

FINAL REPORT

IMPLEMENTATION

OF

AGRICULTURAL INPUTS SUBSIDY PROGRAMME 2011/12

**Logistics Unit
May 2012**

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BACKGROUND

In 2011, for the seventh consecutive year, the Government of Malawi, through the Ministry of Agriculture, Irrigation and Water Development (MoA, I & WD) 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 (2010/2011).

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

- The programme was reduced from last year to target 1.4 million farmers against the previous 1.6 million and required the distribution of 140,000 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 from the farmer 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 10kgs of open pollinated variety (OPV). The redemption value of the voucher for the seed companies was increased to 1,815 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 815 respectively.
- This year it is understood that the printing of the vouchers was a joint exercise involving Ministry of Agriculture, Irrigation and Water Development (MoA, I & WD), facilitated by the Department for International development (DFID). The voucher contained a number of security features thus considerably reducing the risk of the production of fake vouchers that had plagued last year’s exercise. MoA, I & WD once again took responsibility for organising the packing and distribution of all of the vouchers.
- The District Agricultural Development Officers of MoA, I & W.D. (DADOs), working with local community leaders, were responsible for the selection of the beneficiaries and the subsequent physical 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 from information supplied by the DADOs. This update was then printed in a format designed to assist in speeding up the beneficiary selection process. On completion of

selection by the DADOs, the Unit then produced the electronically generated Beneficiary Registers subsequently used by the DADOs in the distribution of the vouchers.

- Regarding the supply of the required fertiliser, the Government initially issued a tender in February 2011 for the purchase of 170,000 MTS fertiliser. This was subsequently reduced to 90,000 MTS in April (before bids for the original 170,000 MTS were received). This new invitation involved the supply of 50,000 MTS of urea and 40,000 MTS NPK.
- After negotiations on the prices, contracts for 90,000 MTS fertilizer were awarded in late July.
- It was understood the required balance of 50,000 MTS was to be supplied by SFFRFM/ADMARC.
- With regard to the NPK, two formulae were listed in the tender; 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 1,000) 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 (twelve 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 twelve 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 1,815/maize voucher and MK 815/legume voucher.

OUTCOME (EXECUTIVE SUMMARY)

Beneficiary Selection

- Using the updated farm family data base, and working within the district allocation provided by the Ministry HQ, the staff of the various district agricultural development officers (DADOS), in conjunction with members of the local communities, selected the farm families to benefit through the 2011/2012 ASIP.
- The names were forwarded to the Logistics Unit for registering and the production of beneficiary allocation registers. The MoA, I & WD claim 1.4 million were registered. However the present beneficiary list contains the known identity of 1,399,491 farm families. 509 names are awaited.

- 53% of the selected farm families were in male headed households, 46% female headed and the remaining 1% unidentified gender wise during the selection process.

Inputs

Fertiliser

- Distribution of fertilizer vouchers commenced on 10th October 2011 and was concluded in early November 2011. The staff of the Ministry of Agriculture and Food Security were charged with distributing 2.8 million fertiliser vouchers (1.4 million NPK, 1.4 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 funded a combined total of 140,011 MTS NPK and Urea for distribution in the subsidy scheme. Small quantities of NPK/Urea were available from carry forward stocks within SFFRFM and 140,000 MTS was from direct purchases during 2011.
- The shortage of forex and the difficulty of obtaining letters of credit considerably hindered the acquisition of fertilizer. Ultimately, following a number of cancellations and adjustments of contracts, 110,000 MTS was delivered by commercial suppliers and 30,000 MTS by SFFRFM/ADMARC.
- Gross cost of the 140,000 MTS new fertiliser commissioned in 2011 was MK 18,668,407,190.
- The total uplifts to the markets amounted to 140,011 MTS fertilizer consisting of 70,046 MTS NPK and 69,965 MTS Urea.
- Uplifts to the markets faced great challenges both from the lack of diesel and the shortage of storage space, particularly in the early months of the operation. By the end of October 63% of the fertilizer was available but only 38% was uplifted.
- Financial assistance to alleviate the diesel shortage was offered by the donors, particularly Irish Aid, but the bureaucracy of the procurement system compromised the efficient use of this.
- Based on uplifts and advised unit market surpluses on completion, 139,901 MTS of fertiliser was distributed through the 2011/12 agricultural inputs subsidy project.
- The breakdown by type was NPK 70,035 MTS and Urea 69,866 MTS.
- A further breakdown of the above figures indicates ADMARC and SFFRFM were responsible for disposing of 115,117 MTS and 24,784 MTS respectively of the fertilizer purchased by farmers through the scheme
- ADMARC/SFFRFM voucher recovery expressed in MTS was 136,582 MTS. The total number of fertiliser vouchers recovered was 2,731,640 against 2,800,000 authorised to be issued. This included 33,367 vouchers that failed the security check but for which a bag of fertilizer had been exchanged.
- The percentage difference between calculated fertilizer distribution and voucher returns is 2.4% representing unaccounted for fertilizer.

Seed

- Simultaneously with the fertiliser vouchers, maize seed vouchers were distributed to farmers in the districts between 10th October and early November. 1.4 million vouchers were available for distribution. These could be exchanged for 5kgs hybrid or 10kgs OPV maize seed.
- Legume vouchers were distributed to farmers in the districts simultaneously with the maize seed vouchers. Again 1.4 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 1,815 when submitted to the Government by the seed companies.
- Legume vouchers carried a redemption value of MK 815
- Twelve seed breeders were authorised by Government to trade in vouchers in exchange for seed.
- These twelve 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, Seed Tech, Funwe)
 - OPV maize seed 10 kgs (Seed Co, Demeter, Funwe, Panthochi, Seed Tech ASSMAG)
 - Tested bean seed (Demeter, Funwe, Pannar, Seed Co, Panthochi)
 - Tested groundnut seed (Seed Co, Peacock, NASFAM, Funwe, Pannar, AISAM, Phindulani, Seed Tech , Panthochi, ASSMAG)
 - Soya bean seed (Seed Co, Funwe, Pannar)
 - Pigeon peas (Funwe, Pannar, Pindulani, Panthochi, Seed Tech)
 - 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 surrender of genuine vouchers amounted to 5,643 MTS hybrid and 2,601 MTS OPV.

If it is assumed that all fake vouchers submitted were also redeemed in exchange for a seed package then a further 48.5 MTS of maize seed, mainly hybrid were made available to farmers.

The legume seed provided via genuine vouchers amounted in total to 2,562 MTS. The breakdown by type is listed below

| Legume | MTS |
|------------|---------|
| Beans | 340.4 |
| Cow peas | 0.2 |
| Groundnuts | 1,579.1 |

| | |
|-------------|-------|
| Pigeon Peas | 45.7 |
| Soya | 596.2 |

The quantity of legumes assumed to have been put into the system through fake vouchers was small being in the region of 0.75 MTS.

It is notable that the seed suppliers achieved 99% redemption of seed vouchers by primarily using their own outlets and those of agro dealers. 94% of the redeemed vouchers came through these outlets against 6% through ADMARC/SFFRFM.

Overall Costs

The declared costs of the subsidy programme exclusive of Government operational costs and voucher printing etc is understood to be MK 23,672,256,511.

Based on 2,731,641 fertilizer vouchers redeemed the Government should be able to recover MK 1,365,820,500 through the ADMARC/SFFRFM sales to farmers.

RECOMMENDATIONS FOR FUTURE PROJECTS

Beneficiary Selection and Voucher Distribution Process

There continues to be 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, although the process was much improved with a more secure voucher being the outcome, it is hoped further improvements can be made. For instance the voucher security features were not readily visible, making it difficult for sales points to identify them quickly. It is believed this resulted in a number of fake vouchers being accepted when crowd pressure at sales points was heavy. It is hoped that it would be possible to develop a voucher where replication of security feature was extremely difficult but the features were readily identifiable.

Provision of Inputs

If the government intends to continue the practice of contracting suppliers to purchase fertilizer, then it the continued belief of the Logistics Unit that the tender documentation requires to be revisited. This year the stipulated tender delivery period was once again 12 weeks after award. This placed the final date for delivery

at the end of October 2011. However fertilizer continued to be delivered until February 2012 with the Ministry providing extensions to contracts 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.

The logic behind 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. The wisdom of this is particularly questionable when the financial year is taken into consideration. The delay in funding being available has a knock on effect, delaying the availability of fertilizer via government contracts and delaying the speed with which ADMARC and SFFRFM unit markets can be opened. The private sector would not be restricted by such bottlenecks and farmers could have access to fertilizer at an earlier date. In addition if the private sector was authorized to sell fertilizer in exchange for vouchers, the present shortage of storage space and congestion experienced at SFFRFM depots would be considerably reduced.

The argument against the private sector selling fertilizer has largely revolved around the inability of the private sector to provide national coverage. This has largely been disproved by the seed companies who have reached all farmers with a minimum assistance from ADMARC or SFFRFM.

The proposal that in future projects, villages be ring fenced and linked to specific markets also needs to be viewed with great caution because of the brake applied on expenditure by the financial year restricting the availability of finance. Such a proposal would need more advanced planning than presently exists. It would require that ALL markets be opened much earlier than is presently the case and that the allocation plan be available long before has been the case in previous years. The proposal should therefore not be accepted without much further investigations into ways of removing existing bottlenecks.

The decision by the Government to deduct withholding tax from some 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. In addition tax deductions were made from suppliers who had produced valid Withholding Tax exemption certificates resulting

in an underpayment to such suppliers. Government requires to review the position to ensure such administrative problems are eliminated.

Although much better this year, there remains room for improvement in the seed programme particularly in the case of legumes. Despite constant assurances by both the Seed Supplies Unit of MoA, I & WD and the Seed Traders Association of Malawi (STAM) that there was adequate legumes to service the farmers, the number of legume vouchers that were never redeemed, even although no money had to change hand to do so, indicates the opposite. A more effective early monitoring of the seed production programme by the authorities could assist in improving this important element of the programme.

Although considerable improved there remains an element of Government tardiness in making payments to suppliers. Some players in the fertilizer supply programme waited more than three months to receive payment. There was also much inconsistency in the method of deducting withholding tax from suppliers. Many who had valid withholding tax exemption certificates still found the deduction being applied. As a consequence traders are likely to build in a hedge into their prices to cover against such anomalies. If Government was to adhere strictly to a 30 day payment regime plus making clear the policy on tax deductions, this could be advantageous to overall costs of the programme.

