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# **FINAL REPORT ON THE IMPLEMENTATION OF THE FARM INPUTS SUBSIDY PROGRAMME (2016-7)**

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LOGISTICS UNIT, LILONGWE**

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## **Executive Summary**

In 2016, for the twelfth consecutive year, the Government of Malawi, through the Ministry of Agriculture, Irrigation and Water Development (MoA, I & WD) announced its intention to embark on a Farm Inputs Subsidy Programme (FISP).

The aim of this year's FISP was the distribution to 900,000 beneficiaries of farm inputs consisting of 50kgs NKP (one bag), 50kgs Urea (one bag), 5kgs hybrid maize seed (or 6kgs OPV) and 2kgs legumes (3kgs in the case of soya). Malawi Government's financial commitment was to reimburse input suppliers at the rate of MK 15,000 for each bag of fertiliser, MK 5,000 for each maize seed pack and MK 2,500 for each legume pack supplied to the 900,000 identified beneficiaries. Any additional sums required by the suppliers were to be met by the beneficiary.

Implementation of FISP can be broken down into three basic elements:

1. Identification of 900,000 beneficiaries and distribution of vouchers to each (2 vouchers for fertiliser, one voucher for maize seed and one voucher for legumes).
2. Supply of inputs (fertiliser and seed) to beneficiaries
3. Payment for redeemed vouchers by Government

### **Identification of beneficiaries and distribution of vouchers**

Beneficiary identification commenced in August and was substantially completed by beginning of November and finally completed at the end of November.

Because of the late introduction of a pilot project targeting productive farmers in Rumphi and Dowa, final identification of beneficiaries in these two districts was delayed until end December.

Vouchers arrived in Malawi from UK end November beginning of December and are believed to have been distributed to beneficiaries immediately thereafter.

## Supply of inputs to beneficiaries

For the first time in the history of FISP, the supply of both fertiliser and seed inputs to the beneficiaries throughout Malawi was eventually made open to private suppliers.

21 suppliers took part in the sale of fertiliser, 16 organisations in the sale of seed. Of these latter, one company only sold maize seed and two companies only traded in legumes.

The only indicator available to Logistics Unit to determine the efficiency of the supply network was the rate at which vouchers were sent to Logistics by suppliers to be processed for reimbursement.

The first fertiliser vouchers arrived in the Logistics Unit on 7<sup>th</sup> December. One month later 50% were with Logistics. By mid-February 90% of the vouchers were with Logistics. By end February basically all fertiliser vouchers that had been exchanged for fertiliser were with Logistics. Therefore it can be deduced that all beneficiaries had received their fertiliser within 10 weeks of the commencement of sales.

The rate of seed distribution to beneficiaries is less clear. It may be a number of beneficiaries did not use their vouchers, as voucher distribution came after many farmers had planted. In addition many of the organisations involved are small and had difficulty in collecting the vouchers from sales points and subsequently collating them to present to Logistics Unit.

The first seed vouchers arrived in Logistics Unit on 12<sup>th</sup> December. One month later only 20% has reached the Logistics Unit. By mid-February, 65% had been submitted. By beginning of April, 97% of the maize seed vouchers and 87% of the legume vouchers had been processed in Logistics Unit. A number of vouchers continued to trickle in beyond this point.

According to voucher returns, total fertiliser distributed to beneficiaries was 89,511 MTS of which 44,776 MTS was NPK and 44,735 MTS was urea. Maize seed amounts distributed totaled 4,628 MTS of which 3,129 MTS was hybrid and 1,499 MTS OPV. Legume seed distributed totaled 1,664 MTS of which 776 MTS were groundnuts, 327 MTS were Soya, 438 MTS were beans, 98 MTS were pigeon peas and 25 MTS were cow peas.

## Payment for Inputs by Government

The table below sets out the payment position at the time of publication of this report:

Subject	Final costs	Paid	Awaiting payment
Fertiliser Vouchers	MK26,863,350,000.00	MK26,830,965,000.00	MK32,385,000.00
Maize Vouchers	MK4,378,260,000.00	MK2,879,372,500.00	MK1,498,887,500.00
Legume Vouchers	MK1,953,757,500.00	MK925,130,000.00	MK1,028,627,500.00
<b>Total</b>	<b>MK33,195,367,500.00</b>	<b>MK30,635,467,500.00</b>	<b>MK2,559,900,000.00</b>

All payments for fertiliser vouchers were effected through Smallholder Farmers Fertiliser Revolving Fund of Malawi (SFFRFM) using funds provided by the Government. Seed payments on the other hand were the responsibility of the Ministry of Agriculture, utilising funds from two sources—Ministry of Finance, and ultimately direct payments by World Bank in Kenya using an ASWAP allocation of \$5 million. The outstanding seed invoice balance of MK2,527,515,000 has to be met from Kenya payments (MK 1,21,077,500) and local resources (MK 1,406,47,500).

## Detailed Reporting on 2016/17 FISP

It is believed the above executive summary covers the basic information and statistics emerging from the 2016/17 FISP. However for a fuller understanding of how this year's programme evolved, more in depth information is required. The following paragraphs will attempt to provide this.

### Beneficiary Selection

The first official announcement on the size and nature of the programme took place on 4<sup>th</sup> May when the then Minister for Agriculture publically stated that the 2016/17 FISP would target 900,000 beneficiaries of whom 285,000 would be selected farmers with a plot in excess of 0.5 of an acre.

In connection with beneficiary selection it is perhaps worth noting that Logistics Unit final report on 2015/16 programme issued on 12<sup>th</sup> May highlighted the following problems and recommendations.

## Problems

- Beneficiary selection. The method adopted to centrally select beneficiaries caused major delays to the process. Beneficiary selection was not completed until 20<sup>th</sup> November 2015.

## Recommendations

- Revisit the FISP policy to determine if the programme is intended to address the problems of poverty or production
- Once done, revisit the criteria for selecting beneficiaries and make full use of the farm family data base in the process, increasing both information gathering and the database fields where necessary.
- Above all, make earlier decisions on all aspects of the programme to ensure inputs reach the farmer when most required.

