FISP Policy Brief 2014/2

The Implementation of the 2012/13 Farm Input Subsidy Programme

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The 2012/13 agricultural season marked the eighth year of the FISP in Malawi. This policy brief summarizes the implementation experiences of the FISP in the 2012/13 agricultural season. We review implementation experience and suggest ways of improving implementation efficiency in order to enhance FISP impacts.

The fertilizer and seeds procurement in the FISP

The 2012/13 FISP focused on providing subsidized fertilizers and improved maize and legume seeds to smallholder 'resource poor farmers'. As with previous seasons, implementation involved a large number of complex and significant logistical and organisational tasks with critical deadlines within the farming season (Figure 1). The programme involved selection of over 1.5 million beneficiaries from 4.4 million registered farming households, representing 34% of the rural farming households. Over 3 million bags of fertilizers and 3 million bags of seeds, using over 6 million vouchers, were distributed across the country including remote areas.

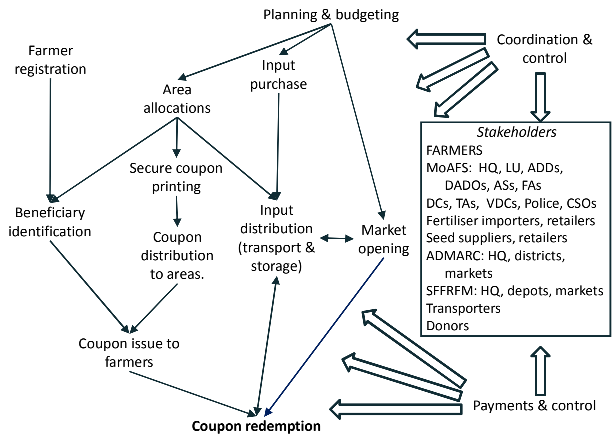

Figure 1 FISP's critical activities in implementation

154,440 MT of fertilizers were procured for the 2012/13 FISP, divided equally between 23:21:0 NPK and urea. The private sector was excluded in the retailing of subsidized fertilizers but played a significant role in fertilizer procurement, buying 82% of the programme's fertilizers. Officially, each beneficiary household was provided with two fertilizer coupons to procure one NPK and one urea 50 kg bag fertilizer at MK500 per bag. Fertilizer coupons were redeemable only at ADMARC and SFFRFM unit markets.

Seed companies were responsible for stocking retail outlets (agro-dealers, input supply shops, and ADMARC and SFFRFM markets) with hybrid and OPV maize seed and legume seed (soya, beans, cowpeas, pigeon peas, or groundnuts) for redemption by farmers, with subsequent redemption by government at a price of MK1250 per voucher. A maximum of MK150 per coupon cash top-up from farmers for maize seed coupons was allowed.

The main challenge in input procurement, particularly fertilizer, was late completion of the tendering and bid awards, with awards made in mid-September. This resulted in some fertilizers being procured at high prices, with large variation in prices and increased input costs. Late awards also led to late deliveries to unit markets. This resolved some storage problems but uplifts to markets lagged considerably behind previous years' performance. Another challenge was in monitoring of transportation of fertilizers from depots to marketd, with a large increase in the number of contracted transporters and reports of input theft by some. Delays in fertilizer and seed invoice payments increase currency exchange risks for private suppliers with potential to influence future tender prices.

Coupon allocation and distribution

Coupon allocation involved updating the farm household register, local (village) processes of selection of beneficiaries, allocation of coupons by district and within district by EPA, printing of coupons, distribution to districts, and issue of coupons to beneficiaries. A total of 1,544,440 beneficiaries were registered. Female beneficiaries made up 54% of target beneficiaries.

Survey estimates reveal marked differences between supply per farm family registered by MoAFS and supply per rural household estimated from NSO census figures, with supply per MoAFS farm family much lower than supply per NSO rural household. This is because MoAFS total national farm family estimates are over 60% higher than NSO total rural household estimates. These discrepancies have major implications for estimates of leakage of subsidized inputs.

Programme costs

Exact programme costs are difficult to estimate due to lack of documentation of costs borne by the MoAFS and other organisations implementing the programme. However documentation of major costs show that the 2012/13 programme adhered to budgeted costs, with total cost estimated at just over or US$144 million or MK 52.8 billion. This was about 60% of the total MoAFS budget and 10 % of the national budget. Development partners contributed directly by covering 12% of the estimated net costs and indirectly through budget support. Fertilizer procurement accounted for 77% of the total programme costs. Fertilizer procurement costs could have been lower with increases in farmer's redemption payments, which have fallen from MK950 to MK500 over the life time of the programme in spite of increases in the commercial price of fertilizers. As figure 2 shows, the subsidy on fertilizers has fallen from a little over 33% in 2005/6 to 3% in 2012/13. With the falling value of the Malawi Kwacha, the constant farmer contribution increases fertilizer costs for government and overall programme costs, although increasing farmers' contributions might also make it more difficult for the poorest beneficiaries to redeem coupons.