Government Fertiliser Availability 2011/12

On 28th February 2011 the Ministry of Agriculture published an invitation to tender for 170,000 MTS fertiliser for the 2011 subsidy programme. The return date for bids was 13th April. On 11th April the invitation was amended to cover 90,000 MTS of fertiliser for the forthcoming subsidy programme consisting of 40,000 MTS NPK and 50,000 MTS Urea. The NPK invitation was for 25,000 MTS NPK 23:21:0+4S and 15,000 MTS NPK 23:10:5+6S+1.0Zn. The return date for bids was 19th April 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 |
| World Commercial Enterprise | Urea | 800 | | | 492.00 | | |
| I. Investments | Urea | 2,000 | 2,000 | 1,000 | 660.00 | 670.00 | 685.00 |
| Rab Processors | Urea | 3,000 | 3,000 | | 667.00 | 677.00 | |
| Commercial Trading Co. | Urea | 5,000 | | | 680.00 | | |
| Farm Chemie | Urea | 5,000 | | | 690.00 | | |
| Pamela Investment | Urea | 5,000 | 5,000 | 5,000 | 690.00 | 690.00 | 690.00 |
| Trem Investments | Urea | 3,000 | | | 710.00 | | |
| Gasom Traders | Urea | 3,000 | | | 715.00 | | |
| Sonali Traders | Urea | 2,000 | 2,000 | | 715.00 | 715.00 | |

| | | | | | | | |
|------------------------------|------|--------|--------|--------|--------|--------|--------|
| Tourism Investment Ltd | Urea | 5,000 | | | 720.00 | | |
| Hardware Shopping Centre | Urea | 4,000 | 3,000 | | 729.00 | 729.00 | |
| Greenland Enterprise | Urea | 5,000 | | | 730.00 | | |
| Krish Trading Limited | Urea | 9,000 | 9,000 | | 730.00 | 730.00 | |
| Mpatsa Distributors | Urea | 10,000 | | | 730.00 | | |
| Green Valley Trading Ltd | Urea | 3,500 | | | 735.00 | | |
| Computer Systems | Urea | 1,000 | 5,000 | 2,000 | 740.00 | 745.00 | 745.00 |
| Victorious General Supplies | Urea | 500 | 2,000 | 500 | 740.00 | 745.00 | 745.00 |
| Xelite | Urea | 10,000 | 10,000 | | 740.00 | 740.00 | |
| B & N Investments | Urea | 15,000 | 5,000 | 1,000 | 745.00 | 745.00 | 745.00 |
| Elvis Supplies | Urea | 15,000 | 10,000 | 3,000 | 745.00 | 745.00 | 745.00 |
| Hope Insurance | Urea | 15,000 | 5,000 | 1,000 | 745.00 | 745.00 | 745.00 |
| Simama General Dealers | Urea | 5,000 | 5,000 | 5,000 | 745.00 | 745.00 | 749.00 |
| Chiphaka Distributors | Urea | 5,000 | 4,498 | 1,000 | 746.00 | 746.00 | 746.00 |
| Jehnam Enterprise | Urea | 1,000 | 1,000 | | 750.00 | 790.00 | |
| Amajuba General Enterprise | Urea | 5,000 | 5,000 | 3,000 | 755.00 | 775.00 | 790.00 |
| Astrol Chemicals | Urea | | 5,000 | | | 695.00 | |
| HMI | Urea | | 15,000 | | | 795.00 | |
| Boss Distributors | Urea | | 10,000 | | | 814.00 | |
| Nyasa Milling Company | Urea | 1,000 | | | 755.00 | | |
| ATC (Agriculture Trading Co) | Urea | 2,000 | 2,000 | 1,000 | 760.00 | 770.00 | 780.00 |
| Kamu Investments | Urea | 10,000 | 10,000 | 10,000 | 760.00 | 760.00 | 760.00 |
| Mea Limited | Urea | 8,500 | 8,000 | 2,000 | 760.00 | 735.00 | 720.00 |
| Masina Investments | Urea | 2,500 | 2,500 | | 762.00 | 772.00 | |
| Mzati Investments | Urea | 5,000 | 5,000 | 4,000 | 765.00 | 775.00 | 790.00 |
| Supply Zone Company Ltd | Urea | 750 | 750 | 500 | 768.00 | 760.00 | 765.00 |
| Alena Group & Company | Urea | 1,000 | 1,400 | | 779.00 | 781.00 | |
| Export Trading Company | Urea | 5,000 | 5,000 | 5,000 | 780.00 | 780.00 | 780.00 |
| Kasbro Limited | Urea | 2,500 | 2,500 | | 780.00 | 790.00 | |
| Mulli Brothers Limited | Urea | 21,137 | 19,185 | 9,678 | 780.00 | 785.00 | 790.00 |
| Nyombo Investments | Urea | 12,000 | 14,000 | 9,600 | 780.00 | 785.00 | 805.00 |
| Produce Mart | Urea | 1,000 | 1,000 | 1,000 | 780.00 | 785.00 | 795.00 |
| Universal Sales & Supplies | Urea | 5,000 | | | 780.00 | | |
| Agora Limited | Urea | 5,000 | | | 780.13 | | |
| Kottana Investments | Urea | 2,500 | | | 781.00 | | |
| Sealand Investments | Urea | 4,000 | 4,000 | 2,000 | 781.00 | 785.00 | 790.00 |
| Transglobe | Urea | 17,500 | 17,500 | | 781.00 | 789.00 | |
| Nasenga Agencies | Urea | 1,000 | 1,400 | | 782.50 | 786.00 | |
| Dynamic Investment | Urea | 2,000 | | | 783.00 | | |
| Naffis Investments | Urea | 5,000 | 10,000 | 5,000 | 783.00 | 788.00 | 808.00 |
| Parmaount Holding Ltd | Urea | 2,000 | 2,000 | 1,000 | 783.00 | 786.00 | 786.00 |
| Pikland Investment | Urea | 1,400 | 1,000 | | 783.00 | 785.00 | |
| Central Africa Mercantile | Urea | 2,500 | 2,500 | | 785.00 | 795.00 | |
| Feltons General Enterprise | Urea | 2,000 | 2,000 | | 785.00 | 790.00 | |
| Mapeto Wsalers | Urea | 39,070 | 34,250 | | 785.00 | 795.00 | |
| Malawi Fertilizer Company | Urea | 6,000 | 6,000 | | 788.13 | 793.61 | |
| Farmers World | Urea | 5,000 | 5,000 | 5,000 | 793.13 | 798.61 | 831.50 |
| Shire Limited | Urea | 2,500 | 2,500 | | 795.00 | 805.00 | |

| | | | | | | | |
|--------------------------|------|-------|-------|-------|----------|--------|--------|
| Multiple Trading | Urea | 1,000 | 1,000 | 1,000 | 797.00 | 797.00 | 797.00 |
| WL Trading | Urea | 2,500 | 2,500 | | 800.00 | 810.00 | |
| AN Makuta Enterprise | Urea | 3,000 | 3,000 | | 893.00 | 893.00 | |
| Kottana Investments | Urea | 2,500 | | | 901.00 | | |
| Waka BY General Supplies | Urea | 4,000 | | | 1,051.00 | | |

| Bidder | | DESTINATION & Tonnage | | | PRICE / MT | | |
|------------------------------|-------|-----------------------|--------|--------|------------|--------|--------|
| | | BT | LL | MZ | BT | LL | MZ |
| World Commercial Enterprise | NPK 1 | 200 | | | 625.00 | | |
| I. Investments | NPK 1 | 1,000 | 1,000 | 1,000 | 750.00 | 760.00 | 775.00 |
| Pamela Investment | NPK 1 | 5,000 | 5,000 | 5,000 | 750.00 | 750.00 | 750.00 |
| Rab Processors | NPK 1 | 3,000 | 3,000 | | 777.00 | 787.00 | |
| Trem Investments | NPK 1 | 500 | | | 780.00 | | |
| Gasom Traders | NPK 1 | 3,000 | | | 785.00 | | |
| Farm Chemie | NPK 1 | 10,000 | | | 790.00 | | |
| Tourism Investment Ltd | NPK 1 | 10,000 | | | 790.00 | | |
| Simama General Dealers | NPK 1 | 5,000 | 5,000 | 5,000 | 799.00 | 799.00 | 799.00 |
| Greenland Enterprise | NPK 1 | 10,000 | | | 800.00 | | |
| Nyasa Milling Company | NPK 1 | 1,000 | | | 809.00 | | |
| Mpatsa Distributors | NPK 1 | 10,000 | | | 810.00 | | |
| B & N Investments | NPK 1 | 5,000 | 2,500 | 2,500 | 815.00 | 815.00 | 815.00 |
| Elvis Supplies | NPK 1 | 5,000 | 2,500 | 2,500 | 815.00 | 815.00 | 815.00 |
| Hope Insurance | NPK 1 | 5,000 | 2,500 | 2,500 | 815.00 | 815.00 | 815.00 |
| Xelite | NPK 1 | 2,000 | 2,000 | | 815.00 | 815.00 | |
| Krish Trading Limited | NPK 1 | 2,000 | 2,000 | | 820.00 | 820.00 | |
| Alena Group & Company | NPK 1 | 1,000 | 1,000 | | 829.00 | 831.00 | |
| Kamu Investments | NPK 1 | 10,000 | 10,000 | 10,000 | 830.00 | 830.00 | 830.00 |
| Optichem | NPK 1 | 4,800 | 3,000 | | 830.00 | 850.00 | |
| ATC (Agriculture Trading Co) | NPK 1 | 3,200 | 3,200 | 1,600 | 835.00 | 845.00 | 855.00 |
| Kasbro Limited | NPK 1 | 2,500 | 2,500 | | 835.00 | 845.00 | |
| Nasenga Agencies | NPK 1 | 1,000 | 1,000 | | 835.00 | 835.00 | |
| Parmaount Holding Ltd | NPK 1 | 2,000 | 2,000 | 1,000 | 837.00 | 839.70 | 839.70 |
| Pikland Investment | NPK 1 | 1,000 | 1,000 | | 837.00 | 839.00 | |
| Transglobe | NPK 1 | 9,137 | 9,185 | 6,678 | 838.00 | 846.00 | 862.00 |
| Agora Limited | NPK 1 | 7,200 | 6,000 | | 840.00 | 845.66 | |
| Central Africa Mercantile | NPK 1 | 2,500 | 2,500 | | 840.00 | 850.00 | |
| Export Trading Company | NPK 1 | 3,000 | 3,000 | 4,000 | 840.00 | 840.00 | 840.00 |
| Nyombo Investments | NPK 1 | 9,137 | 9,185 | 6,678 | 840.00 | 845.00 | 870.00 |
| Sealand Investments | NPK 1 | 2,000 | | 1,000 | 840.00 | | 865.00 |
| Malawi Fertilizer Company | NPK 1 | 4,200 | 4,000 | 1,000 | 841.70 | 850.66 | 883.83 |
| Supply Zone Company Ltd | NPK 1 | 1,500 | 1,250 | 250 | 845.00 | 845.00 | 850.00 |
| Mulli Brothers Limited | NPK 1 | 9,137 | 9,185 | 6,678 | 848.00 | 855.00 | 870.00 |
| Shire Limited | NPK 1 | 2,500 | 2,500 | | 850.00 | 860.00 | |
| Farmers World | NPK 1 | 5,000 | 5,000 | 1,700 | 852.70 | 857.66 | 884.83 |
| Amajuba General Enterprise | NPK 1 | 3,000 | | | 855.00 | | |
| Mzati Investments | NPK 1 | 5,000 | 5,000 | 5,000 | 855.00 | 885.00 | 920.00 |
| WL Trading | NPK 1 | 2,500 | 2,500 | | 855.00 | 865.00 | |
| Mapeto Wsalers | NPK 1 | 29,070 | 24,250 | | 860.00 | 870.00 | |