On June 7<sup>th</sup>, Logistics Unit learned through World Bank (Malawi) that the Government was committed to a programme covering 900,000 farmers and was considering reserving 300,000 places for productive farmers. In answer to a request from World Bank (Malawi) to consider how this objective could be advanced, Logistics Unit produced a proposal that involved:

- a) Ministry of Agriculture defining the criteria that would determine an individual farm family's level of productivity,
- b) district staff extending the updating of the farm family registers to include collection of the criteria data,
- c) Logistics Unit running the data so provided through the database to provide a district farm family productivity league table thus allowing the Ministry when selecting FISP beneficiaries to allocate an agreed percentage to the potential top producers in a district.

The months of June and July passed without further communication on beneficiary selection with the Logistics Unit. However The Unit subsequently learned that on 11<sup>th</sup> August, at a meeting convened with Programme Managers and DADOs, the Ministry provided district staff with Excel worksheets containing 2015/16 farm family registers from which last year's beneficiaries had been excluded. District staff were instructed to update these to reflect the 2016 farm family position minus last year's beneficiaries and return the results to Logistics Unit for cleaning. After this, Logistics had to return the cleaned data to the district for confirmation of correctness. On receipt of confirmation the updated but reduced 2016/17 farm family information was to be forwarded to

Ministry HQ for beneficiary selection. On completion of selection, the beneficiary lists would be returned to Logistics Unit for register printing.

Meanwhile the beneficiary allocation for each district was published and was as follows:

<b>District</b>	<b>Beneficiaries</b>
Nsanje	8,400
Chiradzulu	27,400
Mwanza	8,100
Blantyre	49,100
Thyolo	52,700
Mulanje	39,700
Phalombe	31,400
Mangochi	50,900
Machinga	39,200
Zomba	55,600
Nkhota Kota	16,700
Dowa	48,400
Ntcheu	38,100
Lilongwe	83,300
Ntchisi	26,300
Kasungu	57,200
Mzimba	58,100
Rumphi	15,400
Likoma	700
Karonga	13,700
Chikhwawa	13,300
Neno	9,100
Balaka	27,800
Salima	20,000
Dedza	44,200
Mchinji	36,800
Nkhata Bay	12,700
Chitipa	15,700
<b>TOTAL</b>	<b>900,000</b>

The deadline given by Ministry HQ to the districts for return of the initial reduced farm family update data was 5 days and the entire exercise to produce beneficiary selection was scheduled to be complete by beginning of September.

In the event, the reality was vastly different.

- By 6<sup>th</sup> September only three districts' farm family data had been sent to Logistics and from there forwarded to Ministry HQ for beneficiary selection. No district beneficiary selection had been finalized.
- By 30<sup>th</sup> September farm family data for twenty one districts had been given to Ministry HQ. Beneficiary selection and beneficiary registers for 12 districts had been produced.
- By 31<sup>st</sup> October farm family data for all districts had been given to Ministry HQ. Beneficiary selection and registers had been produced for 24 districts.
- By 8<sup>th</sup> November all beneficiary registers had been produced.
- On 15<sup>th</sup> November, three districts (Nsanje, Blantyre and Mzimba (S)) reported that villages were missing from the beneficiary selection list provided by the Ministry. As a result beneficiary selection had to be redone and the beneficiary registers had to be reprinted.
- By 30<sup>th</sup> November all beneficiary registers were once more believed complete.

Although the beneficiary selection appeared to be completed initially by 8<sup>th</sup> November, apart from the three districts requiring reprints, it was learned early in November that Rumphu and Dowa were to be the subject of a pilot project to identify productive farmers. This involved withholding the already printed beneficiary registers. Consultants from Centre for Agricultural Research and Development (CARD) at LUANAR had been appointed to carry out the exercise and the deadline for completion, including fresh register production was 30<sup>th</sup> November. In the event, the project was plagued with problems covering wrong identities, shortfalls in numbers etc and in the end the fresh registers for both districts were issued after Christmas!

## **Voucher printing and distribution**

Although beneficiary selection was slow in completing, the unavailability of vouchers caused an even bigger delay. Voucher production discussions between the Ministry and DFID, the traditional source of finance for the voucher, apparently commenced in late August. As a result, at the first task force meeting on 15<sup>th</sup> September, the Ministry was confident that vouchers



would be distributed by mid-October. However a number of issues prevented this, among them being changes in the seed pack and in the DFID procuring agent. Consequently, the first vouchers, those for the South, Mchinji and Chitipa, did not arrive in Malawi until 28<sup>th</sup> November. The balance for the Central and North followed some days later on 11<sup>th</sup> December.

With the exception of Dowa and Rumphi, delivery of vouchers by the Ministry to the districts took place immediately the vouchers arrived from the UK. Southern Region and Mchinji vouchers were in the hands of the respective DADOs on 1<sup>st</sup> December, Northern Region (without Rumphi) and the balance of the Central Region (except Dowa) on 13<sup>th</sup> December. The Rumphi/Dowa vouchers together with the revised registers were in the hands of the DADOs on 24<sup>th</sup> December and 28<sup>th</sup> December respectively.

There is no record of how quickly the districts distributed the vouchers to the beneficiaries but the dates on which vouchers from suppliers requesting reimbursement began to arrive in Logistics Unit indicates that the district distribution to beneficiaries was done with alacrity. The first suppliers' fertiliser vouchers for Mchinji arrived in the Unit on 7<sup>th</sup> December, those for seed on 12<sup>th</sup> December. Southern region vouchers for both seed and fertiliser also arrived on 12<sup>th</sup> December. Central region fertiliser vouchers in general appeared on 14<sup>th</sup> December with seed on 16<sup>th</sup> December. First Northern region vouchers reached the Unit on 21<sup>st</sup> December. Although there may have been isolated instances of slow distribution of vouchers to beneficiaries by the district agricultural staff, the above statistics point to an overall efficient district distribution exercise. Clearly Rumphi and Dowa suffered as a result of being the chosen target of the pilot productive farmers' project. However again the DADO's staff acted with speed once beneficiary selection was complete as the first vouchers from Rumphi were returned by suppliers to Logistics on 29<sup>th</sup> December and those from Dowa on 7<sup>th</sup> January.

