Unit then produced the electronically generated Beneficiary Registers used by the DADOs in the distribution of the vouchers.
- Regarding the supply of the required fertiliser, the Government issued a tender for the purchase of 160,000 MTS fertiliser. Unlike previous years, there were no significant carry forward stocks from the 2009/2010 programme. Consequently the Government awarded contracts to cover the full 160,000 MTS requested in the tender.

- The breakdown of the tender request was for 80,000 MTS urea and 80,000 MTS NPK. With regard to the NPK, two formulae were listed; 23:21:0+4S and 23:10:5+6S+1.0Zn and tenderers were invited to bid for either.
- The successful tenderers for the supply of Government fertiliser had to deliver their quota to three SFFRFM regional depots.
- The fertiliser so provided was to be ferried by contracted local transporters to the ADMARC/SFFRFM unit markets (numbering over 900) from whence it was to be distributed to farmers in exchange for a voucher plus MK 500.
- The surrendered fertilizer vouchers together with the farmers' contribution (MK 500) were to be collected from the unit markets by ADMARC/ SFFRFM district officers. After initial sorting, the vouchers were to be forwarded to the Logistics Unit for final sorting and electronic recording. The farmers' contribution was to be transferred to the Government to offset the total cost of the project.
- The provision of seed (maize and legume) to the farmers was the responsibility of recognised seed growers (nine in number) who undertook to stock both ADMARC/SFFRFM unit markets and rural agri- dealer outlets where the farmers could obtain the seed when surrendering the voucher.
- The nine seed growers then had the task of collecting the vouchers from all of the ADMARC/SFFRFM unit markets and rural agri- dealer outlets. The vouchers were to be subsequently submitted to the Government via the Logistics Unit for reimbursement at a cost of MK 1,650/maize voucher and MK 740/legume voucher.

OUTCOME (EXECUTIVE SUMMARY)

Beneficiary Selection

- Using the updated farm family data base, and working on the allocation provided by the Ministry HQ, the staff of the various district agricultural development officers working with members of the local communities selected the farmers to benefit through the 2010/2011 ASIP.
- The names were forwarded to the Logistics Unit for registering and producing beneficiary allocation registers. The final analysis indicates that 1,598,200 farm families were selected.
- 56% of the selected farm families were in male headed households, 42% female headed and the remaining 2% unidentified in the selection process.

Inputs

Fertiliser

- Distribution of fertilizer vouchers commenced on 7th October 2010 and was finally concluded in mid December 2010. The staff of the Ministry of Agriculture and Food Security were charged with distributing 3.2 million

fertiliser vouchers (1.6 million NPK, 1.6 million urea) to previously selected farmers in all the districts.

- Through the scheme, farmers paid MK 500 for a 50kg bag of fertiliser irrespective of the type of fertiliser or area in which it was purchased.
- Government provided a combined total of 160,512 MTS NPK and Urea for distribution in the subsidy scheme. 512 MTS was made available from carry forward stocks within SFFRFM and 160,000 MTS was from direct purchases during 2010. There was also stocks of CAN (772 MTS) and D compound (1,067 MTS) within SFFRFM from previous programmes
- Gross cost of the 160,000 MTS new fertiliser commissioned in 2010 was MK 17,470,953,865. It was decided by Government that withholding tax was to be deducted from each suppliers invoice. Consequently MK 16,953,841,963 was to go to the suppliers. MK 517,111,902 was to be deducted from the suppliers' invoices at source to be paid directly to the Malawi Revenue Authority.
- The total uplifts to the markets amounted to 160,834 MTS fertilizer consisting of 79,986 NPK, 80,199 MTS urea , 528 MTS CAN and 120 MTS D compound
- Although the initial plan had been to provide selected farmers with 50 kgs NPK as a base fertiliser and 50kgs urea as top dressing, in the event the supplies of both these were deemed to be slightly less than the demand. Consequently small quantities of D compound (120 MTS) and CAN (528 MTS) were issued into the markets as substitutes.
- Based on uplifts, certified losses and advised unit market surpluses on completion, 160,531 MTS of fertiliser were distributed to farmers through the 2010/11 agricultural inputs subsidy project.
- The breakdown by type was NPK 79,945 MTS, Urea 80,007 MTS, D Compound 87 MTS and CAN 492 MTS
- A further breakdown of the above figures indicates ADMARC and SFFRFM were responsible for selling 140,295 MTS and 20,236 MTS respectively of the fertilizer purchased by farmers through the scheme
- ADMARC/SFFRFM voucher recovery expressed in MTS was 159,147 MTS. The total number of fertiliser vouchers recovered was 3,182,770 against 3,200,000 authorised to be issued. However the vouchers submitted included 133,185 duplicate vouchers and 3,348 vouchers with out of range registration numbers.
- The percentage difference between calculated fertilizer sales and voucher returns is 0.87% representing unaccounted for fertilizer.

Seed

- Simultaneously with the fertiliser vouchers, maize seed vouchers were distributed to farmers in the districts between 7th October and mid December. 1.6 million vouchers were available for distribution. These could be exchanged for 5kgs hybrid or 7.5kgs OPV maize seed.
- Legume vouchers were distributed to farmers in the districts simultaneously with the maize seed vouchers. Again 1.6 million were available. These could be exchanged for legume seed covering beans, cow peas, pigeon peas, groundnuts or soya. The legume package was 2kgs.

- Maize seed vouchers carried a redemption value of MK 1,650 when submitted to the Government by the seed companies.
- Legume vouchers carried a redemption value of MK 740
- Nine seed breeders were authorised by Government to trade in vouchers in exchange for seed.
- These nine organisations through their own shops, traditional district selling partners and ADMARC/SFFRFM made seed available at the sales outlets. The companies and the products they supplied are listed below;
 - Hybrid maize seed 5kgs (Pannar, Monsanto, Seed Co.)
 - OPV maize seed 7.5 kgs (Seed Co, Demeter, Funwe, Panthochi)
 - Tested bean seed (Demeter, Funwe)
 - Tested groundnut seed (Seed Co, Peacock, NASFAM, Funwe)
 - Soya bean seed (Seed Co, Funwe)
 - Pigeon peas (Funwe)
 - Cow peas (Funwe)
- Seed companies and their agro dealers were permitted to charge the farmers a discretionary excess amount of MK 100 on surrender of the maize seed voucher. In practice all companies dealing in hybrid applied the excess. However in the case of OPV, Demeter never applied the excess. The other three companies dealing in OPV seed initially required the farmer to pay the excess but shortly after sales commenced both Funwe and Seed Co removed the excess requirement. Only Panthochi maintained the MK 100 excess requirement throughout.

It is calculated that the maize seed acquired by farmers through the redeemed vouchers amounted to 8,521 MTS hybrid and 2,129 MTS OPV.

The legume seed provided amounted in total to 2,727 MTS. The breakdown by type is listed below

Legume	MTS
Beans	316.49
Cow peas	1.62
Groundnuts	2,029.46
Pigeon Peas	4.16
Soya	375.04
Total	2,726.77

The total number of maize seed vouchers recovered was greater than the number allocated. Maize vouchers accepted by the Logistics Unit totalled 1,988,066 against 1.6 million allocated proving that there is a continuing, and increasing, problem with voucher security.

Within the above figure, the Logistics Unit received a number of vouchers (8,114) whose pristine condition raised doubts as to whether they had ever been handled by farmers. The seed companies concerned (Monsanto and Seed Co) indicated that the reason for the ultra clean condition emanated from the frowned upon practice of agrodealers being available at voucher distribution locations. This allowed the voucher to be exchanged immediately for seed without being retained for any length of time by the farmer. Both Monsanto and Seed Co produced testimonies from

AEDCs to support this. However the situation throws some doubt on the security of the voucher distribution process.