| | | | | | | | |
|-----------------------------|-------|--------|--------|-------|----------|----------|--------|
| Masina Investments | NPK 1 | 2,500 | 2,500 | | 872.00 | 882.00 | |
| Multiple Trading | NPK 1 | 1,000 | 1,000 | 1,000 | 873.00 | 873.00 | 873.00 |
| WC General Supplies | NPK 1 | 15,000 | | | 875.00 | | |
| Dynamic Investment | NPK 1 | 2,000 | | | 883.00 | | |
| Computer Systems | NPK 1 | 1,000 | 2,000 | 1,000 | 885.00 | 890.00 | 890.00 |
| Victorious General Supplies | NPK 1 | 500 | 1,000 | 500 | 885.00 | 890.00 | 890.00 |
| Jehnam Enterprise | NPK 1 | 2,000 | 1,000 | | 890.00 | 930.00 | |
| Naffis Investments | NPK 1 | 6,000 | 6,000 | 6,000 | 913.00 | 918.00 | 940.00 |
| AN Makuta Enterprise | NPK 1 | 2,000 | 2,000 | | 1,025.00 | 1,025.00 | |
| Madalika Importers | NPK 1 | | 5,000 | | | 870.00 | |
| Feltons | NPK 1 | | 1,000 | | | 855.00 | |
| Astro Chemical | NPK 1 | | 10,000 | | | 795.00 | |
| Green Valley Trading | NPK 1 | | 3,500 | | | 830.00 | |
| Universal Sales | NPK 1 | | 10,000 | | | 815.00 | |
| E.S. Investments | NPK 1 | | 5,000 | | | 790.00 | |

| Bidder | | DESTINATION & Tonnage | | | PRICE / MT | | |
|------------------------------|-------|-----------------------|--------|-------|------------|--------|--------|
| | | BT | LL | MZ | BT | LL | MZ |
| World Commercial Enterprise | NPK 2 | 200 | | | 525.00 | | |
| Pamela Investment | NPK 2 | 5,000 | 5,000 | 5,000 | 750.00 | 750.00 | 750.00 |
| Optichem | NPK 2 | 6,000 | 6,000 | 3,000 | 795.00 | 815.00 | 845.00 |
| Elvis Supplies | NPK 2 | 5,000 | 2,500 | | 815.00 | 815.00 | |
| Hope Insurance | NPK 2 | 5,000 | 2,500 | 2,500 | 815.00 | 815.00 | 815.00 |
| ATC (Agriculture Trading Co) | NPK 2 | 1,200 | 1,200 | 600 | 820.00 | 830.00 | 840.00 |
| Krish Trading Limited | NPK 2 | 2,000 | 2,000 | | 820.00 | 820.00 | |
| Xelite | NPK 2 | 2,000 | 2,000 | | 820.00 | 820.00 | |
| Export Trading Company | NPK 2 | 2,000 | 2,000 | 1,000 | 830.00 | 830.00 | 830.00 |
| Sealand Investments | NPK 2 | 2,500 | 2,500 | | 830.00 | 840.00 | |
| Agora Limited | NPK 2 | 2,000 | | | 830.74 | | |
| Farmers World | NPK 2 | 3,000 | 3,000 | | 836.74 | 846.70 | |
| Mulli Brothers Limited | NPK 2 | 5,500 | 5,500 | 2,500 | 855.00 | 865.00 | 874.43 |
| Kamu Investments | NPK 2 | 10,000 | 6,500 | 6,500 | 862.00 | 862.00 | 862.00 |
| Computer Systems | NPK 2 | 1,000 | 2,000 | 1,000 | 885.00 | 890.00 | 890.00 |
| Victorious General Supplies | NPK 2 | 500 | 1,000 | 500 | 885.00 | 890.00 | 890.00 |
| Jehnam Enterprise | NPK 2 | 1,000 | 1,000 | | 890.00 | 930.00 | |
| Mapeto Wsalers | NPK 2 | 10,000 | 10,000 | | 900.00 | 915.00 | |
| Malawi Fertiliser Company | NPK 2 | | 3,000 | 2,000 | | 843.70 | 873.87 |
| Amajuba General | NPK 2 | | 3,000 | 3,000 | | 885.00 | 920.00 |
| Green Valley Trading | NPK 2 | | | 3,500 | | | 835.00 |

Ultimately at the end of July 2011, the Ministry announced the award of 90,000 MTS fertilizer to various suppliers. There had clearly been negotiations in the intervening period as the rates announced differed from those submitted by the bidders. The awards were as listed below:

| Type | Supplier | Chirimba | Kanengo | Luwinga | Total |
|---------|-----------------|----------|---------|---------|-------|
| NPK (S) | Astro Chemicals | | 2,500 | | 2,500 |

| | | | | | |
|----------------|--------------------------|--------------|--------------|--------------|---------------|
| | Madarika Import & Exoprt | | 1,000 | | 1,000 |
| | Krish Trading | | 1,000 | | 1,000 |
| | Farm Chem Wholesalers | 5,000 | | | 5,000 |
| | Agora Ltd | 500 | | | 500 |
| | Multiple Traders | 1,000 | | | 1,000 |
| | Nyiombo Investments | 637 | 4,685 | 4,678 | 10,000 |
| | Simama General Dealers | 2,000 | | 2,000 | 4,000 |
| NPK (S) | | 9,137 | 9,185 | 6,678 | 25,000 |

| Type | Supplier | Chirimba | Kanengo | Luwinga | Total |
|-----------------|----------------------------|--------------|--------------|--------------|---------------|
| NPK (Zn) | Mulli Brothers Company Ltd | 2,000 | | | 2,000 |
| | Optichem | 3,000 | | 2,500 | 5,500 |
| | Xelite Strips | 1,000 | 1,000 | | 2,000 |
| | Simama General Dealers | | | 500 | 500 |
| | Farmers World | | 5,000 | | 5,000 |
| NPK (Zn) | | 6,000 | 6,000 | 3,000 | 15,000 |

| | | | | | |
|--------------|----------------------------|---------------|---------------|---------------|---------------|
| Urea | Farm Chem Wholesalers | 4,000 | | | 4,000 |
| | Export Trading | 4,815 | 2,685 | 2,500 | 10,000 |
| | Elvis Suppliers | | | 1,000 | 1,000 |
| | RAB Processors | 1,000 | 500 | | 1,500 |
| | Gassom Traders | 2,000 | | | 2,000 |
| | Hardware Shopping Centre | | 500 | | 500 |
| | Pamela Investments | | 500 | | 500 |
| | Mapeto Wholesalers | 3,500 | 2,000 | | 5,500 |
| | Krish Trading | | 4,000 | | 4,000 |
| | Mulli Brothers Company Ltd | 3,322 | 3,500 | 3,178 | 10,000 |
| | Astro Chemicals | | 1,000 | | 1,000 |
| | Sealand Investments | 1,000 | 4,500 | | 5,500 |
| | Simama General Dealers | 1,500 | | 3,000 | 4,500 |
| Urea | | 21,137 | 19,185 | 9,678 | 50,000 |
| | | | | | |
| Total | | 36,274 | 34,370 | 19,356 | 90,000 |

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 | Contract Value \$ |
|----------------|--------------------------|----------------|---------------|---------------|----------------------|
| NPK (S) | Astro Chemicals | | 795.00 | | 1,987,500.00 |
| | Madarika Import & Exoprt | | 826.00 | | 826,000.00 |
| | Krish Trading | | 820.00 | | 820,000.00 |
| | Farm Chem Wholesalers | 790.00 | | | 3,950,000.00 |
| | Agora Ltd | 780.13 | | | 390,065.00 |
| | Multiple Traders | 815.00 | | | 815,000.00 |
| | Nyiombo Investments | 815.00 | 826.00 | 831.00 | 8,276,383.00 |
| | Simama General Dealers | 813.00 | | 831.00 | 3,288,000.00 |
| NPK (S) | | | | | 20,352,948.00 |

| Type | Supplier | Chirimba | Kanengo | Luwinga | Total |
|----------|----------------------------|----------|---------|---------|--------------|
| NPK (Zn) | Mulli Brothers Company Ltd | 815.00 | | | 1,630,000.00 |
| | Optichem | 795.00 | | 831.00 | 4,462,500.00 |
| | Xelite Strips | 815.00 | 815.00 | | 1,630,000.00 |

| | | | | | |
|----------|------------------------|--|--------|--------|----------------------|
| | Simama General Dealers | | | 831.00 | 415,500.00 |
| | Farmers World | | 826.00 | | 4,130,000.00 |
| NPK (Zn) | | | | | 12,268,000.00 |

| | | | | | |
|------|----------------------------|--------|--------|--------|----------------------|
| Urea | Farm Chem Wholesalers | 690.00 | | | 2,760,000.00 |
| | Export Trading | 723.00 | 734.00 | 745.00 | 7,314,535.00 |
| | Elvis Suppliers | | | 745.00 | 745,000.00 |
| | RAB Processors | 667.00 | 677.00 | | 1,005,500.00 |
| | Gassom Traders | 715.00 | | | 1,430,000.00 |
| | Hardware Shopping Centre | | 729.00 | | 364,500.00 |
| | Pamela Investments | | 690.00 | | 345,000.00 |
| | Mapeto Wholesalers | 723.00 | 734.00 | | 3,998,500.00 |
| | Krish Trading | | 730.00 | | 2,920,000.00 |
| | Mulli Brothers Company Ltd | 723.00 | 734.00 | 745.00 | 7,338,416.00 |
| | Astro Chemicals | | 695.00 | | 695,000.00 |
| | Sealand Investments | 722.00 | 733.00 | | 4,020,500.00 |
| | Simama General Dealers | 723.00 | | 743.25 | 3,314,250.00 |
| Urea | | 21,137 | 19,185 | | 36,251,201.00 |

It was also learned that ADMARC and SFFRFM were to provide a further 50,000 MTS. Eventually it was revealed that the breakdown and cost of this was as shown below

ADMARC

| Fertiliser | Location | Quantity | Price (\$) | Value (\$) |
|--------------|----------|---------------|------------|----------------------|
| NPK (S) | Chirimba | 12,000 | 896.50 | 10,758,000.00 |
| | Kanengo | 8,000 | 908.60 | 7,268,800.00 |
| Urea | Chirimba | 6,000 | 795.30 | 4,771,800.00 |
| | Kanengo | 4,000 | 807.40 | 3,229,600.00 |
| Total | | 30,000 | | 26,028,200.00 |

SFFRFM

| Fertiliser | Location | Quantity | Price (\$) | Value (\$) |
|--------------|----------|---------------|------------|----------------------|
| NPK (S) | Chirimba | 5,000 | 815.00 | 4,075,000.00 |
| | Kanengo | 5,000 | 826.00 | 4,130,000.00 |
| Urea | Chirimba | 5,000 | 723.00 | 3,615,000.00 |
| | Kanengo | 5,000 | 734.00 | 3,670,000.00 |
| Total | | 20,000 | | 15,490,000.00 |

Payments to all suppliers were to be made in Malawi Kwacha at a fixed rate of exchange of 151.5545/\$. The anticipated cost of the 140,000 MTS of fertilizer in Malawi Kwacha was therefore MK 16,730,154,147.