## **Beneficiary Selection Conclusion**

The programme size was determined in May. Upgrading of farm family registers to permit beneficiary selection did not commence until August. Commissioning of vouchers was delayed until October. Beneficiary selection was not substantially completed until November. Vouchers only arrived in

Malawi in December. Consequently neither fertiliser nor seed distribution could commence until December. The delay of seven months between when the programme size was fixed and the commencement of fertiliser distribution resulted in a loss of opportunity to put the inputs in the hands of the beneficiaries at a time when maximum returns could be achieved.

Both programme planning and the methods of executing beneficiary selection must be revised and improved if the programme is to achieve its full potential.

## **Commissioning and Distributing Inputs**

### **Fertiliser**

The commissioning of fertiliser suppliers was a long and rather complicated process with several alterations to plans being made along the way.

From the outset it was appreciated that 90,000 MTS of fertiliser (45,000 MTS NPK and 45,000 MTS urea) would be required to service the programme.

On July 8<sup>th</sup> a tender notice was issued by SFFRFM inviting bids for the supply and sale of 54,000 MTS of fertiliser. The bidding documents indicated that there would be a coupon value to be determined at time of award. The tenders were duly returned on 22<sup>nd</sup> July as planned but the information provided by those officiating at the opening was limited to the names of the companies who had submitted bids. Meanwhile a joint team of Ministry and SFFRFM personnel was known to be analyzing the bids with a view to making a recommendation to the Office of the Director of Public Procurement.

On 8<sup>th</sup> September it became known that 27 suppliers were to be commissioned to supply 54,000 MTS of fertiliser under FISP. It was understood that the value of the fertiliser subsidy would be MK 15,000 to be reimbursed to the supplier on production of a bona fide voucher collected from a beneficiary. On 22<sup>nd</sup> September a meeting with the 27 companies was held in the Ministry of Agriculture. It was understood that offer letters would be issued by SFFRFM and that the intention was that a minimum of three and a maximum of five companies would be operating in each district. The exception to this was to be Likoma, Chitipa and Nsanje which were to be serviced by ADMARC and

SFFRFM, ADMARC being the sole provider to Likoma. Chitipa and Nsanje were to be supplied jointly by the two statutory bodies.

On 3<sup>rd</sup>/4<sup>th</sup> October, SFFRFM commenced issuing contracts and the identity of the companies and their intended responsibilities became clearer. The following table indicates the total amounts awarded to each company

	Tonnes
Agora	4,000
Kulima	1,000
Pride	1,000
ETG	4,000
Transglobe	4,000
optichem	2,000
Mulli	4,000
M & C	2,000
Innovations	1,000
MAS Inter	1,000
Sealand	2,000
Yafuka	3,000
Initial	2,000
Astro	1,000
Uni General	1,000
ATC	3,000
World Wide	4,000
MFC	1,000
RAB	2,000
Agroworld	1,000
Farmers World	4,000
Gasom	1,000
Net Plant	1,000
Lamat	1,000
Computer sys	1,000
Farm Chem	1,000
RTM	1,000
Total	54,000

It was also learned that the 36,000 MTS required to make up the entire programme was to be provided in equal measure by ADMARC and SFFRFM.

The district distribution plan that had been developed is shown in the tables below. The shaded areas indicate the districts in which the various companies were authorized to operate.

SR	Nsanje	Chikhwawa	Neno	Mwanza	Mulanje	Phalombe	Thyolo	Blantyre	Chiradzulu	Zomba	Machinga	Mangochi	Balaka
Agora													
Kulima													
Pride													
ETG													
Transglobe													
optichem													
Mulli													
M & C													
Innovations													
MAS Inter													
Sealand													
Yafuka													
Initial													
Astro													
Uni General													
ATC													
World Wide													
MFC													
RAB													
Agroworld													
Gasom													
Private Target		1,270	710	810	3,370	2,200	2,400	1,660	2,240	3,300	1,800	3,760	2,370
ADMARC													
SFFRM													
Statutory Target	840	60	200		600	940	2,870	3,250	500	2,260	2,120	1,330	410
National target	840	1,330	910	810	3,970	3,140	5,270	4,910	2,740	5,560	3,920	5,090	2,780

CR	Ntcheu	Dedza	Lilongwe	Mchinji	Dowa	Ntchisi	Kasungu	Salima	Nkhota
Agora									
ETG									
Transglobe									
optichem									
Mulli									
M & C									
Sealand									
Yafuka									
Initial									
Uni General									
ATC									
World Wide									
RAB									
Agroworld									
Farmers World									
Gasom									
Net Plant									
Lamat									
Computer sys									
Farm Chem									
RTM									
Private Target	2810	3100	3200	1900	3400	1930	4420	1500	1170
ADMARC									
SFFRM									
Statutory Target	1000	1320	5130	1780	1440	700	1300	500	500
National target	3810	4420	8330	3680	4840	2630	5720	2000	1670

NR	Mzimba	Nkhata Bay	Likoma	Rumphi	Karonga	Chitipa
ETG						
Transglobe						
Mulli						
ATC						
RAB						
Farmers World						
Private Target	2000	770		1040	870	
ADMARC						
SFFRM						
Statutory Target	3810	500	70	500	500	1570
National target	5810	1270	70	1540	1370	1570

In the interests of competition, the intention was to have no restriction on the amount that each company could sell in any one district but that individual company operations in the project were to cease nationally when the company reached the total tonnage that had been allocated to it.