Overall Costs

The declared costs of the subsidy programme exclusive of Government operational costs and voucher printing etc is understood to be MK 23,363,542,414

Based on the apparent sale of 160,531 MTS fertilizer Government should be able to recover MK 1,605,310.00 through the ADMARC/SFFRFM sales to farmers.

RECOMMENDATIONS FOR FUTURE PROJECTS

Beneficiary Selection and Voucher Distribution Process

Quicker decisions should be made on district beneficiary allocation. Without this information, selection of individual beneficiaries cannot commence and the movement of inputs into markets is stalled.

There is also a need for more transparency regarding the method behind district allocations.

Once district numbers are known, District Agricultural Officers must move quicker on beneficiary selection.

Earlier preparation of annual farm family registers and more time spent in explaining to DADO staff about its general usefulness is required.

The demand that voter registration numbers be required should be discontinued. It serves no useful purpose, was not universally applied, and places an unnecessary burden on the registering teams and input sales staff. It also attracts criticism from various stakeholders.

Regarding voucher production, more transparency in printing processes and more attention to security indicators is required. It may be that the present printed voucher system is outdated and that an electronically controlled voucher system requires to be introduced. Certainly a security paper with distinctive security features is essential if paper vouchers are to be retained.

With regard to the actual distribution process, there is a possibility that this may have been abused and vouchers withheld from the selected beneficiaries. The process of distribution requires to be tightened to ensure that all selected beneficiaries are able to access their allocation.

Provision of Inputs

If the government intends to continue the practice of contracting suppliers to purchase fertilizer, then it is believed that the tender documentation requires to be

revisited. This year the stipulated tender delivery period was 12 weeks after award. This placed the final date for delivery at 18th October 2010. However fertilizer continued to be delivered until the week beginning 27th December with the Ministry providing extensions to contract to accommodate this. The existing contracts carried no provision for damages. It is recommended that the design of the fertiliser tender should place the responsibility of declaring the delivery schedule with the tenderer. This would permit the introduction of a penalty clause should the supplier fail to meet its own declared delivery dates.

It is considered that the bid validity period of 90 days is unrealistic and results in tenderers increasing the unit cost to guard against price increases that could take place during the possible intervening 3 months from submission of tender to award of contract.

The practice of reimbursing suppliers at a fixed rate of exchange should also be revisited. Once again it is considered that tenderers inflate the unit rate to protect themselves from possible exchange fluctuations that could take place during the supply period.

Regarding the actual awards, the method of executing this needs revisiting. The lowest contractor for NPK supplied fertilizer at 30% cheaper/MT than highest award. The urea difference was even greater at 40% /MT. It is appreciated that not all the tonnage should go to one supplier but a more disciplined approach to contract awards related to price could result in substantial savings.

The decision by Government to purchase all the fertilizer for the subsidy programme and subsequently market it to the farmers through SFFRFM/ADMARC is open to question. Once again, as the sales reached their conclusion there were complaints about empty markets and farmers unable to redeem their vouchers. This could be avoided by reopening fertiliser voucher trading to the commercial sector.

Reducing the quantity purchased by Government would also reduce warehouse storage congestion. It has become apparent over the last three years that SFFRFM storage is at a high premium. As a result the warehouses have been unable to accommodate all the fertilizer as and when the suppliers deliver. If the amount Government purchased was reduced this problem would be alleviated.

The decision by the Government to deduct withholding tax from each payment to the fertilizer suppliers created numerous administrative problems. The Government authorities found it impossible to issue the necessary blue form to the supplier at the same time as effecting payment. As a result, a number of suppliers had difficulty in reconciling their tax returns at the end of their financial year as the required documentation was incomplete. Government requires to review the position to ensure such administrative problems are eliminated.

Regarding the seed inputs there is a need for the introduction of a reliable monitoring system to replicate that in force for the fertilizer supplies. Such a system would have quickly identified the lack of legumes in the districts that resulted in many farmers being unable to utilize their legume voucher. As it was, this information did not materialize until the final task force meeting. Only then did it become clear that there would be a large underexpenditure on the legume

programme and at that point it was too late to take any evasive action. It is appreciated that the use of agro dealers makes monitoring a more difficult exercise than that of the fertilizer where sales are restricted to ADMARC/SFFRFM depots but it should not be beyond the wit and wisdom of the various players (STAM, donors and Ministry) to put a good monitoring system in place.

Government tardiness in making payments to suppliers is well documented. Some players in the fertilizer supply programme waited more than six months to receive payment. Seed companies had invoices outstanding for over three months. As a consequence traders are likely to build in a hedge into their prices to cover against slow payments. If Government was to adhere strictly to a 30 day payment regime, this could be advantageous to overall costs of the programme.

Government Fertiliser Availability 2010/11

On 24th March 2010 the Ministry of Agriculture published an invitation to tender for 160,000 MTS of fertiliser for the forthcoming subsidy programme consisting of 80,000 MTS NPK (23:21:0+4S) and 80,000 MTS Urea. This was subsequently altered on 30th March to permit the offer of an alternative NPK (23:10:5+6S+1.0Zn). Bids were scheduled to be returned on 13th May 2010 at which time there was a public opening in the Ministry of Agriculture. Bids had to be in lots indicating the amount that would be supplied to the intended destination depots of Blantyre (Chirimba SFFRFM), Lilongwe (Kanengo SFFRFM) and Mzuzu (Luwinga SFFRFM)

The following tables give a summary of the responsive bids received:

Bidder		DESTINATION & Tonnage			PRICE / MT		
		BT	LL	MZ	BT	LL	MZ
Sana Cash & Carry	Urea						
Kf Trading House	Urea	12,500			731.00		
Livingstone Exports	Urea		1,500			645.00	
Layser Paint	Urea		5,000	5,000		740.00	750.00
Multiple Trading	Urea		2,500	2,500		671.00	693.00
Farmers World	Urea	7,000	7,000		616.00	624.00	
Mzati Investments	Urea	36,900	32,175	10,925	850.00	875.00	900.00
Produce Mart Int.	Urea	6,900	32,175	10,925	108,190.00	108,190.0	108,190.00
Felton Gen Intl.	Urea	2,000		2,000	635.00		660.00
Export Trading Ltd	Urea	20,000	20,000	10,925	593.80	593.80	593.80
Mulli Brothers Ltd	Urea	36,900	32,175	10,925	650.00	660.00	680.00
Central Africa	Urea	2,500	2,500		660.00	670.00	
Boss Distributors	Urea		5,000			96,000.00	
Sealand	Urea	6,000	7,000	2,000	635.00	645.00	660.00
Masina Investment	Urea	36,900			830.00		
Malawi Fertilizer	Urea		5,000	8,000		631.00	653.00
Cointech Fertilizer	Urea	2,500	2,500	2,000	675.00	675.00	698.00
Sffrfm	Urea	3,500	3,500		649.00	660.00	