However on 8th August, almost immediately following the contract awards devaluation in the value of the kwacha of 10% took place. The suppliers were hesitant about honouring their contracts and on 9th September the Government agreed to a 10% increase in all fertilizer prices.

Apparently world prices for Urea continued to soar. Consequently, despite the 10% increase, urea suppliers continued to be unhappy about the rates and Rab Processors withdrew from their contract, reducing the total quantity to be supplied to 138,500 MTS, 1,500MTS less than the required total.

Eventually it emerged that MoAI & WD had agreed to an increase of 8% on the original tender price of urea thus raising the total increase in the urea price by 18%.

The anticipated cost of the 138,500 MTS of fertilizer in Malawi Kwacha was therefore now MK 18,848,212,091.

The supply problems, however, were far from over. The acute forex shortage was biting hard and all companies were having difficulty in establishing letters of credit. In the months between the award of the contracts and the end of the year it became apparent that the original cocktail of contracts would be unable to supply the required fertilizer. In October, substantial changes were made to the ADMARC contract reducing it to 5,000MTS urea and 5,000 MTS NPK. The quantity of 20,000 MTS removed from the ADMARC contract was to be supplied through Nyiombo, Farmers world, Madarika Imports, and the introduction of Transglobe and Universal Sales as new suppliers.

At the end of November it transpired that ADMARC was unable to supply the expected 5,000 MTS of Urea despite financial assistance from DFID and the Norwegian government. ADMARC did however have additional NPK. Consequently their total reduced supply package of 10,000 MTS fertilizer was maintained by agreeing that ADMARC provide 1,004 MTS urea (Kanengo) and 8,996 MTS NPK (Chirimba). The consequence of this move meant that the project now had an overall undersupply of urea and a skewed supply of NPK with Kanengo being undersupplied and Chirimba being oversupplied.

In addition to the above problems it was now becoming increasingly apparent that Universal Suppliers introduced to meet the initial ADMARC reduction would be unlikely to meet that commitment. Further changes to the commissioned contracts were therefore introduced in the post Christmas period to ensure there was adequate fertilizer. These changes involved increasing the quantities of urea and NPK to be supplied by selected suppliers and fixing a new rate to be paid for the increased quantities.

The final picture on the suppliers of fertilizer is produced below

| Name of Supplier | Urea (MT) | | | Total |
|----------------------------|-----------|---------|---------|-----------|
| | Chirimba | Kanengo | Luwinga | |
| | tonnage | tonnage | tonnage | |
| Mulli Brothers Limited | 3,322 | 3,500 | 3,178 | |
| | 2,200 | | | 12,200.00 |
| Simama General Dealers Co. | 1,500 | | 3,000 | 4,500.00 |
| Export Trading | 4,815 | 3,185 | 2,500 | 10,500.00 |
| Mapeto Wholesalers | 3500 | 2,000 | | 5,500.00 |
| Pamela Investments | | 500 | | 500.00 |
| Sealand Investments | 1,000 | 4,500 | | 5,500.00 |
| Elvis Supplies | | | 1000 | 1,000.00 |
| Hardware Shopping | | 500 | | 500.00 |
| Krish Trading Company | | 4,000 | | 4,000.00 |
| Farm Chem | 4,000 | | | 4,000.00 |
| ADMARC | | 1004 | | 1,004.00 |
| Astro Chemical | | 1000 | | 1,000.00 |
| Farmers world | 2,500 | | | 2,500.00 |
| Nyiombo | 2,500 | 300 | | 2,800.00 |
| SFFRFM | 5,000 | 5000 | | |

| | | | | |
|------------------|---------------|---------------|--------------|---------------|
| | | 1500 | | 11,500 |
| Multiple Traders | | 1000 | | 1,000.00 |
| Gasom Traders | 2,000 | | | 2,000.00 |
| Totals | 32,337 | 27,989 | 9,678 | 70,004 |

| Name of Supplier | NPK (MT) | | | |
|------------------------|---------------|---------------|--------------|---------------|
| | Chirimba | Kanengo | Luwinga | |
| Nyiombo Investiments | 637 | 4,685 | 4,678 | |
| | | 195 | | 10,195.00 |
| Mulli Brothers Limited | 2,000 | 305 | | 2,305 |
| Simama General Dealers | 2,000 | 2,000 | 2,500 | 6,500 |
| Farmers World | | 5,000 | | |
| | | 1,000 | | 6,000 |
| Madarika Import | 2,000 | 1,000 | | 3,000 |
| Multiple Traders | 1,000 | | | 1,000 |
| Agora | 500 | | | 500 |
| Optichem (2000) Ltd | 3,000 | | 2,500 | 5,500 |
| Xelite strips | 1,000 | 1,000 | | 2,000 |
| Krish Trading | | 1,000 | | 1,000 |
| Farm-Chem Wholesalers | 5,000 | | | 5,000 |
| ADMARC (1) | 5,000 | | | 5,000 |
| ADMARC (2) | 3,996 | | | 3,996 |
| SFFRFM | 3,500 | 5,000 | | 8,500 |
| Export Trading | | 1,000 | | 1,000 |
| Transglobe | 3,000 | 3,000 | | 6,000 |
| Astrol Chemical | | 2,500 | | 2,500 |
| Totals | 32,633 | 27,685 | 9,678 | 69,996 |

The rates paid (in MK) and the total costs are as below

| Name of Supplier | Urea (MT) | | | |
|----------------------------|-----------------|-----------------|-----------------|----------------------|
| | Chirimba | Kanengo | Luwinga | Contract Value (MK) |
| | final rate (MK) | final rate (MK) | final rate (MK) | |
| Mulli Brothers Limited | 129,297.08 | 131,264.21 | 133,231.38 | 1,312,358,994 |
| | 130,173.67 | | | 286,382,074 |
| Simama General Dealers Co. | 129,297.04 | 0.00 | 132,918.42 | 592,700,817 |
| Export Trading | 129,297.04 | 110,657.59 | 133,231.38 | 1,308,088,101 |
| Mapeto Wholesalers | 129,297.04 | 131,265.98 | | 715,071,598 |
| Pamela Investments | | 123,395.51 | | 61,697,757 |
| Sealand Investments | 129,118.20 | 131,085.37 | | 719,002,379 |
| Elvis Supplies | | 0.00 | 133,231.38 | 133,231,381 |
| Hardware Shopping | | 130,369.98 | | 65,184,988 |
| Krish Trading Company | | 130,548.88 | | 522,195,501 |
| Farm Chem | 123,395.51 | 132,154.19 | | 493,582,044 |
| ADMARC | | 143,957.91 | | 144,533,741 |
| Astro Chemical | | 124,289.68 | | 124,289,681 |
| Farmers world | 130,173.67 | | | 325,434,186 |
| Nyiombo | 130,173.67 | 132,154.19 | | 365,080,443 |
| SFFRFM | 129,297.04 | 131,264.21 | | 1,302,806,258 |
| | | 132,154.19 | | 198,231,285 |
| Multiple Traders | | 132,154.19 | | 132,154,190 |

| | | | | |
|---------------|------------|--|--|----------------------|
| Gasom Traders | 127,866.36 | | | 255,732,715 |
| Totals | | | | 9,057,758,134 |

| Name of Supplier | NPK (MT) | | | Contract Value (MK) |
|------------------------|-----------------|-----------------|-----------------|----------------------|
| | final rate (MK) | final rate (MK) | final rate (MK) | |
| Nyiombo Investiments | 135,868.43 | 137,702.24 | 138,535.78 | 1,379,753,546 |
| | | 137,702.29 | | 26,851,947 |
| Mulli Brothers Limited | 135,868.43 | 137,702.29 | | 313,736,048 |
| Simama General Dealers | 135,535.01 | 137,702.29 | 138,535.78 | 892,814,056 |
| Farmers World | | 137,702.24 | | 688,511,175 |
| | | 137,702.29 | | 137,702,290 |
| Madarika Import | 135,868.58 | 137,702.24 | | 409,439,397 |
| Multiple Traders | 135,868.43 | | | 135,868,430 |
| Agora | 130,055.27 | | | 65,027,633 |
| Optichem (2000) Ltd | 132,534.12 | | 138,535.79 | 743,941,812 |
| Xelite strips | 135,868.43 | 135,868.43 | | 271,736,860 |
| Krish Trading | | 136,701.98 | | 136,701,979 |
| Farm-Chem Wholesalers | 131,700.69 | | | 658,503,450 |
| ADMARC (1) | 150,665.69 | | | 753,328,433 |
| ADMARC (2) | 135,868.58 | | | 542,930,846 |
| SFFRFM | 135,868.43 | 137,702.24 | | 1,164,050,663 |
| Export Trading | | 137,702.29 | | 137,702,290 |
| Transglobe | 135,868.58 | 137,702.29 | | 820,712,610 |
| Astrol Chemical | | 132,534.24 | | 331,335,593 |
| Totals | | | | 9,610,649,056 |

Fertiliser delivery commenced on 5th August 2011. As in previous years, SFFRFM warehouses had insufficient space available in the early weeks of delivery to accommodate all stocks available. However, the corollary was the lack of diesel increasing the difficulty of suppliers to transport from their warehouses to the SFFRFM depots. Consequently in recognition of both problems, 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 before the end of October. However final delivery of fertiliser was not achieved until early February 2012. The Ministry authorized extensions to various contracts to accommodate these delays. The reasons for the delays were numerous but the principle problem experienced by all was the inability to access forex and the resultant problems of establishing letters of credits and bank guarantees. A contributory factor that extended the delay further than necessary was a certain unwillingness of the MoA, I & WD to axe companies when it was becoming clear they were not performing.