On or around 8<sup>th</sup> November, the relevant Government authorities came to realise that imposing a national tonnage limit on individual companies would be unworkable. This was therefore removed. The only remaining restriction was that limiting companies to specific districts.

At the end of November, Farm Chem and Astro Chem announced their intention to withdraw from the project.

Fertiliser sales under the project commenced in early December as soon as the vouchers had been distributed, with the first voucher being returned to Logistics on 8<sup>th</sup> December.

By mid-December it was becoming clear that:

- a) a number of private companies (Yafuka, Agro World, Gasom, Lamat, Computer Systems and Innovations) were not participating in the programme and
- b) ADMARC, deemed earlier to be a major player particularly with regard to outlying stations, was not in a position to provide the previously anticipated support.

As a result, on 22<sup>nd</sup> December, the Ministry of Agriculture announced that previous district restrictions were being lifted and all participating companies were free to trade for vouchers in any district.

As previously advised fertiliser vouchers started to come in to the Logistics Unit on 8<sup>th</sup> December. Submission of vouchers from the 21 companies that ultimately took part in the distribution of fertiliser was substantially complete by end of February. 99.5% of the vouchers issued to beneficiaries were submitted to the Logistics Unit. The table below gives the district details of redeemed vouchers.

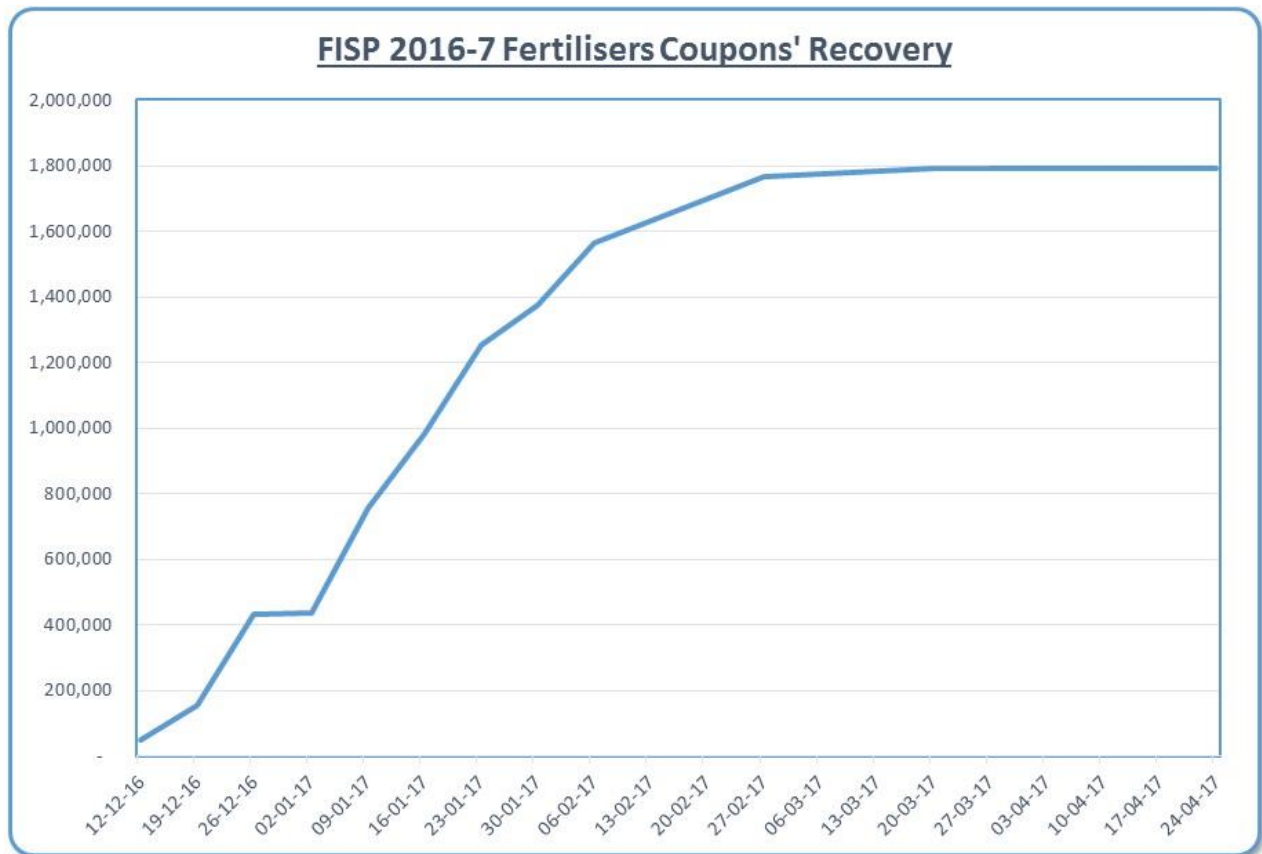
<b>DISTRICT</b>	<b>ALLOCATION</b>	<b>RECOVERED</b>	<b>NPK</b>	<b>UREA</b>	<b>%</b>
Blantyre	98,200	98,071	49,064	49,007	<b>100%</b>
Chiradzulu	54,800	54,547	27,447	27,100	<b>100%</b>
Mwanza	16,200	16,119	8,067	8,052	<b>100%</b>
Neno	18,200	17,834	8,990	8,844	<b>98%</b>
Mulanje	79,400	78,763	39,402	39,361	<b>99%</b>
Phalombe	62,800	62,478	31,182	31,296	<b>99%</b>
Thyolo	105,400	105,026	52,509	52,517	<b>100%</b>
Chikwawa	26,600	26,054	13,070	12,984	<b>98%</b>
Nsanje	16,800	16,329	8,125	8,204	<b>97%</b>
Balaka	55,600	55,309	27,737	27,572	<b>99%</b>
Machinga	78,400	77,936	38,939	38,997	<b>99%</b>
Mangochi	101,800	101,621	50,883	50,738	<b>100%</b>
Zomba	111,200	110,943	55,421	55,522	<b>100%</b>
<b>Southern</b>	<b>825,400</b>	<b>821,030</b>	<b>410,836</b>	<b>410,194</b>	<b>99%</b>
Dedza	88,400	87,683	43,802	43,881	<b>99%</b>
Ntcheu	76,200	76,039	38,137	37,902	<b>100%</b>
Lilongwe	166,600	166,262	83,159	83,103	<b>100%</b>
Kasungu	114,400	113,907	56,914	56,993	<b>100%</b>
Dowa	96,800	96,282	48,121	48,161	<b>99%</b>
Mchinji	73,600	73,421	36,701	36,720	<b>100%</b>
Ntchisi	52,600	52,407	26,148	26,259	<b>100%</b>
Nkhotakota	33,400	33,151	16,639	16,512	<b>99%</b>
Salima	40,000	39,857	19,916	19,941	<b>100%</b>
<b>Central</b>	<b>742,000</b>	<b>739,009</b>	<b>369,537</b>	<b>369,472</b>	<b>100%</b>
Mzimba	116,200	115,867	57,983	57,884	<b>100%</b>
Rumphi	30,800	30,600	15,332	15,268	<b>99%</b>
Nkhata Bay	25,400	25,224	12,591	12,633	<b>99%</b>
Likoma	1,400	1,123	566	557	<b>80%</b>
Chitipa	31,400	31,156	15,604	15,552	<b>99%</b>
Karonga	27,400	26,880	13403	13477	<b>98%</b>
<b>Northern</b>	<b>232,600</b>	<b>230,850</b>	<b>115,479</b>	<b>115,371</b>	<b>99%</b>
<b>National</b>	<b>1,800,000</b>	<b>1,790,889</b>	<b>895,852</b>	<b>895,037</b>	<b>99%</b>