Shire Ltd	Urea	2,500	2,500		635.00	644.00	
Agora	Urea	5,000	5,000		615.00	630.00	
Transglobe	Urea	23,000	23,000		625.00	635.00	
Rab Processors	Urea	4,000	5,000	1,000	577.00	587.00	617.00
Kasbro	Urea	2,500	2,500		670.00	680.00	
Krk Distributors Ltd	Urea	20,000			91,800.00		
Mapeto Wsalers	Urea		32,175			675.00	
Simama Gen Dealers	Urea	5,000	4,000	2,000	670.00	670.00	697.00
ATC	Urea	3,750	4,850	1,000	635.00	645.00	660.00
Xelite	Urea		5,000			690.00	
Krish Trading Ltd	Urea	10,000			695.00		
Goldfield Industries	Urea	36,900	32,175		680.50	686.00	
Elvis Supplies	Urea	10,000	10,000		680.00	685.00	
Benbrooks	Urea	36,900	32,175	10,925	660.00	660.00	660.00
Chiphaka Distributors	Urea	7,500			680.50		
B & N Investment	Urea	7,500			680.50		
Hardware Shopping	Urea	12,500			698.00		
Conglobal	Urea	36,900			675.00		
Sonali	Urea	2,000			699.00		
Gasom Traders	Urea	2,000	2,000	2,000	640.00	645.00	649.00
Aja Investments	Urea	2,000	2,000	1,000	635.00	640.00	648.00
Niyombo Investments	Urea	8,000	12,000	10,000	615.00	617.00	620.00
Nafees Investments	Urea	2,000	2,000	2,000	641.00	643.00	647.00
Agric Resources Ltd	Urea	2,100	3,000		615.00	625.00	

Bidder		DESTINATION & Tonnage			PRICE / MT		
		BT	LL	MZ	BT	LL	MZ
Sana Cash & Carry	NPK 1	5,000			1,900.00		
Livingstone Exports	NPK 1	3,000	4,000		782.00	790.00	
Layser Paint & Plastic	NPK 1		5,000	5,000		940.00	950.00
Multiple Trading Ltd	NPK 1		2,500	2,500		804.00	835.00
Farmers World	NPK 1	5,000	10,000	5,000	757.00	765.00	799.00
Mzati Investments	NPK 1	36,900		10,925	950.00		1,000.00
Produce Mart Int. Ltd	NPK 1	36,900	32,175	10,925	116,560.00	116,560.00	116,560.00
Felton Gen Intl.	NPK 1	2,000	2,000	2,000	770.00	780.00	780.00
Optichem 2000 Ltd	NPK 1	10,000	10,000		698.00	730.00	
Export Trading Ltd	NPK 1	20,000	20,000	10,925	692.80	692.80	692.80
Mulli Brothers Ltd	NPK 1	36,900	32,175	10,925	795.00	805.00	820.00
Central Africa Merc	NPK 1	2,500	2,500		775.00	785.00	
Boss Distributors	NPK 1		5,000			104,000.00	
Sealand Investments	NPK 1	5,000	5,000	5,000	765.00	780.00	795.00
Malawi Fertilizer Co.	NPK 1	3,000	5,000	2,000	755.00	764.00	795.00
Jadcon	NPK 1	10,000			740.00		

Cointech Fertilizer	NPK 1	3,000	2,500	2,500	875.00	875.00	885.00
Sffrfm	NPK 1	14,000	14,000		768.00	779.00	
Shire Ltd	NPK 1	2,500	2,500		772.00	780.00	
Agora	NPK 1	5,000	5,000		753.00	769.00	
Royal Proc & Services	NPK 1	5,000	5,000		749.00	769.00	
Transglobe	NPK 1	23,000	23,000		765.00	775.00	
Rab Processors	NPK 1	4,000		1,000	717.00		747.00
Kasbro	NPK 1	2,500	2,500		780.00	790.00	
Krk Distributors Ltd	NPK 1	20,000			113,220.00		
Mapeto Wsalers	NPK 1	36,900			850.00		
Simama Gen Dealers	NPK 1	7,000	6,000	1,000	870.00	870.00	880.00
ATC	NPK 1	4,000	5,000	1,000	765.00	775.00	785.00
Elvis Supplies	NPK 1	10,000	10,000		870.00	875.00	
Benbrooks	NPK 1	36,900	32,175	10,925	706.00	706.00	706.00
Astro Chemicals	NPK 1		32,175			870.00	
Farm-Chem Wsalers	NPK 1	36,900			855.00		
Chiphaka Distributors	NPK 1	7,500			870.50		
B & N Investment	NPK 1	7,500			870.50		
Conglobal	NPK 1		32,175			850.00	
Sonali	NPK 1	2,000			855.00		
Gasom Traders	NPK 1	2,000	2,000	1,000	790.00	795.00	798.00
Aja Investments	NPK 1	2,000	2,000	2,000	785.00	790.00	795.00
Niyombo Investments	NPK 1	18,000	16,000	6,000	757.00	762.00	786.00
Nafees Investments	NPK 1	2,000	2,000	2,000	781.00	788.00	796.00
Agric Resources Ltd	NPK 1	1,080	1,920		750.00	765.00	

Bidder		DESTINATION & Tonnage			PRICE / MT		
		BT	LL	MZ	BT	LL	MZ
Livingstone Exports	NPK 2	1,500			635.00		
Farmers World	NPK 2		3,000			750.00	
Optichem 2000 Ltd	NPK 2	5,000	2,000	2,000	678.00	710.00	755.00
Sealand Investments	NPK 2		2,000			755.00	
Malawi Fertilizer Co.	NPK 2			3,000			770.00
SFFRFM	NPK 2	2,500	2,500		696.00	707.00	
Agora	NPK 2	3,000			740.00		
Rab Processors	NPK 2		5,000			717.00	
Atc	NPK 2	4,000	5,000	1,000	745.00	755.00	775.00
Conglobal	NPK 2		32,175			850.00	
Niyombo Investments	NPK 2	18,000	16,000	6,000	757.00	762.00	786.00
Agric Resources Ltd	NPK 2		2,010			750.00	

A multi organisation evaluation committee was then formed. Their findings (undisclosed to the Logistics Unit) were passed to the Principal Secretary in the Ministry of Agriculture and Food Security shortly after the tender opening. On 21st
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July, MoAFS announced that the following Government contract awards had been issued.

Type	Supplier	Chirimba	Kanengo	Luwinga	Total
NPK	Astro Chemicals		5,000		5,000
	B & N Investments	1,000			1,000
	Export Trading	2,000	2,000	2,000	6,000
	Farm Chem Wholesalers	5,000			5,000
	Farmers World Ltd	1,000	2,000	1,000	4,000
	Malawi Fertiliser Company	1,000	1,000	1,000	3,000
	Mapeto Wholesalers	5,000			5,000
	Mulli Brothers Company Ltd	3,000	6,000	1,000	10,000
	Nyiombo Investments	4,000.00	5,000	1,500	10,500
	Optichem (2000) Ltd	4,000.00	2,000	1,000	7,000
	Sealand Investments	1,000	575	2,425	4,000
	SFFRFM	2,000	2,000		4,000
	Shire Ltd	2,500	2,500		5,000
	Simama General Dealers	3,400	4,100	1,000	8,500
	Transglobe Produce Exports	2,000			2,000
NPK		36,900	32,175	10,925	80,000

Urea	B & N Investments	1,000			1,000
	Export Trading	3,500	2,500	2,000	8,000
	Farmers World Ltd	3,500	2,500		6,000
	Gassom Traders	2,000			2,000
	Krish Trading Company		5,000		5,000
	Malawi Fertiliser Company		1,000	1,000	2,000
	Mapeto Wholesalers		5,000		5,000
	Masina Investments	2,000			2,000
	Mulli Brothers Company Ltd	6,400	2,600	1,000	10,000
	Nyiombo Investments	4,500	2,075	2,925	9,500
	Sealand Investments	2,000	1,000	1,000	4,000
	SFFRFM	2,000	2,000		4,000
	Shire Ltd	2,500	2,500		5,000
	Simama General Dealers	3,500	3,000	3,000	9,500
	Transglobe Produce Exports	4,000	1,000		5,000
	Xelite Strips Ltd		2,000		2,000
Urea		36,900	32,175	10,925	80,000
Total		73,800	64,350	21,850	160,000

The value of the contracts awarded and the unit rates to be applied for reimbursement are reproduced in the tables below.

