

**Potential of Input Vouchers as a Mechanism for  
Integrating the Non-Commercial and  
Commercial Input Markets: The Case of  
Malawi**

**Final Report**

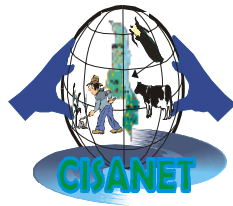
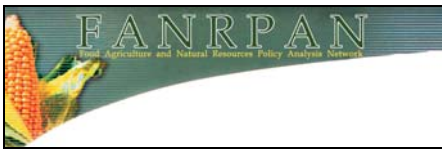
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The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) is an autonomous regional stakeholder driven policy research, analysis and implementation network that was formally established in the Southern Africa Development Community (SADC) in 1997. FANRPAN was borne out of the need by SADC governments who felt that comprehensive policies and strategies were required to resuscitate agriculture. FANRPAN is mandated to work in all SADC countries and currently has activities in 12 SADC countries namely Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

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## **ACRONYMNS**

ADMARC	Agricultural Development and Marketing Corporation
AEDC	Agriculture Extension Development Coordinators
AEDO	Agriculture Extension Development Officers
ASSMAG	Association of Smallholder Seed Multiplication Action Group
CAN	Calcium Ammonium Nitrate fertilizer
CPAR	Canadian Physicians for Aid & Relief
CRS	Catholic Relief Services
DADOs	District Agriculture Development Officers
DC	District Commissioner
DFID	Department for International Development
DRC	Democratic Republic of Congo
EPA	Extension Planning Areas
EU	European Union
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
FAO	Food and Agriculture Organization
GVH	Group Village Headmen
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Non-Governmental organization
OPV	Open-Pollinated Varieties
SFFRFM	Smallholder Farmers Fertilizer Revolving Fund of Malawi
SPLIFA	Sustainable Productive Inputs Livelihoods through Inputs for Assets
SV&F	Seed Vouchers and Fairs
TA	Traditional Authority
TIP	Targeted Input Programme
VDC	Village Development Committee

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## **ABSTRACT**

This rapid field research was conducted during the 2006/07 agricultural subsidy programme period as a second phase of a study commissioned by FANRPAN. The objective of the study was to test the potential benefits of using voucher systems to integrate the commercial and non-commercial input distribution channels. The study also aimed at establishing the nature of fraud and to determine anti-fraud measures so that the system is not abused.

The study revealed that the subsidy programme has contributed to improved food security at household level and surplus maize production at national level. The Ministry of Agriculture attributes the 0.5 million and 1.3 million tonnes surplus production during the 2005/06 and 2006/07 seasons to the government subsidy programme. Within these two seasons, Malawi has been able to export some surplus maize to neighbouring countries after having been a net importer of maize for over a decade.

Implementation of the programme has however not been effective in terms of reaching the majority of the real intended beneficiaries. This has largely been attributed to a number of logistical hiccups, amongst which are:

- Unavailability of coupons in some places resulted in large amounts of input (seed and fertilizer) returns at the end of the programme. This was expensive for the suppliers;
- Tenders open to companies and individuals that are not officially registered and have no substantial investment in the seed industry to assure quality;
- Much publicity about the subsidy programme is on fertilizer and not seed;
- Lower quantities of inputs available compared to the number of coupons, such that people did not use the coupons and they still have them;
- Mismatch between the quantities of fertilizer issued (50 kg) bag and the seed (2 kg). Ideally the 50 kg fertilizer bag should go with a 5 kg seed pack;
- Late planning and implementation also resulted in coupons being delivered as late as January in some cases; and
- Delayed payments stifled operations of some companies.

The programme was also affected by some alleged fraud/corrupt practices such as:

- Lack of transparency in some cases amongst chiefs, Village Development Committees (VDCs) and subsidy committee members. This made people suspicious of some fraud and corruption;

- Bribes being given at various levels (during registration and issue of coupons by chiefs and other local leaders and at distribution points);
- Some chiefs suspected of releasing fewer coupons than they received and then selling the remaining coupons;
- Some chiefs influenced the selection of the subsidy committee and the VDC members to participate in the implementation of the programme; and
- Ghost names registered at village level and the concerned village chief either sold those coupons or issued them to his close relatives.

The issue of continuity and sustainability of the programme still lingers in most people's minds. Currently the programme is heavily dependent on government coffers and no clear solution is in place to relieve the pressure on government expenditure and make the programme sustainable without being dependent on government funding.