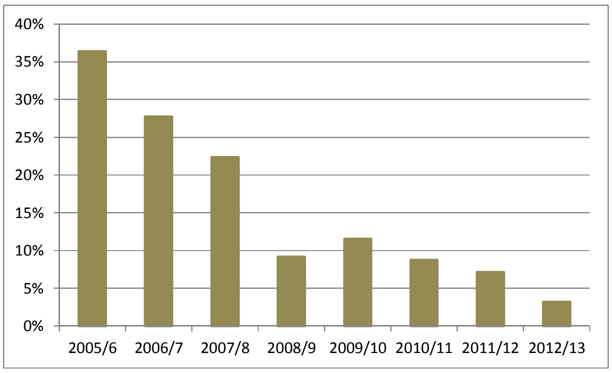

Figure 2 Farmer's contributions as % total delivered costs, 2005/06 – 2012/13

Targeting, access to and use of coupons and inputs

The 2012/13 FISP continued to be targeted to resource poor farmers in rural Malawi, with special attention to vulnerable groups. The programme has been developing ways of improving transparency and accountability in various processes and in 2012/13 three innovations were to make lists of beneficiaries publicly available within the communities, establish market committees, and organise redemption by villages on specific days.

Targeting of coupons remains a critical issue in the implementation of the FISP. An increasing proportion of households that receive coupons receive 1 or less coupons and this is particularly the case in the south and the centre. Nationally, 2012/13 survey estimates suggest that 40% of the rural population did not receive coupons, 41% received 1 or less coupons and only 18% received more than 1 coupon. In addition, although all categories of households are likely to receive coupons, poor and vulnerable households, young households and female headed households tend to receive less as redistribution of coupons occurs among poorer households, while better-off beneficiary households tend to keep their two coupons.

Male and female headed households are equally likely to receive coupons, but female headed household recipients tend to receive fewer coupons. However, female members were the recipients of coupons in a substantial proportion of male headed households.

While open meetings are widely used in allocation and distribution of coupons, survey results suggest most such meetings do not empower communities to make decisions in coupon allocation and distribution: open meetings are widely used to inform the communities of coupon allocation decisions already made by village heads or traditional authorities, leading to beneficiary targeting that is prone to biases that are inconsistent with the targeting criteria. Only 30% of the respondent households were aware of the availability of the beneficiary list at mainly the village head's house, and only 10% of households reported that a member of the household had actually seen the list.

With intra-community redistribution and sharing now very widely practised, provision of 50 kg of fertilizers to all households was as popular with survey respondents as a system as targeting only the poor with 100 kg of fertilizers. It is seen by many to be fair, and should yield better targeting outcomes than the current system.

Beneficiaries redeeming vouchers face a variety of problems, which are more pronounced for fertilizers. The most reported problems in fertilizer voucher redemption at ADMARC or SFFRFM outlets are long queues (reported by 47% of beneficiary respondents) followed by queue jumping (40%), and by long travel distances, the activities of vendors, input shortages and slow service (30% each). Demands for 'tips', abusive language, and gender-based violence were reported more for ADMARC outlets than for SFFRFM outlets. Problems for maize seed voucher redemption were more pronounced among ADMARC/SFFRFM outlets than private sector outlets, long queues, for example, reported by 31% and 11% of beneficiaries, respectively.

Access to extension advice

There is increasing evidence that the current extension system is not reaching out sufficiently to farmers, potentially undermining the benefits of the FISP as extension services are an important complementary programme in enhancing the FISP's production impacts. Only 11% of farmers received advice from field assistants in 2012/13, compared with 22% in 2006/07 and 14% in 2008/9 and 2010/11. Low reported access to advice and apparent deterioration of access to technical advice over time calls for a serious review of the suitability of the demand-driven extension system in the smallholder farmer agricultural system in Malawi.

Ways of improving FISP

Issues raised in this and our previous brief on FISP impact suggest the government should consider the following options to raise FISP's effectiveness and efficiency, reduce costs and better realise its very large potential to deliver broad based national economic growth:

- intensifying measures reducing fertiliser diversion;
- better beneficiary targeting or universal provision of smaller (25kg) fertiliser bags (with national ID cards);
- earlier access to coupons and inputs;
- complementary investments in roads, research and extension, with promotion of organic fertilisers and better crop management to raise yields and responses;
- specific fertiliser formulations for specific areas to address local soil nutrient deficiencies;
- raising farmer contributions; and
- lowering fertiliser costs with more private sector involvement in fertiliser distribution and sales, and with improved systems for efficient and faster purchasing, payment for and distribution of inputs to farmers.

The Impacts of the 2012/13 FISP are discussed in Policy Brief 2014/1, *Implementation of the 2012/13 Farm Input Subsidy Programme*

Source: Evaluation of the 2012/3 Farm Input Subsidy Programme, Malawi (http://eprints.soas.ac.uk/17822/)

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