Type	Supplier	Chirimba \$/MT	Kanengo \$/MT	Luwinga \$/MT	Total Cost
NPK	Astro Chemicals		870.00		\$ 4,350,000.00
	B & N Investments	870.50			\$ 870,500.00
	Export Trading	692.80	692.80	692.80	\$ 4,156,800.00
	Farm Chem	855.00			\$ 4,275,000.00
	Farmers World Ltd	757.00	765.00	799.00	\$ 3,086,000.00
	MFC	755.00	764.00	795.00	\$ 2,314,000.00

	Mapeto	850.00			\$ 4,250,000.00
	Mulli Brothers	795.00	805.00	820.00	\$ 8,035,000.00
	Nyiombo	757.00	762.00	786.00	\$ 8,017,000.00
	Optichem (2000)	678.00	710.00	755.00	\$ 4,887,000.00
	Sealand	765.00	780.00	795.00	\$ 3,141,375.00
	SFFRFM	768.00	779.00		\$ 3,094,000.00
	Shire Ltd	772.00	780.00		\$ 3,880,000.00
	Simama	870.00	870.00	880.00	\$ 7,405,000.00
	Transglobe	765.00			\$ 1,530,000.00
Total					\$ 63,291,675.00

Type	Supplier	Chirimba\$/MT	Kanengo \$/MT	Luwinga \$/MT	Total Cost
Urea	B & N Investments	680.50			\$ 680,500.00
	Export Trading	593.80	593.80	593.80	\$ 4,750,400.00
	Farmers World Ltd	616.00	624.00		\$ 3,716,000.00
	Gassom Traders	640.00	645.00		\$ 1,280,000.00
	Krish Trading		695.00		\$ 3,475,000.00
	MFC		631.00	653.00	\$ 1,284,000.00
	Mapeto		675.00		\$ 3,375,000.00
	Masina	830.00			\$ 1,660,000.00
	Mulli Brothers	650.00	660.00	680.00	\$ 6,556,000.00
	Nyiombo	615.00	617.00	620.00	\$ 5,861,275.00
	Sealand	635.00	645.00	660.00	\$ 2,575,000.00
	SFFRFM	649.00	660.00		\$ 2,618,000.00
	Shire Ltd	635.00	644.00		\$ 3,197,500.00
	Simama	670.00	670.00	697.00	\$ 6,446,000.00
	Transglobe	625.00	635.00		\$ 3,135,000.00
	Xelite Strips Ltd		690.00		\$ 1,380,000.00
Total					\$ 51,989,675.00

Payments were to be made in Malawi Kwacha at a fixed rate of exchange of 151.5545/\$. The anticipated cost of the fertilizer in Malawi Kwacha was therefore MK 17,471,402,358

Fertiliser delivery commenced on 26th July 2010. As in previous years, SFFRFM warehouses had insufficient space available in the early weeks of delivery to accommodate the stocks being delivered. Consequently it was agreed that stocks in the suppliers warehouses would be checked, tonnages established on the basis of standard weights and 90% payment authorised for the agreed tonnages.

The balance of 10% was to be paid when the fertiliser was uplifted from the suppliers' warehouse for forwarding to unit markets via the SFFRFM weighbridges thus establishing the actual tonnage being supplied.

The stipulated period in the bid documents for delivery was 12 weeks. This would have meant that all deliveries would have been completed during the week beginning 18th October 2010. However final delivery of fertiliser was not achieved until the week beginning 27th December 2010. The Ministry authorized extensions to

various contracts to accommodate these delays. Central reason for the delays was attributed to the delays at Tete Bridge where rehabilitation works were underway.

The tables below provides a summary of final deliveries, carry forwards, uplifts and book stock balances at the end of the distribution period

NPK	Chirimba MTS	Kanengo MTS	Luwinga MTS
Carry forward 2009/10	18.53	24.00	14.50
new deliveries	36,900.00	32,175.00	10,925.00
Sub Total	36,918.53	32,199.00	10,939.50
Uplifts	36,883.35	32,173.85	10,928.35
Stock balance 2010/11	35.18	25.15	11.15

Urea	Chirimba MTS	Kanengo MTS	Luwinga MTS
Carry forward 2009/10	0.20		455.20
new deliveries	36,900.00	32,175.00	10,925.00
Sub Total	36,900.20	32,175.00	11,380.20
Uplifts	36,884.95	32,174.25	11,140.00
Stock balance 2010/11	15.25	0.75	240.20

CAN	Chirimba MTS	Kanengo MTS	Luwinga MTS
Carry forward 2009/10	140.00	620.70	11.15
new deliveries			
Sub Total	140.00	620.70	11.15
Uplifts	140.00	387.95	
Stock balance 2010/11	-	232.75	11.15

D compound	Chirimba MTS	Kanengo MTS	Luwinga MTS
Carry forward 2009/10		1,014.68	52.00
new deliveries			
Sub Total		1,014.68	52.00
Uplifts		73.00	46.50
Stock balance 2010/11		941.68	5.50

Uplifts to SFFRFM/ADMARC Unit Markets

The internal transport of the Government acquired fertiliser from the three SFFRFM depots to the ADMARC/SFFRFM unit markets was the subject of public tender.

A tender notice appeared in the press on 9th June 2010 inviting tenders for the uplift of the subsidy fertiliser. The return date was 8th July 2010.

65 bidders responded to this invitation. An evaluation committee considered the bids and forwarded an analysis to the Principal Secretary MoAFS. Eventually, it was announced on 9th September that 25 companies had been commissioned to move the fertilizer to the unit markets.

The Government through the Office of Public Procurement also advised that a rate of MK 30/MT/Km would be applied to movement of fertiliser under the subsidy scheme. For short hauls (i.e journeys under 30 kms) the rate applied was to be 3,000 MK/MT. Allowance was made for movements over poor roads where MK34.MT/Km could be applied. In practice this rate was restricted to movements within Chitipa district.

The names of the 25 companies and the number of districts where they were authorized to operate are produced below.

Company	Southern	Central	North	Total
B & G Transport		7		7
I Investments	13	9		22
M A E R Trucking		9		9
Mag Logistics	1	9	6	16
Masina Investments	5	4	4	13
Mico Transport	13	9	6	28
Mulli Brothers	13	9	6	28
Mwenera Transport		9	6	15
Mzati Investments		6		6
NRTA		9	6	15
Peters' Freight		6		6
RTOA	11	5		16
Salpha Enterprises	5	7		12
Simama General Dealers Co. Ltd	13	9	6	28
World Wide Wholesalers		9	6	15
Zingakake Transport		6		6
Swank Haulage		8	5	13
Anala Investments		4		4
Chizamsoka Investments			5	5
Yafuka Produce Trading Company	7		5	12
Agricultural Produce Transporters Association	13			13
Amajuba General Dealers	9			9
K C Freight	13			13
Farwest Investments	4			4
P. W. C. Investments	3			3

As previously indicated, fertilizer delivery commenced on 26th July 2010. Even at this point there was insufficient storage available at the three SFFRFM depots to take the tonnage fertilizer suppliers wanted to deliver. Storage immediately became a problem and the situation was aggravated further by the inability to commence uplifts to the unit markets until the award of transport contracts had been concluded. Therefore when uplifts actually commenced on 13th September 2011 there was considerable congestion as has been the case in previous years. This can be avoided if transport awards are made before the fertiliser delivery commences and if the Government reduces the amount of fertiliser it purchases for the project,

permitting the private sector to sell their fertilizer for vouchers through their own sales outlets.