The tables below provides a monthly summary of the arrival pattern of the fertilizer

| Month | RECEIPTS | |
|--------------|------------------|------------------|
| | NPK | Urea |
| August/11 | 14,558.35 | 14,431.30 |
| September/11 | 12,080.90 | 10,900.15 |
| October/11 | 17,346.50 | 18,434.50 |
| November/11 | 15,226.25 | 15,191.85 |
| December/11 | 9,697.00 | 4,799.45 |
| January/12 | 1,087.00 | 3,498.15 |
| February/12 | - | 2,748.60 |
| | 69,996.00 | 70,004.00 |

The final deliveries carry forwards, uplifts and book stock balances at the end of the distribution period are reflected below:

| NPK | Chirimba MTS | Kanengo MTS | Luwinga MTS |
|-----------------------|--------------|-------------|-------------|
| Carry forward 2010/11 | 3.80 | 10.00 | 24.25 |
| new deliveries | 32,633.00 | 27,685.00 | 9,678.00 |
| transferred out /in | | 34.00 | -34.00 |
| Sub Total | 32,636.80 | 27,729.00 | 9,668.25 |
| Uplifts | 32,653.80 | 27,723.55 | 9,668.70 |
| Stock balance 2011/12 | -17.00 | 5.45 | -0.45 |

| Urea | Chirimba MTS | Kanengo MTS | Luwinga MTS |
|-----------------------|--------------|-------------|-------------|
| Carry forward 2010/11 | 3.6 | | 432.75 |
| new deliveries | 32,337.00 | 27,989.00 | 9,678.00 |
| transferred out /in | -30.00 | 165.00 | -135.00 |
| Sub Total | 32,310.60 | 28,154.00 | 9,975.75 |
| Uplifts | 31,803.00 | 28,183.65 | 10,044.75 |
| Stock balance 2011/12 | 507.60 | -29.65 | -69.00 |

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 2011 inviting tenders for the uplift of the subsidy fertiliser. The return date was 15th July 2011.

50 bidders responded to this invitation. An evaluation committee considered the bids and forwarded an analysis to the Principal Secretary MoA, I & W.D.. Eventually, it was announced on 25th September that 23 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 32.50/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 3,250MK/MT. Allowance was made for movements over poor roads where MK37.00.MT/Km could be applied. In practice this rate was restricted to movements within Chitipa district.

The names of the 23 companies and the SFFRFM depots from where they were authorized to operate are produced below.

| Transporter | LOCATION | | |
|---|-----------------|---------|---------|
| Yafuka Produce & General Dealers | Chirimba | | |
| I Investment | Chirimba | Kanengo | Luwinga |
| Chembe Trading | | | Luwinga |
| Mwera Express Cargo | Chirimba | Kanengo | |
| Far West Investments | Chirimba | Kanengo | |
| Simama General Dealers Co Ltd | Chirimba | Kanengo | Luwinga |
| World Commercial Enterprise and Supplies | Chirimba | Kanengo | Luwinga |
| Dinino Stationers & General Supplies | Chirimba | Kanengo | Luwinga |
| Amajuba General Dealers | Chirimba | Kanengo | Luwinga |
| Feltons General Entrprise | Chirimba | Kanengo | Luwinga |
| Local Transporters Association | Chirimba | Kanengo | Luwinga |
| Zingakake Transport | Chirimba | Kanengo | |
| Alidele Transport | Chirimba | Kanengo | Luwinga |
| Songani Traders | Chirimba | Kanengo | Luwinga |
| MICO transport | Chirimba | Kanengo | Luwinga |
| Mulli Brothers Limited | Chirimba | Kanengo | Luwinga |
| Makochezi Tours | Chirimba | Kanengo | Luwinga |
| Loui Holdings | Chirimba | | |
| KC Freight Forwarders | Chirimba | | |
| Salpha Enterprises | Chirimba | Kanengo | Luwinga |
| Worldwide Wholesalers | Chirimba | | |
| Agricultural Produce Transporters Association | Chirimba | Kanengo | |
| Mzati Investments | Chirimba | Kanengo | Luwinga |

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 | NPK | Urea | total |
|-----------------------|------------------|------------------|-------------------|
| Balaka | 2,326.00 | 2,262.95 | 4,588.95 |
| Blantyre | 4,261.00 | 4,264.50 | 8,525.50 |
| Chikhwawa | 711.60 | 642.40 | 1,354.00 |
| Chiradzulu | 2,285.00 | 2,292.00 | 4,577.00 |
| Machinga | 2,979.45 | 2,622.90 | 5,602.35 |
| Mangochi | 3,600.00 | 3,193.50 | 6,793.50 |
| Mulanje | 3,156.00 | 3,226.85 | 6,382.85 |
| Mwanza | 726.00 | 736.05 | 1,462.05 |
| Neno | 689.00 | 669.90 | 1,358.90 |
| Nsanje | 630.00 | 542.00 | 1,172.00 |
| Phalombe | 2,762.00 | 2,525.00 | 5,287.00 |
| Thyolo | 4,393.75 | 4,641.45 | 9,035.20 |
| Zomba | 4,134.00 | 4,117.50 | 8,251.50 |
| SR total | 32,653.80 | 31,737.00 | 64,390.80 |
| Dedza | 2,733.20 | 2,761.85 | 5,495.05 |
| Dowa | 3,271.00 | 2,925.50 | 6,196.50 |
| Kasungu | 4,063.90 | 4,110.00 | 8,173.90 |
| Lilongwe | 7,039.30 | 7,167.10 | 14,206.40 |
| Mchinji | 3,014.95 | 3,023.05 | 6,038.00 |
| Nkhota Kota | 1,352.00 | 1,440.00 | 2,792.00 |
| Ntcheu | 3,244.20 | 3,343.75 | 6,587.95 |
| Ntchisi | 1,533.05 | 1,854.00 | 3,387.05 |
| Salima | 1,471.95 | 1,558.40 | 3,030.35 |
| CR total | 27,723.55 | 28,183.65 | 55,907.20 |
| Chitipa | 1,442.05 | 1,277.20 | 2,719.25 |
| Karonga | 1,169.80 | 1,178.00 | 2,347.80 |
| Likoma | 51.25 | 51.25 | 102.50 |
| Mzimba | 4,825.60 | 5,059.50 | 9,885.10 |
| Nkhata Bay | 919.00 | 975.00 | 1,894.00 |
| Rumphi | 1,261.00 | 1,503.80 | 2,764.80 |
| NR total | 9,668.70 | 10,044.75 | 19,713.45 |
| National Total | 70,046.05 | 69,965.40 | 140,011.45 |

Losses in transit were minimal and in all cases the undelivered fertilizer was replaced by the transporters concerned. As a result neither Government nor the targeted beneficiaries suffered great loss.

The average cost /MT of delivering fertiliser from the appropriate SFFRFM depot to just over 1,000 ADMARC/SFFRFM selling points throughout the country was MK 6,388/MT (\$36.50/MT).

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

| District | MK/MT | \$/MT |
|------------|-----------|--------|
| Balaka | 5,735.28 | 32.77 |
| Blantyre | 3,686.83 | 21.07 |
| Chikhwawa | 6,090.58 | 34.80 |
| Chiradzulu | 3,783.76 | 21.62 |
| Chitipa | 20,112.96 | 114.93 |
| Dedza | 4,814.57 | 27.51 |

| | | |
|------------|-----------|-------|
| Dowa | 3,765.79 | 21.52 |
| Karonga | 9,574.11 | 54.71 |
| Kasungu | 6,425.87 | 36.72 |
| Likoma | 7,380.99 | 42.18 |
| Lilongwe | 3,589.12 | 20.51 |
| Machinga | 8,410.40 | 48.06 |
| Mangochi | 11,368.02 | 64.96 |
| Mchinji | 5,667.01 | 32.38 |
| Mulanje | 5,079.96 | 29.03 |
| Mwanza | 5,131.68 | 29.32 |
| Mzimba | 7,498.15 | 42.85 |
| Neno | 4,751.22 | 27.15 |
| Nkhata Bay | 4,293.20 | 24.53 |
| Nkhotakota | 10,179.95 | 58.17 |
| Nsanje | 7,114.00 | 40.65 |
| Ntcheu | 9,285.63 | 53.06 |
| Ntchisi | 5,071.51 | 28.98 |
| Phalombe | 6,623.42 | 37.85 |
| Rumphi | 5,113.57 | 29.22 |
| Salima | 4,606.35 | 26.32 |
| Thyolo | 4,029.97 | 23.03 |
| Zomba | 5,021.96 | 28.70 |

In addition to the initial uplift from SFFRFM depots to unit markets, it also proved necessary to relocate approximately 1,935 MTS between markets. This is an extremely expensive exercise with the average cost being \$121.93/MT. Clearly such relocations should be avoided if possible. A further transfer proving necessary was that of 84.40 MTS between SFFRFM depots at an average cost of \$ 81.44/MT

Beneficiary Selection

The beneficiary selection exercise was executed in the following manner:

At the end of April 2011, MoA, I & W.D. agreed to update the 2010 farm family data base. Consequently, at the beginning of May 2011, the Logistics Unit supplied all districts with an electronic copy of the 2010 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 2011 is produced below

| District | 2011/12 |
|------------|---------|
| Balaka | 125,444 |
| Blantyre | 184,720 |
| Chikwawa | 127,794 |
| Chiradzulu | 114,209 |
| Machinga | 209,225 |
| Mangochi | 268,052 |

| | |
|-----------------|------------------|
| Mulanje | 177,007 |
| Mwanza | 29,415 |
| Neno | 35,159 |
| Nsanje | 73,172 |
| Phalombe | 98,003 |
| Thyolo | 167,245 |
| Zomba | 232,247 |
| SR Total | 1,841,692 |
| Dedza | 233,942 |
| Dowa | 235,238 |
| Kasungu | 290,462 |
| Lilongwe | 428,058 |
| Mchinji | 176,295 |
| Nkhota Kota | 88,477 |
| Ntcheu | 159,660 |
| Ntchisi | 123,289 |
| Salima | 100,383 |
| CR Total | 1,835,804 |
| Chitipa | 62,682 |
| Karonga | 66,852 |
| Likoma | 2,271 |
| Mzimba | 254,389 |
| Nkhatabay | 62,099 |
| Rumphi | 44,668 |
| NR Total | 492,961 |
| National | 4,170,457 |

At the end of August, MoA, I & W.D. produced an initial beneficiary district allocation list that included an unallocated contingency of 1,500

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 | 2011/12 Allocation | % allocation |
|------------|--------------------|--------------|
| Chikwawa | 16,890 | 13% |
| Nsanje | 13,310 | 18% |
| Chiradzulu | 45,990 | 40% |
| Mwanza | 13,530 | 46% |
| Neno | 15,200 | 43% |
| Blantyre | 82,600 | 45% |
| Thyolo | 88,766 | 53% |
| Mulanje | 66,769 | 38% |
| Phalombe | 52,700 | 54% |
| Balaka | 46,800 | 37% |
| Mangochi | 66,270 | 25% |

| | | |
|-----------------|------------------|------------|
| Machinga | 56,900 | 27% |
| Zomba | 79,824 | 34% |
| SR Total | 645,549 | 35% |
| Nkhotakota | 27,700 | 31% |
| Salima | 32,380 | 32% |
| Ntcheu | 64,000 | 40% |
| Dedza | 59,200 | 25% |
| Lilongwe | 140,300 | 33% |
| Dowa | 63,700 | 27% |
| Ntchisi | 35,700 | 29% |
| Mchinji | 61,099 | 35% |
| Kasungu | 79,090 | 27% |
| CR Total | 563,169 | 31% |
| Mzimba | 93,451 | 37% |
| Nkhatabay | 21,100 | 34% |
| Rumphi | 25,700 | 58% |
| Likoma | 1,100 | 48% |
| Chitipa | 26,340 | 42% |
| Karonga | 23,082 | 35% |
| NR Total | 190,773 | 39% |
| Unknown | 509 | |
| Total | 1,400,000 | 34% |

The selection method adopted was as follows:

As soon as the accuracy of the contents of the 2011 updated farm family registers had been confirmed by the respective district, the updated register was reformatted as a beneficiary selection aid to permit easy identification of beneficiaries.