Individual company performance in the programme is shown below:

<b>SUPPLIER</b>	<b>NPK</b>	<b>UREA</b>	<b>Total</b>
FARMERS WORLD	170,341	140,150	<b>310,491</b>
SFFRFM	133,729	162,529	<b>296,258</b>
EXPORT TRADING LTD	98,056	136,625	<b>234,681</b>
AGORA LTD	74,226	70,854	<b>145,080</b>
WORLDWIDE WHOLESALERS	70,303	64,115	<b>134,418</b>
MULLI BROTHERS	53,305	47,239	<b>100,544</b>
ADMARC	55,475	27,515	<b>82,990</b>
TRANSGLOBE PRODUCE LTD	40,000	40,000	<b>80,000</b>
OPTICHEM 2000 LTD	26,199	25,783	<b>51,982</b>
KULIMA GOLD LTD	25,251	26,084	<b>51,335</b>
PRIDE COMMODITIES	19,604	23,098	<b>42,702</b>
SEALAND INVESTMENTS LTD	19,999	20,001	<b>40,000</b>
M & C GENERAL TRADING LTD	19,229	19,784	<b>39,013</b>
AGRICULTURAL TRADING CO.	23,202	14,975	<b>38,177</b>
INNIAL INVESTMENTS	13,808	18,744	<b>32,552</b>
RTM INITIATIVE	11,604	14,552	<b>26,156</b>
MAS INTERNATIONAL	13,013	11,204	<b>24,217</b>
MALAWI FERTILIZER CO	10,110	10,040	<b>20,150</b>
NETWORK PLANT & VEHICLE LOGIS	9,980	10,019	<b>19,999</b>
UNI GENERAL	7,593	10,321	<b>17,914</b>
RAB PROCESSORS	825	1,405	<b>2,230</b>
<b>TOTAL PER FERTILIZER TYPE</b>	<b>895,852</b>	<b>895,037</b>	<b>1,790,889</b>

The speed at which fertiliser is distributed to the farmer is clearly critical to the success of the project. However, as previously indicated, the only indicator of this available to Logistics Unit is the rate at which fertiliser suppliers submit vouchers for reimbursement to the Logistics Unit. It is believed that cash flow demands will result in companies submitting vouchers very quickly after sales.

The following graph indicates the rate at which vouchers were submitted to Logistics Unit and it is considered this is a reasonable indicator of when fertiliser was placed in the hands of the farmers:



## Seed

Seed distribution (registered legumes and quality maize seed) has formed a very important part of FISP. However, through the years, planning of the seed distribution programme has been the subject of some controversy and confusion. The 2016/17 programme was no exception.

In August STAM advised its members that the Ministry of Agriculture was proposing the following programme. A maize package consisting of either 5kg hybrid or 8kgs OPV and a legume distribution of 2kgs rising to 3kgs in the case of soya. Voucher value was to be set at MK 5,000 for maize seed and MK 2,500 for legumes. If a top up was required the amount would be at the discretion of the individual companies.

A number of companies expressed concern with the proposal and STAM, campaigning for a more elastic approach, gained a meeting with the Minister for Agriculture on 1<sup>st</sup> September. This was followed by a statement from the Ministry on 28<sup>th</sup> September that the legume package and voucher values for both maize seed and legumes would remain as before but that the maize seed package would be reduced to 4kgs hybrid or 5kgs OPV.



This development did not meet with overall approval, particularly among the donor community, from where a contribution of \$5 million toward the seed programme was expected.

Consequently on 19<sup>th</sup> October, the Ministry reviewed its position again and the maize seed package was once more changed, this time to 5kgs hybrid and 6kgs OPV.

Regarding contracts for supply of seed through FISP, at the end of September it was known that Government had sent out offers to 24 companies to participate in this year's seed distribution through FISP. On the 18<sup>th</sup> October, the Ministry advised that the 24 companies were NASFAM, Seed Co, Pannar, Monsanto, Chemicals and Marketing, Funwe, Agri Input Suppliers, Peacock, Seed Tech, ASSMAG, Panthochi, Virelishama, Demeter, Premium, Nema Farm, CPM, WASAA, Pindulani, MSI, Global Seed, Mgomera, Mbeu Seed, TASU and Evergreen Seed Co. However, when contracts were finalized at the end of November, the number signing contracts was reduced to 17. These were Seed Co, Pannar, Monsanto, Funwe, Agri Input Suppliers, Peacock, Seed Tech, ASSMAG, Panthochi, Demeter, Premium, Nema Farm, Pindulani, Global Seed, Mgomera, Mbeu Seed and NASFAM.