The following table indicates the level of uplifts that were finally delivered into the Districts

District	MTS NPK	MTS Urea	MTS CAN	MTS D	Total
Dedza	3,364	3,379	35		6,778
Dowa	3,826	3,847	78	57	7,808
Kasungu	4,573	4,493			9,065
Lilongwe	7,933	7,854	90		15,877
Mchinji	3,443	3,496	95	10	7,044
Nkhota Kota	1,588	1,606			3,195
Ntcheu	3,832	3,808			7,639
Ntchisi	1,871	1,887	90	6	3,854
Salima	1,779	1,840			3,619
Total CR	32,209	32,209	388	73	64,880
Chitipa	1,506	1,503			3,008
Karonga	1,316	1,331			2,647
Likoma	88	59			147
Mzimba	5,467	5,529			10,996
Nkhata Bay	1,057	1,038			2,095
Rumphi	1,460	1,645		47	3,152
Total NR	10,894	11,105	-	47	22,046
Balaka	2,737	2,769			5,506
Blantyre	4,734	4,630	40		9,404
Chikhwawa	852	666			1,518
Chiradzulu	2,618	2,447	80		5,145
Machinga	3,490	3,355			6,845
Mangochi	3,856	4,069			7,925
Mulanje	3,624	3,838	20		7,482
Mwanza	785	790			1,575
Neno	842	791			1,633
Nsanje	725	569			1,294
Phalombe	2,992	3,087			6,079
Thyolo	5,386	5,174			10,560
Zomba	4,242	4,700			8,942
Total SR	36,883	36,885	140	-	73,908
National	79,986	80,199	528	120	160,834

Losses in transit were minimal and in all but four cases the undelivered fertilizer was replaced by the transporters concerned. As a result neither Government nor the targeted beneficiaries suffered great loss. The four cases referred to involved RTOA and covered the loss of 25 MTS urea and 30 MTS NPK valued at MK 5,833,515. The fertilizer was not replaced by the transporter but invoices submitted by the transporter equivalent to the value of the lost fertilizer have not been processed.

The case is under review by the Ministry of Agriculture but to date no financial loss has been sustained by Government.

One final case of loss involved 29 MTS of NPK in transit to Likoma, lost when the barge carrying it sank. This loss was accepted by the Government as falling under force majeure. The cost was therefore borne by Government and the cargo for Likoma replaced.

The average cost /MT of delivering fertiliser from the appropriate SFFRFM depot to just over 900 ADMARC/SFFRFM selling points throughout the country was MK 5,428/MT (\$35.70/MT).

The cost /MT in MK and US \$ for the individual districts is given below

District	MK/MT	\$/MT
Balaka	6,274.39	41.28
Blantyre	3,404.57	22.40
Chikhwawa	4,010.84	26.39
Chiradzulu	3,439.59	22.63
Chitipa	18,912.36	124.42
Dedza	4,246.44	27.94
Dowa	3,372.66	22.19
Karonga	8,348.08	54.92
Kasungu	5,391.62	35.47
Likoma	3,495.00	22.99
Lilongwe	3,351.48	22.05
Machinga	7,221.43	47.51
Mangochi	10,033.51	66.01
Mchinji	5,049.95	33.22
Mulanje	4,763.53	31.34
Mwanza	4,760.06	31.32
Mzimba	5,954.59	39.17
Neno	4,565.70	30.04
Nkhata Bay	3,421.44	22.51
Nkhotakota	9,081.59	59.75
Nsanje	6,831.78	44.95
Ntcheu	7,451.84	49.03
Ntchisi	4,653.79	30.62
Phalombe	5,563.78	36.60
Rumphi	4,458.91	29.33
Salima	4,246.65	27.94
Thyolo	3,965.06	26.09
Zomba	4,338.57	28.54

In addition to the initial uplift from SFFRFM depots to unit markets, it also proved necessary to relocate 1,521 MTS between markets. This is an extremely expensive exercise with the average cost being \$85.89/MT. Clearly such relocations should be avoided if possible. A further transfer proving necessary was that of 172 MTS between SFFRFM depots at an average cost of \$ 78.93/MT

Beneficiary Selection

The beneficiary selection exercise was executed in the following manner:

At the end of April 2010, MoAFS agreed to update the 2009 farm family data base. Consequently, at the beginning of May 2010, the Logistics Unit supplied all districts with an electronic copy of the 2009 farm family list and asked the DADOs to update it. This exercise lasted until mid September before it was finally completed.

However as each district completed the update, an electronic edition of the update was provided to the Logistics Unit.

This was cleaned at the Unit and returned to the district with a request that the accuracy be confirmed.

The resultant updated district farm family register for 2010 is produced below

District	2010/11
Chikwawa	125,552
Nsanje	74,192
Chiradzulu	101,862
Mwanza	29,358
Neno	33,605
Blantyre	179,688
Thyolo	198,846
Mulanje	188,992
Phalombe	99,320
Balaka	119,942
Mangochi	256,066
Machinga	199,029
Zomba	227,818
SR Total	1,834,270
Nkhotakota	85,551
Salima	99,364
Ntcheu	174,942
Dedza	245,121
Lilongwe	462,049
Dowa	263,967
Ntchisi	125,708
Mchinji	176,874
Kasungu	292,680
CR Total	1,926,256
Mzimba	262,235

Nkhatabay	59,144
Rumphi	58,123
Likoma	2,219
Chitipa	59,151
Karonga	65,933
NR Total	506,805
National Total	4,267,331

At the beginning of September, MoAFS produced the initial beneficiary district allocation list reproduced below

	District	2010/2011 District allocation
1	Chikwawa	19,295
2	Nsanje	15,202
3	Chiradzulu	52,549
4	Mwanza	15,455
5	Neno	17,326
6	Blantyre	94,203
7	Thyolo	101,188
8	Mulanje	76,299
9	Phalombe	60,125
10	Balaka	53,464
11	Mangochi	75,729
12	Machinga	64,919
13	Zomba	91,216
14	Nkhotakota	31,557
15	Salima	36,940
16	Ntcheu	73,120
17	Dedza	67,536
18	Lilongwe	160,392
19	Dowa	72,782
20	Ntchisi	40,715
21	Mchinji	69,816
22	Kasungu	90,325
23	Mzimba	106,800
24	Nkhatabay	24,056
25	Rumphi	29,330
26	Likoma	1,183
27	Chitipa	30,093
28	Karonga	26,385
29	Contingency	2,000
Total		1,600,000

As the programme progressed the contingency item was slowly allocated to various districts and the final result showing the percentage of farm families who could be selected as beneficiaries is shown below

District	2010/2011 District allocation	% farm families to receive
Chikwawa	19,295	15%
Nsanje	15,202	20%
Chiradzulu	52,549	42%
Mwanza	15,455	53%
Neno	17,326	52%
Blantyre	94,403	53%
Thyolo	101,746	51%
Mulanje	76,299	40%
Phalombe	60,145	61%
Balaka	53,664	45%
Mangochi	75,729	30%
Machinga	65,119	33%
Zomba	91,216	40%
SR total	738,148	40%
Nkhotakota	31,557	37%
Salima	36,940	37%
Ntcheu	73,120	42%
Dedza	67,536	28%
Lilongwe	160,572	35%
Dowa	72,782	28%
Ntchisi	41,357	33%
Mchinji	69,816	39%
Kasungu	90,325	31%
CR Total	644,005	33%
Mzimba	106,800	41%
Nkhatabay	24,056	41%
Rumphi	29,330	50%
Likoma	1,183	53%
Chitipa	30,093	51%
Karonga	26,385	40%
NR total	217,847	43%
National Total	1,600,000	37%

With the production of this district allocation list, selection of beneficiaries could proceed. The selection method adopted was as follows:

As soon as the accuracy of the contents of the 2010 updated farm family registers had been confirmed by the respective district, the updated register was reformatted as a beneficiary selection register to permit easy identification of beneficiaries.