Some strategies to improve sustainability and effectiveness include:

- Inclusion of a range of cash crops in the programme and in accordance to climatic conditions;
- Strengthening farmer organizations to increase their bargaining power;
- Establishing revolving funds within the farmer organizations for farmers to borrow with the intention of investing in farming activities;
- Promoting an efficient and effective marketing system;
- Building capacity amongst smallholder farmers to manage the farmer organizations and to consider farming as a business and not just for subsistence; and
- Diversifying into other enterprises such as livestock and agro-processing in order to increase the financial base and also to reduce various forms of risk.

These strategies will be effective if the programme improves on delivery of services by addressing the logistical challenges and minimizing/eliminating fraud/corrupt practices in the system.

## 1.0 INTRODUCTION

Malawi has had recurring food deficits beginning from the mid-1990s. The repetitive susceptibility to food deficits is indicative of declining agricultural productivity, for which the reasons include disasters such as droughts and floods, lack of and/or inadequate use of improved/modern technologies due to poverty, the impact of HIV/AIDS, poorly managed liberalisation of markets, insufficient arable land, and poor and declining soil fertility. A number of interventions have been implemented aimed at alleviating the suffering of those affected by the declining agricultural productivity, particularly the vulnerable members of the rural communities. Such interventions have included safety net programmes and emergency relief programmes. The programmes have involved distribution of agricultural inputs, principally seeds of various crops and fertilizers. Major seed interventions have included the starter pack scheme and the Targeted Input Programme (TIP) jointly funded by the government of Malawi, the European Union (EU) and the Department for International Development (DFID) among other donors; and the Sustainable Productive Inputs Livelihoods Through Inputs for Assets (SPLIFA) programme funded by DFID and implemented through a consortium of Non-Governmental Organisations (NGOs). Several other organizations such as the Canadian Physicians for Aid & Relief (CPAR)-Malawi the Food and Agriculture Organisation (FAO) and the Catholic Relief Services (CRS) have also undertaken input interventions (especially seed).

Various studies on input markets have identified two parallel input channels that prevail in most countries: 1) the non-commercial (governments, NGOs, agencies); and 2) the commercial sector distribution networks, i.e., private fertilizer and seed companies. These inputs distribution programs have principally been undertaken under two basic circumstances. First are relief programmes in response to natural disasters such as droughts and floods. Such relief programmes have often been *ex-post*, i.e., they are designed and implemented after the disaster has occurred. Implementation of such programmes has in most cases been late in addressing the needs of the people right at the time that the disaster has occurred and when the interventions were needed most. The second reason that input interventions have been implemented has been to address food security needs amongst those considered to be too poor to purchase inputs even under normal circumstances.

## **1.1 Input Distribution Mechanisms**

A range of different mechanisms through which inputs are provided to farmers affected by disaster exists, including:

- i. Direct seed distribution;
- ii. The use of seed vouchers; and
- iii. The distribution of cash<sup>1</sup> for farmers to purchase inputs.

### ***1.1.1 Direct Seed Distribution***

Repeated direct distribution of relief seed is thought to have limited impact in assisting farmers to develop commercially, and to have a detrimental effect on the long-term development of sustainable commercial input markets. The use of vouchers or cash, on the other hand, is thought to address many of the problems associated with direct inputs distribution. Voucher-based approaches are also thought to be more 'market-friendly' for the provision of relief seed.

Most of the Non-Governmental Organizations providing relief seed use direct seed distribution. This involves invitation of tenders from input suppliers by the NGOs. Upon response from the input suppliers, the bids are assessed and successful bidders are contracted and requested to supply the seed. The NGOs themselves usually transport the inputs to their area of operation, identifies the beneficiaries and distribute the inputs. Suppliers are thus responding to NGOs' demand and not necessarily to the demands of smallholder farmers.

### ***1.1.2 The Use of Coupons and Vouchers***

Coupons and vouchers have been used by government and some NGOs in input distribution programmes. In the case of government, the coupon has largely been used as a means of identifying the beneficiaries at input distribution points. Having been identified and registered as beneficiaries, individuals are issued with a coupon that shows the type of input they are entitled to get<sup>2</sup>. Beneficiaries then take the coupon to an input distributor within their vicinity to exchange with the type of input as indicated on the coupon. In turn the inputs suppliers redeem the coupons for cash.

In contrast to the government coupon which is largely used for beneficiary identification, Some NGOs have used vouchers (Appendix 1) as a means of enabling smallholder farmers to access inputs of their choice. Such programmes have largely involved distribution of relief seed through what are known as seed fairs. Once the beneficiaries are identified, they are issued with a voucher with a total cash value of say K750.00 (\$5.40) as indicated in Appendix 1. The voucher is perforated into smaller denominations so that the beneficiary can have access to a wide range of inputs. This type

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<sup>1</sup> In some cases there has been direct disbursement of cash to the targeted groups while in other cases the cash is given out upon participation in some community-based activity such as maintenance of infrastructure (roads, bridges, etc.)