A hard copy of the reformatted publication 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 MoA,I & W.D..

On completion of the beneficiary selection exercise in the district, an electronic copy of the beneficiary selection publication was returned to the Logistics Unit. There it was condensed to produce a beneficiary register containing only the names and available 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 MoA,I & W.D.. 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.

This year, the time frame covering the beneficiary selection exercise improved. The production and issuing of the beneficiary selection aid document by the Logistics Unit began at the end of August once the district allocation was known. By 20th September all beneficiary selection aid documents were in the hands of the DADOs. The first completed lists 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 20th October all districts had completed the beneficiary selection exercise.

The final district beneficiary registration was as follows registers

| District | Allocation | Female HH | Male HH | Unknown |
|-----------------------|------------|-----------|---------|---------|
| Zomba | 79,824 | 48,731 | 30,347 | 746 |
| Thyolo | 88,766 | 50,389 | 37,997 | 380 |
| Nsanje | 13,310 | 4,498 | 8,796 | 16 |
| Neno | 15,200 | 8,027 | 7,170 | 3 |
| Mwanza | 13,530 | 7,516 | 6,011 | 3 |
| Mulanje | 66,769 | 31,557 | 35,017 | 195 |
| Mangochi | 66,270 | 38,748 | 27,245 | 277 |
| Machinga | 56,900 | 29,716 | 27,168 | 16 |
| Chiradzulu | 45,990 | 27,736 | 18,088 | 166 |
| Chikhwawa | 16,890 | 6,139 | 10,751 | - |
| Blantyre | 82,600 | 49,432 | 32,709 | 459 |
| Balaka | 46,800 | 26,314 | 20,486 | - |
| Phalombe | 52,700 | 28,747 | 23,864 | 89 |
| SR gender split | | 55% | 44% | 1% |
| Salima | 32,383 | 11,760 | 20,565 | 58 |
| Ntchisi | 35,700 | 12,107 | 22,307 | 1,286 |
| Ntcheu | 64,000 | 29,508 | 34,474 | 18 |
| Nkhota Kota | 27,697 | 9,485 | 18,077 | 135 |
| Mchinji | 61,099 | 21,315 | 39,755 | 29 |
| Lilongwe | 140,300 | 50,437 | 88,810 | 1,053 |
| Kasungu | 79,090 | 29,864 | 49,196 | 30 |
| Dowa | 63,700 | 18,993 | 44,386 | 321 |
| Dedza | 59,200 | 27,275 | 28,872 | 3,053 |
| CR gender split | | 37% | 62% | 1% |
| Rumphi | 25,700 | 9,190 | 16,510 | - |
| Nkhata Bay | 21,100 | 6,606 | 14,494 | - |
| Mzimba | 93,451 | 43,016 | 50,046 | 389 |
| Likoma | 1,100 | 552 | 546 | 2 |
| Karonga | 23,082 | 7,713 | 15,307 | 62 |
| Chitipa | 26,340 | 8,092 | 18,013 | 235 |
| NR gender split | | 39% | 60% | 1% |
| National gender split | | 46% | 53% | 1% |

The task of physically distributing the vouchers to the beneficiaries fell to the MoA,I & W.D. district staff. The distribution of the vouchers began with the Zomba vouchers in early October and was completed nationally in early November

Voucher Printing and Distribution

The printing process was considerably improved from previous years. The production of the vouchers was understood to have been a joint exercise involving funding by DFID. The result was a voucher containing a number of security features that would be extremely difficult to replicate and that were revealed under UV lighting. The vouchers apparently arrived already packed by district and it is understood the boxes were not opened until the vouchers were delivered to the respective districts.

MoA , I & W.D. staff were heavily involved in instructing all those handling the vouchers on the security features. The result was a much improved outcome all round.

However there remains room for improvement.

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. The intention was that the same voter registration number would be hand written on the reverse of the voucher at the time of distribution. This exercise is clearly time consuming and open to inaccuracy.

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. Equally a substantial number of redeemed vouchers had no voter registration number on the reverse side of the voucher.

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 inclusion of voter registration numbers as a requirement was intended as an additional means of identification. However, recent bank fraud incidents revealing the ease with which voter registration cards can be replicated have undermined the confidence in the use of voter registration cards as an identity card.

Ensuring that the beneficiary receives the voucher with the same number as the entry in the beneficiary register would allow any monitoring exercise to determine whether the inputs were redeemed by the intended beneficiary. It is considered that the time saved by not having to write down voter registration numbers could be better employed by ensuring strict adherence to the village distribution schedule that is issued with the beneficiary registers.

Regarding the vouchers themselves, clearly the provision of security features has greatly reduced the level of fraud previously experienced. However it would be remiss not to point out that the present security features are not easily visible to

those at sales points receiving the vouchers. When faced with crowd pressure at sales points it is easy to see how mistakes can be made. It is therefore trusted that the giant steps taken by the introduction of the present security features will be further improved on by making the security features much easier to see.

Regarding the time table covering the distribution of the vouchers, the first distribution took place at Zomba at the official launch on 10th October. The process continued until early November.

Sales of Inputs and Redemption of Vouchers

Fertiliser Voucher Redemption

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 10th October in Zomba in the Southern Region.. Unlike previous years, no official cessation of sales was ever announced by the MoA , I & W.D and sales trailed to an end in late February.

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.

Genuine fertilizer voucher returns by district are shown in the table below

| District | Allocation | Submitted | % |
|-----------------|-------------------|------------------|----------|
| Blantyre | 82,600 | 165,128 | 100 |
| Chiradzulu | 46,000 | 91,595 | 100 |
| Mwanza | 13,600 | 26,973 | 99 |
| Neno | 15,200 | 28,757 | 95 |
| Mulanje | 66,800 | 130,557 | 98 |
| Phalombe | 52,700 | 103,556 | 98 |
| Thyolo | 88,800 | 170,749 | 96 |
| Chikwawa | 16,900 | 23,473 | 69 |
| Nsanje | 13,400 | 20,928 | 78 |
| Balaka | 46,800 | 93,879 | 100 |
| Machinga | 56,900 | 110,921 | 97 |
| Mangochi | 66,300 | 132,915 | 100 |

| | | | |
|--------------|------------------|------------------|-----------|
| Zomba | 79,900 | 146,013 | 91 |
| Dedza | 59,200 | 106,278 | 90 |
| Ntcheu | 64,000 | 129,876 | 101 |
| Lilongwe | 140,300 | 253,744 | 90 |
| Kasungu | 79,100 | 158,727 | 100 |
| Dowa | 63,700 | 120,983 | 95 |
| Mchinji | 61,100 | 120,595 | 99 |
| Ntchisi | 35,700 | 65,119 | 91 |
| Nkhotakota | 27,700 | 52,612 | 95 |
| Salima | 32,400 | 64,404 | 99 |
| Mzimba | 93,500 | 186,717 | 100 |
| Rumphi | 25,700 | 51,088 | 99 |
| Nkhata Bay | 21,100 | 41,614 | 99 |
| Likoma | 1,100 | 1,722 | 78 |
| Chitipa | 26,400 | 53,086 | 101 |
| Karonga | 23,100 | 45,995 | 100 |
| Total | 1,400,000 | 2,698,004 | 96 |

The split between SFFRFM and ADMARC on the above voucher return figures is as follows

| | NPK | UREA | TOTAL |
|--------------|------------------|------------------|------------------|
| ADMARC | 1,111,990 | 1,095,413 | 2,207,403 |
| SFFRFM | 240,143 | 250,458 | 490,601 |
| TOTAL | 1,352,133 | 1,345,871 | 2,698,004 |

This year saw a vast improvement in the handling of vouchers. There was still evidence that some fake vouchers were in circulation. A total of 33,637 vouchers submitted by ADMARC were set aside by the Logistics Unit as not meeting the security check criteria. Unfortunately at that point these vouchers had already been exchanged for fertilizer. Both ADMARC and SFFRFM claim that these are the only vouchers falling into this category. The number of vouchers that were rejected at the sales unit without exchanging for fertilizer is unknown.