A hard copy of the reformatted register was issued containing columns that allowed the identity of a chosen beneficiary to be shown and information confirming sex and voter registration number to be entered.

The request on identification of sex was donor driven and the demand for voter registration numbers came from the MoAFS.

On completion of the beneficiary selection exercise in the district, an electronic copy of the beneficiary selection register was returned to the Logistics Unit. There it was condensed to produce a beneficiary register containing only the names and information relating to the selected farmers.

After checking on the accuracy of the numbers, three copies of this beneficiary register were printed and forwarded to the coordinating unit at the MoAFS. The registers were accompanied by summary sheets indicating the number of vouchers to be distributed in each village and giving the relevant registration numbers of the vouchers.

The time frame covering the beneficiary section exercise should be improved. The production and issuing of beneficiary selection registers and summary lists by the Logistics Unit began at the beginning of September and was completed by the end of the month. Selection of beneficiaries began immediately with the issue of the first beneficiary selection registers at the beginning of September. The first completed registers indicating the selected farm families were returned to the Logistics Unit by the DADOs at the end of September. The remainder slowly filtered into the Unit. By 16th November all districts with the exception of Dowa had completed the beneficiary selection exercise. The Dowa selection process was finally completed in the last week in November. Beneficiary selection therefore lasted a full three months.

The final district beneficiary registration was as follows

District	Target	No of Fhh	No of Mhh	Unknown	Total registered	Balance
Blantyre	94,403	53,169	41,031	3	94,203	200
Chiradzulu	52549	31,188	21,352	9	52,549	-
Mulanje	76,299	32,322	37,498	6,479	76,299	-
Neno	17,326	6,673	10,629	24	17,326	-
Mwanza	15,455	8,511	6,942	2	15,455	-
Thyolo	101,746	46,603	53,630	955	101,188	558
Phalombe	60,145	31,393	27,188	1,544	60,125	20
Balaka	53,664	28,640	24,100	724	53,464	200
Machinga	65,119	31,894	23,205	10,020	65,119	-
Mangochi	75,729	44,066	31,390	273	75,729	-
Zomba	91,216	54,961	36,065	190	91,216	-
Chikwawa	19,295	6,341	12,953	1	19,295	-
Nsanje	15,202	5,696	9,399	107	15,202	-
Southern region	738,148	381,457	335,382	20,331	737,170	978
Gender %		52%	45%	3%		
Dedza	67,536	27,887	39,416	233	67,536	-
Lilongwe	160,572	37,149	122,312	931	160,392	180
Ntcheu	73,120	32,988	39,773	359	73,120	-

Dowa	72,782	24,073	48,709	-	72,782	-
Kasungu	90,325	29,898	58,362	2,065	90,325	-
Mchinji	69,816	22,500	47,013	303	69,816	-
Ntchisi	41,357	14,999	25,312	404	40,715	642
Nkhota Kota	31,557	18,385	12,902	270	31,557	-
Salima	36,940	12,250	24,689	1	36,940	-
Central region	644,005	220,129	418,488	4,566	643,183	822
Gender %		34%	65%	1%		
Chitipa	30,093	7,893	20,430	1,770	30,093	-
Karonga	26,385	8,713	17,582	90	26,385	-
Likoma	1,183	539	623	21	1,183	-
Mzimba	106,800	40,080	66,404	316	106,800	-
Nkhata Bay	24,056	8,370	15,686	-	24,056	-
Rumphi	29,330	11,107	18,223	-	29,330	-
Northern Region	217,847	76,702	138,948	2,197	217,847	-
Gender %		35%	64%	1%		
National	1,600,000	678,288	892,818	27,094	1,598,200	1,800
Gender %		42%	56%	2%		

Regarding the criteria that voter registration numbers should be required at the time of selection of beneficiaries, this was a controversial measure attracting criticism from various sections of the community. It is also doubtful if it contributed to the efficiency of the selection process and the subsequent redemption of vouchers. An examination of the beneficiary selection registers indicates that a number of beneficiaries were included in the registers without registration numbers and a number of beneficiaries clearly provided voter registration numbers that were not theirs, being a duplicate of numbers provided by others.

No attempt has been made to total the numbers where such anomalies occurred. However it is clear that the present criteria covering beneficiary identification clashes with the demand that voter registration cards play a role in the identification process; e.g child headed households and orphan headed households are unlikely to have voter registration cards. The insertion of the voter registration requirement in the guidelines has also resulted in a recommendation from the audit of the seed programme to disallow reimbursement for vouchers where there is either no voter registration on the voucher or voter registration conflicting with the information in the beneficiary register.

The task of physically distributing the vouchers to the beneficiaries fell to the MoAFS staff. The distribution of the main bulk of the vouchers began with the Phalombe vouchers in early October and continued in the rest of the country through to December. There are indications that the distribution process may have been abused and a tightening up of the process is necessary. This is particularly true in the case of seed vouchers where the condition of some vouchers received pointed to them never having been handled by farmers.

Voucher Printing and Distribution

As has been the case in past programmes, the printing of the vouchers was the subject of much discussion right from the early stages of the project. Concern was expressed by all parties about the need for high quality security features in this

year's vouchers and offers from various donors to pay for the purchase of security paper etc were on the table.

The MoAFS, citing the need for secrecy to avoid fraudulent reproduction, concealed most of the information about the printing of the vouchers.

Commencement of the printing of the vouchers is dependent on the decision being made on district allocations as the vouchers are identified by district through the use of the district vehicle registration prefix. As indicated above, the initial decision on district allocation was finally made at the beginning of September.

Requests were made by various parties (seed companies and ADMARC included) that the voucher designs be publicised and the security features be made known before the official launch of the programme on 7th October. These requests were refused by the MoA & FS on the grounds of security. The result was that the first time that the vouchers were seen by those responsible for handling the vouchers in exchange for inputs was when the vouchers were presented at the sales outlet in exchange for fertilizer or seed. The lack of sensitization on the security features carried by the vouchers was criticized by a number of parties including the police. Indeed it is doubtful if the sales outlets staff could recognize the alleged security features. Logistics Unit staff certainly could not.

Once again the quality of the voucher left much to be desired with the printing varying considerably from voucher to voucher. There is now a consensus amongst all involved that the use of poor quality vouchers should be discontinued. The move towards an electronic voucher is being supported by all stakeholders but in the interim period if the hard copy voucher is to be retained it must be improved using proper security paper and with security features that are not only difficult to replicate but are known to all responsible for handling the vouchers.

Sales of Inputs and Redemption of Vouchers

Once again private retailers were excluded from the sale of fertiliser through the voucher scheme. There has now been no retail involvement in fertilizer voucher trade since 2007/08.

The only organizations involved in accepting fertilizer vouchers were once more ADMARC and SFFRFM and the private sector's involvement in the direct sale of subsidy products to the farmers was again limited to the various seed companies for the maize seed and legume vouchers.

Sales for the subsidised products commenced on 7th October in Phalombe in the Southern Region. On 23rd November an independent monitoring service was commissioned using DFID funding. The monitors (Mulli Brothers) were responsible for producing a weekly report to the Logistics Unit that covered fertiliser arrivals and sales for each of the unit markets opened by SFFRFM and ADMARC. Sales ceased on 4th February in the South, 11th February in the central region and 18th February in the north.

Vouchers arising from sales had to be returned to the Logistics Unit for recording and, in the case of seed, reimbursing. The first vouchers (seed) were returned to the Logistics Unit on 20th October 2010. Fertiliser vouchers from ADMARC/SFFRFM began to flow in from 10th November. Submission of vouchers for fertiliser was basically complete at the end of March. Seed voucher returns continued until the end of April.