<sup>2</sup> In the case of fertilizer, the type of fertilizer and quantity is indicated on the coupon and the quantity has always been 50 kg per coupon, while in the case of seeds it is either hybrid maize seed or an Open Pollinated Variety (OPV).

of voucher gives the farmer an opportunity to choose inputs of his or her choice, unlike the coupon system whereby the beneficiary has no choice.

### ***1.1.3 The Distribution of Cash through Public Works***

In some cases there have been programmes whereby communities are asked to do communal work in the form of road maintenance and in turn they receive cash which they can use to purchase inputs of their choice. In certain cases the beneficiaries are actually given inputs, especially fertilizer, after participating in the public works programme. Government as well as some NGOs have implemented such programmes in various parts of the country.

## **2.0 PURPOSE AND OBJECTIVES OF THE STUDY**

### **2.1 Purpose of the Study**

In 2006, the Food, Agriculture and Natural Resource Policy Analysis Network (FANRPAN) commissioned a number of studies in Malawi, Mozambique and Zambia aimed at assessing the importance and share of relief seed in the overall national and regional trade (Simfukwe 2006; Kananji and Phiri 2006), investigating the various mechanisms through which relief seed is provided and also analyzing opportunities for improving the contribution of relief seed programs to commercial seed market development (Kachule and Madola 2006).

The FANRPAN studies confirmed the importance of relief seed in countries such as Malawi and Zambia where such seed accounted for close to 50 percent of the total annual company seed sales (Simfukwe 2006; Kananji and Phiri 2006). Another key finding of the studies was that there are two parallel input distribution channels. The channels are the non-commercial (government, NGOs, agencies) and the commercial (seed companies/private sector distribution networks). In Zambia, Simfukwe (2006) reported that there was lack of information regarding experiences with vouchers for the distribution of seed and fertilizers. This lack of information and experience made it difficult to convince decision makers in government to advocate a voucher policy as an incentive for seed and fertilizer companies to establish retail outlets in remote areas. It was also observed that there was serious concern among government officials and other leaders that vouchers would be forged.

As a follow up to the FANRPAN studies, this study was commissioned with the purpose of demonstrating the potential impacts of integrating the inputs delivery systems through an input voucher system which can be used to enhance the purchasing power of the poor while the commercial sector can expand their distribution networks. Furthermore, the study sought to demonstrate the value of implementing a full cycle of policy research, analysis, and engagement to achieve positive policy impacts. Similar studies were commissioned in Zambia (Kalinda and Simfukwe 2007) and Mozambique (Tostão 2007), as well as a broader synthesis of the regional findings (Mangisoni et al. 2007).

## 2.2 Objectives of the Study

The principal objective of the study was to test the potential benefits of using voucher systems to integrate the commercial and non-commercial input distribution channels. In addition to this, the study aimed at establishing the nature of fraud and to determine anti-fraud measures so that the system is not abused.

## 3.0 LITERATURE REVIEW

A comprehensive literature review on this subject was undertaken as Phase 1 of this project (Kachule and Chilongo 2007). From the Phase 1 literature review, it was noted that recurring natural disasters (droughts and floods), poor macro-economic factors, prevalence of HIV/AIDS, poverty amongst the majority of the people, and the general decline in agricultural productivity due to declining soil fertility are some of the factors that have contributed to continued food insecurity and general suffering of the majority of the people in developing countries. Governments, NGOs and other private sector agencies have been in the forefront in implementing programmes aimed at alleviating the suffering of the people from these shocks and also to promote development in agricultural production with the motive of improving the food security status of the poor people.

Amongst the major agricultural input distribution mechanisms (direct seed distribution, use of coupons and vouchers and distribution of cash for farmers to purchase inputs), much has been written on the voucher system which has widely been used by most NGOs (e.g., Bramel *et al.*, eds. 2004).

In most African countries, agricultural input interventions have largely been in the form of seeds and agricultural tools directly distributed to the affected communities (Bramel *et.al*, eds. 2004). The effectiveness of direct input distribution has been questioned by a number of stakeholders including governments, donors and seed aid practitioners. The question “*what to do?*,” if not ‘Seeds & Tools,’ has not been fully addressed. Some schools of thoughts have suggested that if the seed or agricultural inputs security problem is one of access and not availability or quality, then perhaps vouchers would be more effective than the direct distribution approach. This thinking has contributed to the increasing use of Seed Vouchers and Fairs (SV&F) as an approach to ensuring access by the affected communities to seeds and other agricultural inputs and putting farmers at the centre of the recovery process (Bramel *et.al.*, eds. 2004). Gaye and Jawo (2004) noted that transaction costs in Gambia were lower in the SV&F than in direct seed intervention. The majority of sellers was from the fair area, and would invest money in their community. Given the sellers’ mobility, the seed fair made it possible for seed to be moved from areas with abundant supply to seed deficit areas. Beneficiaries were allowed a choice in type and quantities available and women farmers were able to access new and improved rice varieties disseminated through research stations.