A table detailing the districts where these suspect vouchers were redeemed is produced below:

| District | ADMARC | | | SFFRFM | | | Total |
|------------|--------|-------|--------|--------|------|-------|--------|
| | NPK | UREA | Total | NPK | UREA | Total | |
| Blantyre | 334 | 235 | 569 | | | 0 | 569 |
| Chiradzulu | 1 013 | 554 | 1,567 | | | 0 | 1,567 |
| Neno | 63 | 32 | 95 | 1 | | 1 | 96 |
| Mulanje | 24 | 17 | 41 | | | 0 | 41 |
| Thyolo | 11 | 37 | 48 | | | 0 | 48 |
| Chikwawa | 3 | | 3 | | | 0 | 3 |
| Nsanje | 12 | 3 | 15 | | | 0 | 15 |
| Balaka | 119 | 137 | 256 | 53 | | 53 | 309 |
| Machinga | 826 | 538 | 1,364 | 1 | | 1 | 1,365 |
| Mangochi | 3 521 | 2 024 | 5,545 | | | 0 | 5,545 |
| Zomba | 8 932 | 8 824 | 17,756 | 25 | | 25 | 17,781 |

| | | | | | | | |
|--------------|---------------|---------------|---------------|------------|-----------|------------|---------------|
| Dedza | 1 292 | 1 309 | 2,601 | 5 | | 5 | 2,606 |
| Ntcheu | 82 | 1 | 83 | | | 0 | 83 |
| Lilongwe | 1 729 | 1 501 | 3,230 | | | 0 | 3,230 |
| Kasungu | 1 | 5 | 6 | 68 | 10 | 78 | 84 |
| Dowa | 35 | 32 | 67 | | | 0 | 67 |
| Mchinji | 4 | 30 | 34 | | | 0 | 34 |
| Ntchisi | 14 | 15 | 29 | | | 0 | 29 |
| Nkhotakota | 71 | 2 | 73 | | | 0 | 73 |
| Salima | 65 | 27 | 92 | | | 0 | 92 |
| Total | 18,151 | 15,323 | 33,474 | 153 | 10 | 163 | 33,637 |

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 | total |
|-----------------------|------------------|------------------|-------------------|
| Balaka | 2,326.00 | 2,262.95 | 4,588.95 |
| Blantyre | 4,261.00 | 4,264.50 | 8,525.50 |
| Chikhwawa | 711.60 | 642.40 | 1,354.00 |
| Chiradzulu | 2,285.00 | 2,292.00 | 4,577.00 |
| Machinga | 2,979.45 | 2,622.90 | 5,602.35 |
| Mangochi | 3,600.00 | 3,193.50 | 6,793.50 |
| Mulanje | 3,156.00 | 3,226.85 | 6,382.85 |
| Mwanza | 726.00 | 736.05 | 1,462.05 |
| Neno | 689.00 | 669.90 | 1,358.90 |
| Nsanje | 630.00 | 542.00 | 1,172.00 |
| Phalombe | 2,762.00 | 2,525.00 | 5,287.00 |
| Thyolo | 4,393.75 | 4,641.45 | 9,035.20 |
| Zomba | 4,134.00 | 4,117.50 | 8,251.50 |
| SR total | 32,653.80 | 31,737.00 | 64,390.80 |
| Dedza | 2,733.20 | 2,761.85 | 5,495.05 |
| Dowa | 3,271.00 | 2,925.50 | 6,196.50 |
| Kasungu | 4,063.90 | 4,110.00 | 8,173.90 |
| Lilongwe | 7,039.30 | 7,167.10 | 14,206.40 |
| Mchinji | 3,014.95 | 3,023.05 | 6,038.00 |
| Nkhota Kota | 1,352.00 | 1,440.00 | 2,792.00 |
| Ntcheu | 3,244.20 | 3,343.75 | 6,587.95 |
| Ntchisi | 1,533.05 | 1,854.00 | 3,387.05 |
| Salima | 1,471.95 | 1,558.40 | 3,030.35 |
| CR total | 27,723.55 | 28,183.65 | 55,907.20 |
| Chitipa | 1,442.05 | 1,277.20 | 2,719.25 |
| Karonga | 1,169.50 | 1,178.00 | 2,347.50 |
| Likoma | 51.25 | 51.25 | 102.50 |
| Mzimba | 4,820.50 | 5,041.81 | 9,862.31 |
| Nkhata Bay | 919.00 | 975.00 | 1,894.00 |
| Rumphi | 1,255.10 | 1,421.65 | 2,676.75 |
| NR total | 9,657.40 | 9,944.91 | 19,602.31 |
| National Total | 70,034.75 | 69,865.56 | 139,900.31 |

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

| SELLER | NPK | UREA | TOTAL |
|--------------|---------------|---------------|----------------|
| ADMARC | 57,961 | 57,156 | 115,117 |
| SFFRFM | 12,074 | 12,710 | 24,784 |
| TOTAL | 70,035 | 69,866 | 139,901 |

Comparing assessed sales figures to voucher returns, including the 33,367 vouchers submitted by ADMARC/SFFRFM to Logistics Unit, reveals a small discrepancy that is shown in the table below;

| Agent | Assessed Sales | Vouchers | Difference | Unaccounted % |
|--------------|----------------|----------------|--------------|---------------|
| | MTS | MTS | MTS | |
| ADMARC | 115,117 | 112,044 | 3,073 | 2.7% |
| SFFRFM | 24,784 | 24,538 | 246 | 1.0% |
| Total | 139,901 | 136,582 | 3,319 | 2.4% |

Seed Voucher Returns and 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, ASSMAG) stocked outlets with packets of seed which were either 5kgs hybrid or 10kgs OPV. A total of 20 different varieties were available, 14 being hybrid and 6 being 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, six companies were supplying OPV seed. One of them, Demeter, never applied the excess. The other five companies initially required the farmer to pay the excess but shortly after sales commenced four 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 1815/voucher.

The table below lists the genuine maize voucher recovery by district

| District | Allocation | Total | % |
|------------|------------|--------|-----|
| Blantyre | 82,600 | 81,381 | 99 |
| Chiradzulu | 46,000 | 45,549 | 99 |
| Mwanza | 13,600 | 13,685 | 101 |
| Neno | 15,200 | 14,841 | 98 |
| Mulanje | 66,800 | 66,751 | 100 |
| Phalombe | 52,700 | 52,295 | 99 |

| | | | |
|-----------------|------------------|------------------|-----------|
| Thyolo | 88,800 | 88,159 | 99 |
| Chikwawa | 16,900 | 16,671 | 99 |
| Nsanje | 13,400 | 12,840 | 96 |
| Balaka | 46,800 | 46,752 | 100 |
| Machinga | 56,900 | 55,682 | 98 |
| Mangochi | 66,300 | 65,554 | 99 |
| Zomba | 79,900 | 79,147 | 99 |
| Southern | 645 900 | 639,307 | 99 |
| Dedza | 59,200 | 58,425 | 99 |
| Ntcheu | 64,000 | 64,040 | 100 |
| Lilongwe | 140,300 | 139,757 | 100 |
| Kasungu | 79,100 | 78,344 | 99 |
| Dowa | 63,700 | 64,071 | 101 |
| Mchinji | 61,100 | 60,181 | 98 |
| Ntchisi | 35,700 | 35,747 | 100 |
| Nkhotakota | 27,700 | 27,228 | 98 |
| Salima | 32,400 | 31,987 | 99 |
| Central | 563 200 | 559,780 | 99 |
| Mzimba | 93,500 | 92,914 | 99 |
| Rumphi | 25,700 | 26,065 | 101 |
| Nkhata Bay | 21,100 | 20,703 | 98 |
| Likoma | 1,100 | 1,010 | 92 |
| Chitipa | 26,400 | 26,208 | 99 |
| Karonga | 23,100 | 22,780 | 99 |
| Northern | 190 900 | 189,680 | 99 |
| National | 1,400,000 | 1,388,767 | 99 |

The table below sets out the amount and type of seed exchanged for genuine vouchers through the programme

Hybrid

| Supplier | Type | Vouchers | MTS |
|-----------|--------------|------------------|--------------|
| Monsanto | DKC 8031 | 36,916 | 185 |
| Monsanto | DKC 9088 | 2,087 | 10 |
| Monsanto | DKC8053 | 381,720 | 1,909 |
| Monsanto | DKC9089 | 6,217 | 31 |
| Pannar | MH 18 | 2,358 | 12 |
| Pannar | Pan 67 | 43,129 | 216 |
| Pannar | Pan 4M19 | 20,270 | 101 |
| Pannar | Pan 53 | 46,060 | 230 |
| SeedTech | MH 18 | 2,081 | 10 |
| SeedTech | MH 26 | 21,842 | 109 |
| Seed Tech | MH27 | 598 | 3 |
| Funwe | MH 26 | 7,888 | 39 |
| Seed Co | SC 403 | 191,496 | 957 |
| Seed Co | SC 627 | 194,329 | 972 |
| Seed Co | SC 717 | 1,613 | 8 |
| Seed Co | SC 719 | 170,011 | 850 |
| | Total | 1,128,615 | 5,643 |

OPV

| Supplier | Type | Vouchers | MTS |
|-----------|--------------|----------------|--------------|
| Seed Co | OPV (SC 523) | 5,683 | 57 |
| Seed Co | OPV (ZM 309) | 403 | 4 |
| Seed Co | OPV (ZM 521) | 3,524 | 35 |
| Seed Co | OPV (ZM 621) | 5 | 0 |
| Seed Tech | OPV (ZM 523) | 1,926 | 19 |
| Funwe | OPV (ZM 621) | 27,169 | 272 |
| ASSMAG | OPV (ZM 621) | 1,443 | 14 |
| Panthochi | OPV (ZM 621) | 4,370 | 44 |
| Demeter | OPV (ZM623) | 215,629 | 2,156 |
| | Total | 260,152 | 2,601 |

As was the case with fertilizer, 97,006 maize vouchers did not pass the security check made by either the seed companies or the logistics unit. As these were collected from the agro dealers, it is highly likely that they were exchanged for maize seed, resulting in the approximate distribution of a further 48.5 MTS maize seed, mainly hybrid. The district details for fake voucher submission are given below.

| District | Hybrid | OPV | Total |
|-----------------|---------------|------------|---------------|
| Blantyre | 3,381 | 1 | 3,382 |
| Chiradzulu | 1,815 | | 1,815 |
| Mwanza | 2 | | 2 |
| Neno | 4 | | 4 |
| Mulanje | 54 | | 54 |
| Phalombe | 1,129 | | 1,129 |
| Thyolo | 107 | | 107 |
| Chikwawa | 1,978 | | 1,978 |
| Balaka | 6,742 | | 6,742 |
| Machinga | 20 | | 20 |
| Mangochi | 4,875 | | 4,875 |
| Zomba | 3,153 | | 3,153 |
| Southern | 23,260 | 1 | 23,261 |
| Dedza | 4,347 | | 4,347 |
| Ntcheu | 9,267 | 1 | 9,268 |
| Lilongwe | 14,084 | 54 | 13,855 |
| Kasungu | 17,165 | 24 | 17,189 |
| Dowa | 14,224 | 2 | 14,226 |
| Mchinji | 4,467 | 24 | 4,491 |
| Ntchisi | 1,705 | | 1,705 |
| Nkhotakota | 3 | | 3 |
| Salima | 2,431 | | 2,431 |
| Central | 67,693 | 105 | 67,515 |
| Mzimba | 5,884 | 11 | 5,895 |
| Rumphi | 333 | | 333 |
| Nkhata Bay | 2 | | 2 |
| Northern | 6,219 | 11 | 6,230 |
| National | 97,172 | 117 | 97,006 |

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 2,800 MTS to ensure that all of the 1.4 million farmers who received a voucher could benefit. Regrettably the legumes available in the market fell short of this resulting in some farmers being unable to redeem their voucher. In addition, the choice of legume was again 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 815/voucher. Organisations supplying legume seed were Seed Co, Demeter, Funwe, Peacock, Seed Tech, AISAM, ASSMAG, Panthochi, Phindulani, Pannar and NASFAM.