There is evidence that some vouchers, both for fertiliser and seed, may have been printed illegally. There were police reports during the distribution of inputs that indicated a limited number of malpractices having taken place.

In support of this, when the vouchers were submitted to the Logistics Unit, in all categories of vouchers, duplicate numbers were found. This was particularly true of the maize vouchers. However the problem was that with the poor quality of the printed voucher and lack of obvious security features, no sales outlet could have been expected to recognize duplicate vouchers

The table below outlines the problem.

District Name	ALLOCATION	NPK	UREA	Over/under	MAIZE	Over/under	Legume	Over/under
Blantyre	94,403	94,751	92,997	1,058	100,177	(5,774)	73,285	21,118
Chiradzulu	52,549	51,264	50,770	3,064	53,189	(640)	46,174	6,375
Mwanza	15,455	13,687	14,158	3,065	15,874	(419)	13,547	1,908
Neno	17,326	18,132	17,671	(1,151)	18,275	(949)	12,612	4,714
Mulanje	76,299	75,409	76,333	856	79,079	(2,780)	62,854	13,445
Phalombe	60,145	57,951	60,246	2,093	59,885	260	44,953	15,192
Thyolo	101,746	99,734	99,438	4,320	104,549	(2,803)	86,989	14,757
Chikwawa	19,295	17,351	13,467	7,772	17,688	1,607	8,801	10,494
Nsanje	15,202	13,508	10,788	6,108	14,361	841	7,327	7,875
Balaka	53,664	54,468	53,200	(340)	54,230	(566)	48,538	5,126
Machinga	65,119	67,962	67,464	(5,188)	64,125	994	51,446	13,673
Mangochi	75,729	78,684	83,348	10,574	73,495	2,234	38,760	36,969
Zomba	91,216	84,948	90,713	6,771	92,648	(1,432)	59,137	32,079
South	738,148	727,849	730,593	17,854	747,575	(9,427)	554,424	183,724
Dedza	67,536	69,466	63,766	1,840	103,077	(35,541)	56,165	11,371
Ntcheu	73,120	78,175	77,294	(9,229)	88,667	(15,547)	65,046	8,074
Lilongwe	160,572	160,995	160,952	(803)	193,819	(33,247)	155,501	5,071
Kasungu	90,325	90,498	90,248	(96)	130,548	(40,223)	102,550	(12,225)
Dowa	72,782	72,613	72,346	605	135,316	(62,534)	73,522	(740)
Mchinji	69,816	68,752	70,401	479	112,134	(42,318)	64,771	5,045
Ntchisi	41,357	40,997	41,276	441	53,532	(12,175)	39,041	2,316
Nkhotakota	31,557	30,246	30,305	2,563	49,809	(18,252)	24,625	6,932
Salima	36,940	35,767	36,769	1,344	46,302	(9,362)	32,519	4,421
Central	644,005	647,509	643,357	(2,856)	913,205	(269,200)	613,739	30,266
Mzimba	106,800	106,746	106,760	94	172,357	(65,557)	97,672	9,128
Rumphi	29,330	28,862	29,351	447	49,075	(19,745)	29,094	236
Nkhata Bay	24,056	23,845	23,860	407	25,105	(1,049)	18,361	5,695
Likoma	1,183	1,069	1,045	252	998	185	18	1,165
Chitipa	30,093	28,948	30,725	513	43,878	(13,785)	27,218	2,875
Karonga	26,385	26,027	26,225	518	35,825	(9,440)	22,865	3,520
Northern	217,847	215,497	217,966	2,231	327,238	(109,391)	195,227	22,620
National	1,600,000	1,590,855	1,591,916	17,229	1,988,066	(388,066)	1,363,390	236,610

There were a number of vouchers submitted to the Logistics Unit where the voucher number was greater than the highest number of registered district beneficiary, again pointing to the production of fraudulent vouchers. In the case of seed vouchers, such vouchers were returned to the relevant seed company unprocessed as it was considered that a prudent sales outlet would have recognized that the vouchers were not valid.

There were also cases where fertiliser vouchers previously presented at a sales outlet were recycled and resulted in goods being supplied despite the voucher having been clearly stamped by ADMARC/SFFRFM as used and having the corner removed for easy recognition as a used voucher. It has now to be recognized that no physical deterrent put in place to date has prevented syndicates being formed within the sales outlets in an attempt to defraud Government. The situation underlines the need for an improved voucher the presentation of which can be tracked quickly, suggesting an electronic solution. It is also an argument for introducing private sector sales of fertiliser as the loss resulting from recycling would then be borne by the private trader and not by Government

Fertiliser Sales

Set out below are tables indicating the level of presumed sales by district. It is arrived at by reducing the deliveries into the district by the balances ADMARC and SFFRFM have declared as being left in the district.

District	NPK	Urea	CAN	D
Dedza	3,364	3,379	35	
Dowa	3,826	3,847	78	50
Kasungu	4,573	4,493		
Lilongwe	7,933	7,854	90	
Mchinji	3,443	3,496	95	10
Nkhota Kota	1,588	1,606		
Ntcheu	3,832	3,808		
Ntchisi	1,871	1,887	54.8	6
Salima	1,779	1,840		
Total CR	32,209	32,210	353	66
Chitipa	1,506	1,503		
Karonga	1,316	1,327		
Likoma	58.85	57.55		
Mzimba	5,459	5,513		
Nkhata Bay	1,057	1,036		
Rumphi	1,460	1,482		21
Total NR	10,856	10,918	-	21
Balaka	2,737	2,769		
Blantyre	4,734	4,630	40	
Chikhwawa	852	666		
Chiradzulu	2,618	2,447	80	
Machinga	3,487	3,350		
Mangochi	3,856	4,069		

Mulanje	3,624	3,838	20	
Mwanza	785	790		
Neno	842	791		
Nsanje	725	569		
Phalombe	2,992	3,087		
Thyolo	5,386	5,174		
Zomba	4,242	4,700		
Total SR	36,880	36,880	140	-
National	79,945	80,007	492	87

The split between SFFRFM and ADMARC on the above sales figure is as follows
SFFRFM ADMARC

SFFRFM

District	NPK	Urea	CAN	D
Dedza	275	240	-	-
Dowa	342	305	-	-
Kasungu	393	310	-	-
Lilongwe	465	418	-	-
Mchinji	542	525	15	-
Nkhota Kota	75	75	-	-
Ntcheu	275	253	-	-
Ntchisi	87	145	-	-
Salima	105	105	-	-
Total CR	2,559	2,376	15	-
Chitipa	115	125	-	-
Karonga	54	56	-	-
Mzimba	972	1,017	-	-
Rumphi	110	120	-	-
Total NR	1,250	1,318	-	-
Balaka	887	771	-	-
Blantyre	1,225	1,028	-	-
Machinga	1,134	685	-	-
Mangochi	690	546	-	-
Mulanje	567	706	-	-
Mwanza	215	165	-	-
Neno	120	110	-	-
Phalombe	475	580	-	-
Thyolo	775	727	-	-
Zomba	539	773	-	-
Total SR	6,628	6,091	-	-
National	10,437	9,785	15	-