In the event, sixteen companies took part in the programme. Individual voucher return performance is shown below:

### Maize seed voucher returns

SUPPLIER	HYBRID	OPV	Total
MONSANTO	236,677		<b>236,677</b>
DEMETER SEED LTD		223,676	<b>223,676</b>
SEED CO	167,512		<b>167,512</b>
PANNAR SEED CO	147,124		<b>147,124</b>
FUNWE	44,000		<b>44,000</b>
PINDULANI		14,724	<b>14,724</b>
PANTHOCHI		11,247	<b>11,247</b>
PREMIUM SEEDS	10,345		<b>10,345</b>
ASSMAG	9,763		<b>9,763</b>
PEACOCK ENTERPRISES	7,869		<b>7,869</b>
AGRO INPUTS SUPPLIERS LTD	1,516		<b>1,516</b>
SEED TECH	1,006		<b>1,006</b>
MBEU SEED INVESTMENTS		174	<b>174</b>
MGOMERA		23	<b>23</b>
<b>TOTAL PER SEED TYPE</b>	<b>625,812</b>	<b>249,844</b>	<b>875,656</b>

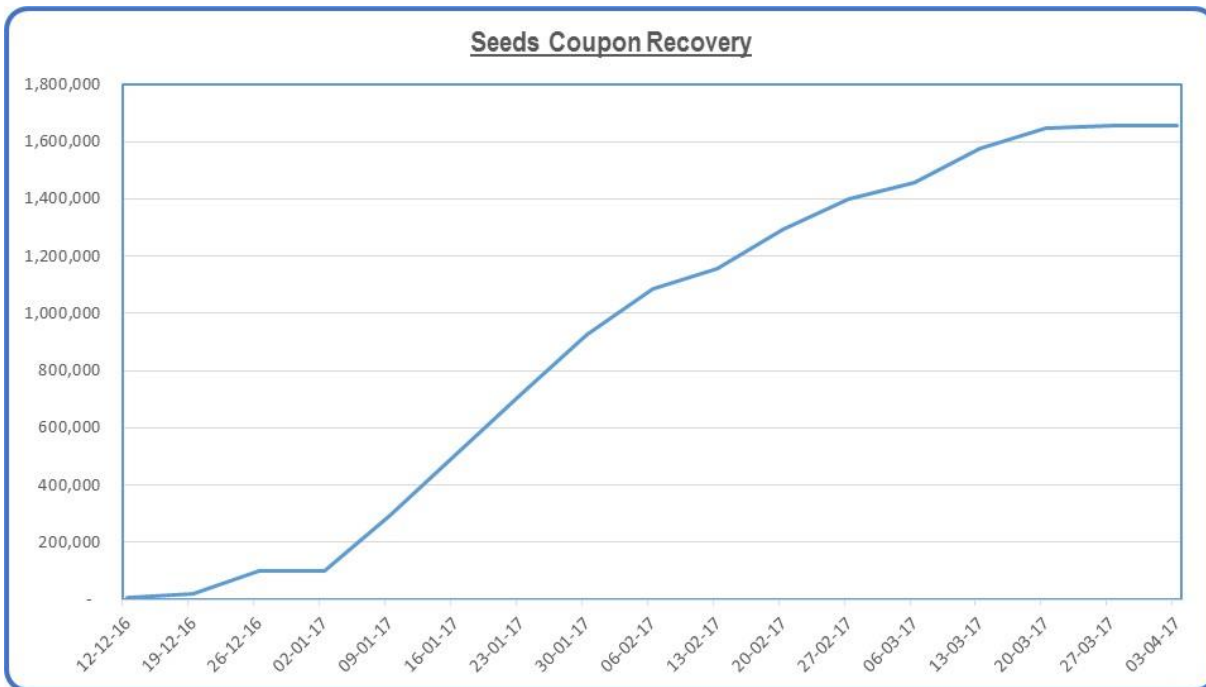
## Legume voucher returns

<b>SUPPLIER</b>	<b>Total</b>
PANNAR SEED	202,968
SEED CO	163,347
DEMETER	128,821
NASFAM	84,632
PINDULANI	71,448
FUNWE SEEDS	59,916
AGRO INPUTS SUPPLIERS LTD	31,322
PREMIUM SEEDS	16,876
MBEU SEED INVESTMENTS	6,338
PANTHOCHI	5,321
PEACOCK ENTERPRISES	4,492
SEED TECH	2,776
GLOBAL SEEDS	830
MGOMERA	570
ASSMAG	486
<b>TOTAL</b>	<b>780,143</b>

As stated in the Executive Summary the above voucher returns equate to a maize seed distribution of 3,129 MTS hybrid and 1,499 MTS OPV. Regarding choice, 15 varieties of hybrid were available and 5 varieties of OPV. Legume vouchers were exchanged for 776 MTS groundnuts, 438 MTS beans, 327 MTS soya, 98 MTS pigeon peas and 25 MTS cow peas. Regarding choice, 3 varieties of groundnuts, 4 varieties of beans, 6 varieties of soya, a single variety of pigeon peas and 2 varieties of cow peas were available.

The only company who signed seed supply contracts but never took part in the project was Nema Farm who advised they had sold all stock before the delayed programme got off the ground.

The graph below shows the rate at which seed vouchers were returned to Logistics Unit for reimbursement:



## Input Distribution Conclusion

Despite the initial problems presented by a poorly designed inputs distribution programme, fertiliser suppliers serviced the selected beneficiaries with the required fertiliser in a period of less than 10 weeks following the distribution of the vouchers. This was a vast improvement on previous years when it has taken 16 weeks to distribute the fertiliser.