The table below lists the genuine legume voucher recovery by district

| District | Allocation | Submitted | % |
|-----------------|------------------|------------------|------------|
| Blantyre | 82 600 | 75 227 | 91% |
| Chiradzulu | 46 000 | 43 404 | 94% |
| Mwanza | 13 600 | 13 057 | 96% |
| Neno | 15 200 | 12 362 | 81% |
| Mulanje | 66 800 | 62 859 | 94% |
| Phalombe | 52 700 | 45 797 | 87% |
| Thyolo | 88 800 | 80 331 | 90% |
| Chikwawa | 16 900 | 12 900 | 76% |
| Nsanje | 13 400 | 10 137 | 76% |
| Balaka | 46 800 | 45 539 | 97% |
| Machinga | 56 900 | 53 155 | 93% |
| Mangochi | 66 300 | 59 113 | 89% |
| Zomba | 79 900 | 65 606 | 82% |
| Southern | 645 900 | 579 019 | 90% |
| Dedza | 59 200 | 52 715 | 89% |
| Ntcheu | 64 000 | 59 726 | 93% |
| Lilongwe | 140 300 | 132 840 | 95% |
| Kasungu | 79 100 | 77 846 | 98% |
| Dowa | 63 700 | 63 132 | 99% |
| Mchinji | 61 100 | 57 634 | 94% |
| Ntchisi | 35 700 | 32 672 | 92% |
| Nkhotakota | 27 700 | 25 599 | 92% |
| Salima | 32 400 | 30 260 | 93% |
| Central | 563 200 | 532 424 | 95% |
| Mzimba | 93 500 | 89 078 | 95% |
| Rumphi | 25 700 | 23 975 | 93% |
| Nkhata Bay | 21 100 | 17 998 | 85% |
| Likoma | 1 100 | 790 | 72% |
| Chitipa | 26 400 | 20 506 | 78% |
| Karonga | 23 100 | 17 059 | 74% |
| Northern | 190 900 | 169 406 | 89% |
| National | 1 400 000 | 1 280 849 | 91% |

The amount and type of legume seed distributed through redeemed genuine vouchers is estimated to be as follows:

| Legume | Variety | Vouchers | MTS |
|-----------------------|------------------|------------------|----------------|
| Beans | Kholophethe | 158 730 | 317.5 |
| | Napirira | 9 636 | 19.3 |
| | Sapatsika | 1 800 | 3.6 |
| Total beans | | | 340.4 |
| Cow Peas | sudan | 122 | 0.2 |
| groundnuts | CG 7 | 759 468 | 1518.9 |
| | Chalimbana | 3 300 | 6.6 |
| | Nsinjiro | 26 824 | 53.6 |
| Total grndnuts | | | 1579.1 |
| pigeon peas | mwai wathu alumi | 4 518 | 9.0 |
| | Nthawajuni | 2 760 | 5.5 |
| | Sauma | 15 599 | 31.2 |
| Total P Peas | | | 45.7 |
| Soya | Makwacha | 15 423 | 30.8 |
| | Nasoka | 9 826 | 19.7 |
| | Solitera | 54 440 | 108.9 |
| | Soprano | 218 403 | 436.8 |
| Total soya | | | 596.2 |
| Total legumes | | 1 280 849 | 2 561.7 |

As was the case with fertilizer and maize seed there was a number of legume vouchers (3,670) that did not pass the security check carried out by either the seed companies or the logistics unit. As these were collected from the agro dealers, it is highly likely that they were exchanged for legumes, resulting in approximately a further 0.75 MTS of legumes being made available to the farmers. The district details covering the fake vouchers are given below

| District | Total |
|-----------------|--------------|
| Blantyre | 119 |
| Neno | 27 |
| Mulanje | 365 |
| Phalombe | 165 |
| Thyolo | 506 |
| Machinga | 2 |
| Mangochi | 3 |
| Southern | 1 187 |
| Dedza | 1 |
| Ntcheu | 56 |
| Lilongwe | 458 |
| Kasungu | 1 485 |
| Dowa | 283 |
| Mchinji | 107 |
| Ntchisi | 70 |
| Nkhotakota | 1 |
| Salima | 16 |
| Central | 2 477 |
| Mzimba | 5 |
| Nkhata Bay | 1 |
| North | 6 |
| National | 3 670 |

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 by Norwegian Embassy

For the second year running, the Government reimbursed the fertiliser suppliers at a fixed rate. This was once more 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.

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

| Item | Cost MK | Source |
|--------------------------------------|-----------------------|----------------|
| Fertiliser costs | 18,712,920,379 | Logistics Unit |
| Maize voucher returns | 2,520,584,880 | Logistics Unit |
| Legume voucher returns | 1,043,891,935 | Logistics Unit |
| Transport Costs | 922,778,788 | Logistics Unit |
| SFFRFM operational costs | 162,900,000 | SFFRFM |
| ADMARC operational costs | 262,500,000 | ADMARC |
| Logistics Unit (May 2011-April 2012) | 46,680,529 | Logistics Unit |
| Total Identified Costs | 23,672,256,511 | |

*The fertilizer cost was divided between direct payments to the suppliers totaling MK 18,559,183,931 and an amount of payment to MRA of MK 113,736,448 deducted from the suppliers' invoices where the supplier in question did not have a current withholding tax exemption certificate.

** Logistics Unit costs do not include technical assistance involvement

Unknown Inputs Subsidy Programme Costs include all Government operational including Ministry of Agriculture, Police and Anti Corruption Bureau costs. Other unknowns are the full costs involved in voucher production.

At the date of publishing this report Government indebtedness to various suppliers for the 2011/12 Subsidy Programme amounted to MK 977,530,880. Most of this is related to erroneous deductions for withholding tax from fertilizer suppliers who had presented valid withholding tax exemption certificates with their invoices.

There is also an ongoing indebtedness to the seed companies from 2010/11 of MK 65,820,323.

Donor Contribution

The major portion of the expenditure on the programme fell to Government. However there was external funding provided by various donors towards both the seed and fertilizer programmes 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 | £ 9,000,000.00 |
| Norwegian Government | NOK 32,000,000.00 |
| Irish Aid | € 2,100,000.00 |

Fertiliser support

| | |
|----------------------|-------------------|
| DFID | £ 10,500,000.00 |
| Norwegian Government | NOK 35,000,000.00 |

Fuel/Transport support

| | |
|-----------|----------------|
| DFID | £ 370,000.00 |
| Irish Aid | € 1,500,000.00 |

Logistics Unit

| | |
|----------------------|------------------|
| Norwegian Government | NOK 1,800,000.00 |
| Irish Aid | £ 50,000.00 |

ACB support

| | |
|-----------|-----------------|
| Irish Aid | MK 9,430,805.80 |
|-----------|-----------------|

Planning

The initial implementation plan drawn up by the Logistics Unit and accepted by the Ministry is shown below.

| Activity | Responsible body | Feb/May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
|-----------------------------------|-------------------|---------|-----|-------|-------|-------|-------|-------|-----|-----|-----|-----|
| Updating Farm Family database | DADOs staff | ===== | | | | | | | | | | |
| Produce beneficiary selection aid | LU | | | | ===== | | | | | | | |
| Determine district allocation | MoA HQ | | | | ===== | | | | | | | |
| Selection of beneficiaries | DADOs staff | | | | | ===== | | | | | | |
| Produce beneficiary registers | LU | | | | | | ===== | | | | | |
| Voucher printing and packing | MOA HQ | | | | | ===== | | | | | | |
| Voucher distribution | DADOs staff | | | | | | ===== | | | | | |
| Tender for fertiliser | MOA (procurement) | ===== | | | | | | | | | | |
| Fertiliser tender acceptance | MOA (procurement) | ===== | | | | | | | | | | |
| Fertiliser deliveries | Companies | | | | | ===== | | | | | | |
| Transport tender | MOA (procurement) | | | ===== | | | | | | | | |
| Transport tender acceptance | MOA (procurement) | | | | ===== | | | | | | | |
| Unit market preparedness | ADMARC/SFFRFM | | | | ===== | | | | | | | |
| Position LU staff in SFFRFM | LU | | | | ===== | | | | | | | |
| Commence fertilizer uplift | LU/transporters | | | | | ===== | | | | | | |
| Agree seed voucher rate | MoA/STAM | | | ===== | | | | | | | | |
| Appoint independent monitor | Donor assist | | | | | ===== | | | | | | |
| Bag seed and stock outlets | Seed Companies | | | | | ===== | | | | | | |
| Sales period | All parties | | | | | | ===== | | | | | |
| Voucher returns and payment | All parties | | | | | | | ===== | | | | |

Actual performance is shown below. Clearly time taken to decide on fertilizer and transport contracts had a detrimental effect on the overall programme delivery time.

| Activity | Responsible body | Feb/May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
|-------------------------------|------------------|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Updating Farm Family database | DADOs staff | ===== | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|----------------------|--|--|-----|-----|-----|-----|-----|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Produce beneficiary selection aid | LU | | | | | | | | | | | | | | | | | | | | |
| Determine district allocation | MoA HQ | | | | | | | | | | | | | | | | | | | | |
| Selection of beneficiaries | DADOs staff | | | | | | | | | | | | | | | | | | | | |
| Produce beneficiary registers | LU | | | | | | | | | | | | | | | | | | | | |
| Voucher printing and packing | MOA HQ | | | ??? | ??? | ??? | ??? | ??? | | | | | | | | | | | | | |
| Voucher distribution | DADOs staff | | | | | | | | | | | | | | | | | | | | |
| Tender for fertiliser | MOA (procurement) | | | | | | | | | | | | | | | | | | | | |
| Fertiliser tender acceptance | MOA (procurement) | | | | | | | | | | | | | | | | | | | | |
| Fertiliser deliveries | Companies | | | | | | | | | | | | | | | | | | | | |
| Transport tender | MOA (procurement) | | | | | | | | | | | | | | | | | | | | |
| Transport tender acceptance | MOA (procurement) | | | | | | | | | | | | | | | | | | | | |
| Unit market preparedness | ADMARC/SFFRFM | | | | | | | | | | | | | | | | | | | | |
| Position LU staff in SFFRFM | LU | | | | | | | | | | | | | | | | | | | | |
| Commence fertilizer uplift | LU/transporters | | | | | | | | | | | | | | | | | | | | |
| Agree seed voucher rate | MoA/STAM | | | | | | | | | | | | | | | | | | | | |
| Appoint independent monitor | Donor assist | | | | | | | | | | | | | | | | | | | | |
| Bag seed and stock outlets | Seed Companies | | | | | | | | | | | | | | | | | | | | |
| Sales period | All parties | | | | | | | | | | | | | | | | | | | | |
| Voucher returns and payment | All parties | | | | | | | | | | | | | | | | | | | | |

It is to be hoped that the planning lessons learned from this year's programme, and indeed those of the previous years, will permit earlier decisions to be made particularly in connection with tender acceptance. This would result in the inputs being in the hands of the farmers quicker than in the past.