ADMARC

District	NPK	Urea	CAN	D
Dedza	3,090	3,139	35	-
Dowa	3,484	3,542	78	50

Kasungu	4,180	4,183	-	-
Lilongwe	7,468	7,436	90	-
Mchinji	2,901	2,971	80	10
Nkhota Kota	1,513	1,531	-	-
Ntcheu	3,557	3,555	-	-
Ntchisi	1,784	1,742	55	6
Salima	1,674	1,735	-	-
Total CR	29,650	29,833	338	65
Chitipa	1,391	1,378	-	-
Karonga	1,262	1,270	-	-
Likoma	59	58	-	-
Mzimba	4,486	4,496	-	-
Nkhata Bay	1,057	1,036	-	-
Rumphi	1,349	1,362	-	20
Total NR	9,604	9,599	-	20
Balaka	1,850	1,998	-	-
Blantyre	3,509	3,602	40	-
Chikhwawa	852	666	-	-
Chiradzulu	2,618	2,447	80	-
Machinga	2,353	2,665	-	-
Mangochi	3,166	3,523	-	-
Mulanje	3,057	3,132	20	-
Mwanza	570	625	-	-
Neno	722	681	-	-
Nsanje	725	569	-	-
Phalombe	2,517	2,507	-	-
Thyolo	4,611	4,447	-	-
Zomba	3,703	3,927	-	-
Total SR	30,253	30,789	140	-
National	69,507	70,221	478	86

As advised above during the course of the sales period, an independent monitor (Mulli Brothers) was appointed by DFID to provide weekly reports on fertiliser stocks and sales in all unit markets operated by SFFRFM and ADMARC throughout the country. This exercise proved invaluable in providing an independent report between the occasionally conflicting reports on uplifts provided by the Logistics Unit and sales being reported by SFFRFM/ADMARC. The final sales figure (22nd February 2011) provided by the independent monitor reported that 3,184,660 bags had been sold nationally, a difference of 0.8% from the sales figure calculated above.

Equating assessed sales figures to voucher returns reveals a small discrepancy that is shown in the table below;

Region	Assessed Sales	Vouchers	Difference	Unaccounted %
	MTS	MTS	MTS	
Central	64,837	64,543	294	0.45%
Northern	21,792	21,673	119	0.55%
Southern	73,902	72,922	980	1.33%
Total	160,531	159,138	1,393	0.87%

Seed Sales

The system of providing improved maize seed to farmers through the subsidy programme and the subsequent redemption of the vouchers was entirely different from the fertiliser. Seed companies who took part in the maize seed scheme (Seed Co, Pannar, Monsanto, Demeter, Funwe, Seed Tech, Panthochi) stocked outlets with packets of seed which were either 5kgs hybrid or 7.5kgs OPV. The outlets ranged from private agro dealers to the seed companies own shops to ADMARC unit markets. The farmer surrendered his maize voucher for seed of his/her choice. Each seed company had the right to impose an optional "top up" not exceeding MK 100. All companies trading in hybrid seed applied the "top up" option. However in the case of OPV, only four companies were supplying OPV seed. One of them, Demeter, never applied the excess. The other three companies initially required the farmer to pay the excess but shortly after sales commenced both Funwe and Seed Co removed the excess requirement. Only Panthochi maintained the MK 100 excess requirement throughout.

Each seed company was responsible for collecting the vouchers from the outlets and submitting these to the Logistics Unit for recording and reimbursement at the rate of MK 1650/voucher.

The previous table highlighting the excess number of seed vouchers in circulation gives a district account of the redeemed seed vouchers. Taken into account the 1,988,066 maize vouchers processed through the Logistics Unit, it is estimated that the subsidy exercise resulted in a total of 2,129 MTS of OPV and 8,521 MTS of hybrid maize being made available to farmers through the project.

In addition to the maize vouchers, each farmer also received a legume voucher. These could be exchanged for a pack containing one of the following: beans, cow peas, pigeon peas, groundnuts or soya.

This year the pack size for the legumes was standardized at 2kgs. This would have required a total of 3,200 MTS to ensure that all of the 1.6 million farmers who received a voucher could benefit. Regrettably the legumes available in the market fell short of this. Many farmers could not redeem their voucher. In addition, the choice of legume was very much limited to what was available in each area

As was the previous practice, the participating companies were responsible for collecting the vouchers from the outlets and submitting these to the Logistics Unit for recording and reimbursement, this year at the rate of MK 740/voucher.

Organisations supplying legume seed were

Seed Co, Demeter, Funwe, Peacock, Seed Tech and NASFAM. The following table shows the redemption success of this exercise.

The amount of legume seed distributed through the programme is estimated to be as follows:

Legume	MTS
Beans	316.49
Cow peas	1.62
Groundnuts	2,029.46
Pigeon Peas	4.16
Soya	375.04
Total	2,726.77

Programme Costs

Expenditure incurred in the project was handled in various ways. The invoices for all fertiliser purchases and internal transport costs came through the Logistics Unit for checking and were then passed to Ministry of Agriculture for payment.

Payments for seed voucher reimbursement were checked by the Logistics Unit and forwarded to Ministry of Finance for payment.

Payments for voucher printing and operational costs for the Ministry of Agriculture operational expenditure were met directly by the Ministry and are unknown to the Logistics Unit. Consequently these do not appear in the table below.

Logistics Unit operational costs were paid directly by the Unit from funds provided to the Government by DFID.

For the second year running, the Government reimbursed the fertiliser suppliers at a fixed rate. This was set at 151.5545MK/US\$. Tenders had been submitted in US dollars and converted at the time of evaluation to Malawi kwachas using the rate quoted above.. Contracts were then issued in Malawi kwacha and the rate for reimbursement fixed at the rate quoted above. It is understood that this procedure has been criticized and is under review for future projects.

The following table reflects the identified costs known to the Logistics Unit.

Item	Cost MK	Source
Fertiliser costs	17,470,953,865	Logistics Unit
Maize voucher returns	3,280,308,900	Logistics Unit
Legume voucher returns	1,008,908,600	Logistics Unit
Transport Costs	901,167,898	Logistics Unit
SFFRFM operational costs	310,000,000	SFFRFM
ADMARC operational costs	340,000,000	ADMARC
Logistics Unit	52,203,151	Logistics Unit
Total Identified Costs	23,363,542,414	

*The fertilizer cost was divided between direct payments to the suppliers totaling MK 16,953,841,963 and an amount of payment to MRA of MK 517,111,902 deducted from the suppliers invoices and paid directly to Malawi Revenue Authority in respect of withholding tax.

** Logistics Unit costs do not include technical assistance involvement

***Logistics Costs do include MK 8,232,500 in connection with the purchase of two vehicles

Unknown Inputs Subsidy Programme Costs include all Government operational including ministry of Agriculture and Food security , Police and Anti Corruption Bureau costs. Also not known are the costs involved in voucher production and the cost of the small quantities of CAN and D compound made available from previous programmes.

At the date of publishing this report Government indebtedness to various suppliers totaled 2,011,920,018. The vast majority of unpaid invoices were due to the seed companies (1,973,612,170)

Donor Contribution

The major portion of the expenditure on the programme fell to Government. However there was external funding provided by various donors towards the seed programme and some other related parts of the project. As far as the Logistics Unit has been able to discern this is as listed below.

Seed programme

DFID	£ 5,170,000.00
Norwegian Government	NOK 20,000,000.00
Irish Aid	€ 1,500,000.00
European Union	€ 1,500,000.00

The European Union initially pledged € 4 million plus € 50,000 contingency for the seed programme but it is understood that to date only € 1,500,000.00 has been accessed.

Logistics Unit	DFID	£ 170,000.00
	Irish Aid	£ 50,000.00

Seed Services Unit/ACB

Irish Aid	€ 150,000.00
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Monitoring & evaluation (monitoring of sales/stocks and distribution plus external evaluation)

DFID	£ 315,497.00
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Other related areas funded by DFID were weather insurance (£324,295.00) and provision of GPS equipment for crop estimation (£ 228, 266.00).