The late selection of beneficiaries and the delayed arrival of the vouchers was clearly a detrimental factor resulting in farmers being unable to make full use of the inputs. The seed programme was particularly affected by these delays with many farmers having planted before they received their vouchers in December.

There continues to be a large imbalance between the quantity of fertiliser provided per beneficiary and the amount of seed, a fact that may be detrimental to overall production figures.

A notable factor in the new distribution programme through the private sector is that all of the loss risk is borne by the suppliers, unlike previous years when losses of fertiliser were to the Government account. One area where such losses occurred this year involved a limited voucher recycling scam involving some 8,000 vouchers representing 0.4% of the redeemed vouchers. This was

identified late in the programme and discussions are being held between Logistics and FAM to ensure there is no re-occurrence.

## Financial Position

The 2016/17 budget statement contained an allocation of MK31.4 billion for FISP. This was supplemented by an additional \$5 million contributed by donors through ASWAP intended to meet part of the costs of the FISP seed component. There was therefore a total of MK 35 billion available for the main programme components. In addition DFID made a direct contribution to the programme by funding the purchase of the vouchers, the operating costs of the Logistics Unit and a monitoring exercise carried out by FUM and Malawi police. World Bank funded technical assistance to the Logistics Unit and later, a consultancy commission, involving the identification of productive farmers.

The initial total estimated cost of the main elements of the project to be met by Government and donor assistance was as follows:

Fertiliser voucher costs	1,8million @ MK 15,000	27,000,000,000.00
Maize Seed Voucher costs	900,000@ MK 5,000	4,500,000,000.00
Legume voucher costs	900,000 @ MK 2,500	2,250,000,000.00
MoA operating costs		911,000,000.00
SFFRFM operating costs		89,000,000.00
Total		34,661,000,000.00

Actual final costs known to Logistics Unit were:

Fertiliser voucher costs	1,790,890 @ MK 15,000	26,863,350,000.00
Maize Seed Voucher costs	875,652@ MK 5,000	4,378,260,000.00
Legume voucher costs	781,503 @ MK 2,500	1,953,757,500.00
SFFRFM operating costs		89,000,000.00
Total		33,284,367,500.00

At time of going to print MoA operational costs were still being finalized. The expenditure position on the above known costs at the time of going to print was as follows

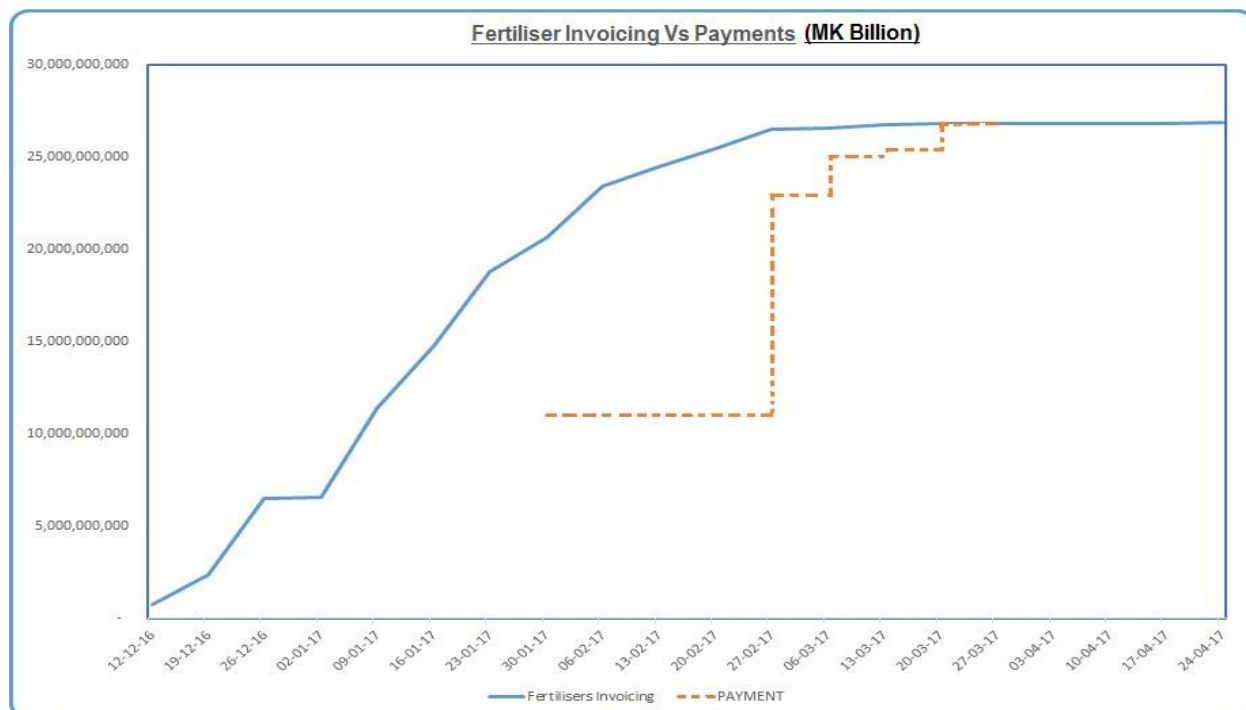
Subject	Final costs	Paid	Awaiting payment
Fertiliser Vouchers	MK26,863,350,000.00	MK26,830,965,000.00	MK32,385,000.00
Maize Vouchers	MK4,378,260,000.00	MK2,879,372,500.00	MK1,498,887,500.00
Legume Vouchers	MK1,953,757,500.00	MK925,130,000.00	MK1,028,627,500.00
SFFRFM operating costs	MK89,000,000.00	MK89,000,000.00	
<b>Total</b>	<b>MK33,284,367,500.00</b>	<b>MK30,724,467,500.00</b>	<b>MK2,559,900,000.00</b>

In addition to the above, the following costs were met directly by external stakeholders:

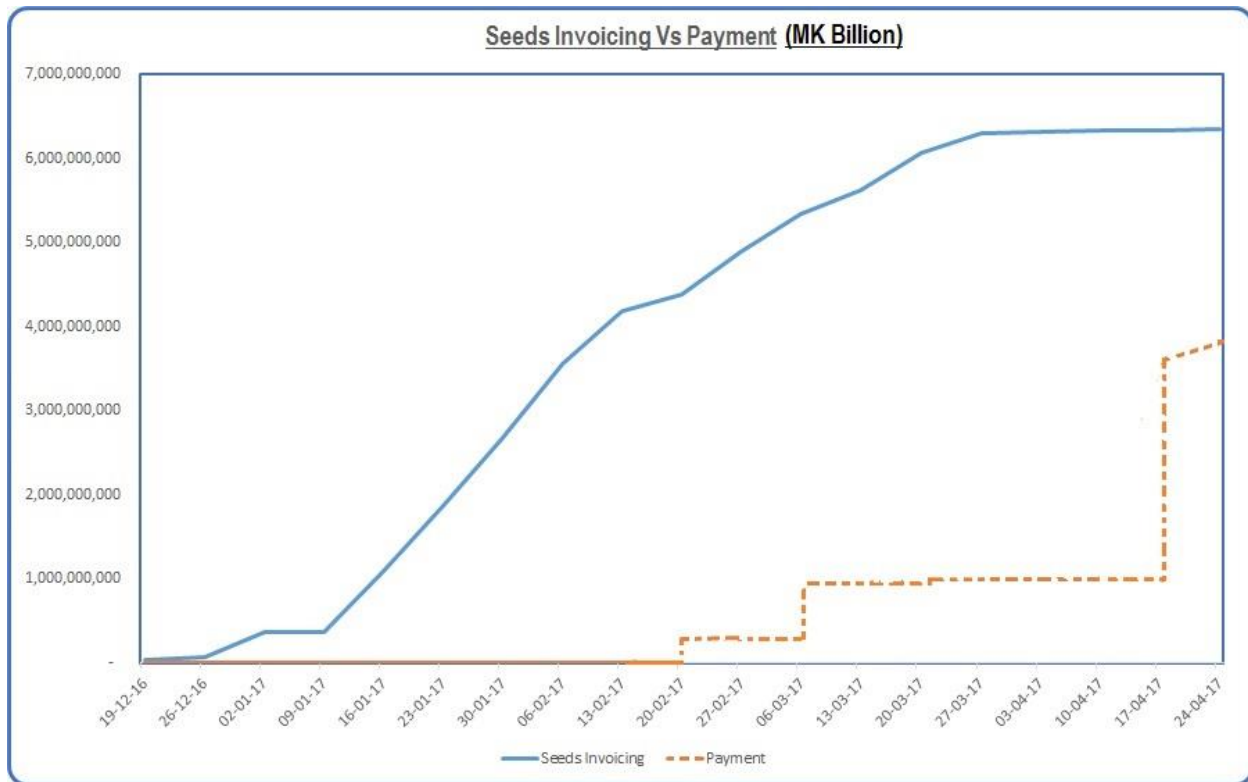
Subject	Source	Amount (MK)
Logistic Unit operational costs	DFID	91,977,565
LU technical assistance	World Bank	36,000,000
CARD consultancy	World Bank	185,000,000
Voucher costs	DFID	96,436,340
FUM/police monitoring	DFID	291,000,000

The inputs payment proficiency differed quite radically between the payments made for fertiliser through SFFRFM and the payments effected by the Ministry for seed. The following graphs illustrate the speed by which the two paying agencies met their respective responsibilities bearing in mind that in both cases contracts stipulated payment within 45 days of invoice presentation.

## Fertiliser payments



## Seed Payments



The bulk of the outstanding payments are for seed (MK 2,527,515,000). It is believed that MK 1,121,077,500 is to be paid via the Kenya office of the World Bank for invoices presented by Monsanto and Funwe. This will exhaust the \$ 5 million pledged to the programme through ASWAP leaving a balance of MK 1,406,437,500 to be met locally by funds provided to Ministry of Agriculture by Treasury.

## Pros and Cons of 2016/17 FISP

### Pros

- This was the first year on record when the programme was completed within budget.
- This was the first year on record when the fertiliser was distributed to the beneficiaries within the 12 weeks stipulated in the contracts.
- The new system by which commissioned suppliers were authorized to supply company fertiliser directly to the beneficiaries in exchange for

vouchers plus the farmer's contribution meant that Government no longer suffered any loss of misappropriated fertiliser.

- d) Under the new system, unlike the previous system, the supply of fertiliser is not finite. Misappropriated fertiliser can be replaced and no farmer with a voucher need go without.
- e) This year all fertiliser suppliers were paid within the stipulated period of 45 days.

## **Cons**

- a) The late identification of beneficiaries and delayed distribution of vouchers would have had a detrimental effect on production in some areas. Improvements are essential.
- b) Failure by Government to make timely payments for seed in accordance with specified contract conditions remains a cause for concern and should be addressed.
- c) Both the fertiliser and seed programmes suffered from a number of ad hoc changes being made long after the design of both programmes should have been settled. There is a need for the programme design to be finalized and agreed with all concerned long in advance of commencement of input delivery.

## **Conclusion**

In general, Logistics Unit believes the project went well. There remains a need, however, to revisit the project objective vis a vis production/poverty. It is understood that the pilot project on productivity in Rumphu and Dowa was an overall success and it is believed future projects will see an expansion of the pilot. It is trusted the method of identifying beneficiaries will be reconsidered, whether such beneficiaries be selected for productive ability or because of the impoverished nature of their existence. It may also be timely to relook at the apparent imbalance between quantities of seed and fertiliser supplied to beneficiaries. In all of these points, and in overall consideration of any future project, it is hoped that the information provided in this report may in some ways contribute to a general improvement of programme implementation.