Remington (2004), quoting Tripp (2001), noted that development is not judged by whether farmers grow traditional varieties or ones that are the products of formal plant breeding, but rather by the range of productive choices that are at their disposal. The SV&F offer a level playing field on which the commercial seed sector and the farmer seed sector can compete. Furthermore, they offer the beneficiaries a choice of inputs of their preference, and also allow input dealers from the local area to participate. Longley *et. al.* (2005) observed that the Agricultural Input Trade Fairs and Vouchers in Mozambique encouraged commercial activity and the potential for market development at a local level. Remington *et al.* (2002) however observe that the playing field can easily be tilted in favour of one or other of these players by influencing the way in which beneficiaries use vouchers. An example is that of Mozambique where there has been a lot of pressure from the seed companies and agents to tilt the field through various mechanisms in favour of the formal seed sector (Longley, *et. al.* 2005). Sebatleab and Norman (2002) noted that vendors in Eritrea were sceptical of the voucher system, as it created confusion and uncertainty among the vendors. This problem was however addressed by explaining the voucher system on-site with the local vendors and administration and by setting up an immediate redemption of vouchers. This is one of the questions that the current study attempted to answer on whether there is potential for market integration between the commercial and non-commercial inputs supply system in Malawi by using vouchers and coupons. Tripp (2001) noted that formal seed systems<sup>3</sup> are more complex, linear and less integrated than farmer seed systems where most activities take place at one farm location. Remington (*ibid*) notes that the farmer, formal and informal seed systems are poorly integrated at present. He observes that the current strategy of the formal seed system is to manage the entire process from varietal development through multiplication and certification to marketing through commercial outlets to farmer-consumers.

One other question on the implementation of agricultural inputs supply programmes is whether the system is free of fraud and corrupt practices. Various strategies aimed at minimizing fraud and corruption have been used in the implementation of the SV&F in some parts of Africa. For example, the use of posters, which clearly identified the colour and value of each voucher and brochures in three of the major Ethiopian languages, was seen to be necessary in the implementation of the SV&F. In addition, each Seed Fair Committee member received a brightly coloured T-shirt identifying him or her. Partners also conducted personal visits to seed traders and local sellers to explain the process, pre-register them and ensure that a minimum of seed and sufficient varieties would be available during each seed fair (Latimer 2004). Participatory self-targeting in the Gambia which among other benefits empowered the community also ensured some form of transparency by those implementing the programme (Gaye and Jawo 2004).

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<sup>3</sup> Formal seed systems are defined as “systems in which seed is supplied through an organized chain of events by specialized breeders, seed producers, marketing agents. This system includes seed quality assurance through a process of certification” (FAO, 1998).

The potential benefit of implementing input supply programmes using vouchers was also one of the issues to be investigated. Various authors have documented some of the benefits on the use of vouchers through seed fairs (Chamdimba 2004; Bramel 2004, Reilly 2004). These have included:

- They provide a means by which beneficiaries access agriculture inputs that are locally available, of their preference, and meet their immediate needs.
- Seed quality is left to the judgment of farmers.
- They are an open and transparent process.
- Local crop production is supported.
- They provide a more equitable distribution of resources.
- They can be planned and implemented in a short period of time.
- Communities are actively involved in the planning and implementation.
- They allow vulnerable families to obtain materials, tools, seeds, livestock or other livelihood inputs that will offer them an opportunity to improve their future economic situation.
- They serve the needs of large numbers of farm families experiencing difficulty accessing seed.

Bramel *et.al.*, ed. (2004) provide some guidelines on what to do and what not to in input voucher programmes as below:

<b>What to Do</b>	<b>What Not to Do</b>
Build on past learning, experience and evaluation	Subsidize transportation
Continue to be flexible and nimble	Guarantee seed prices or volume sales for sellers
Consider broadening to a “livelihood” voucher	Restrict sale of seed to certain crops or sources
Invest in understanding and appreciating the role of market traders in the local seed system	Restrict participation of seed sellers
Support small traders who rely on social capital and traders identified as specializing in seed	Support community seed multiplication, seed banks, or seed credit (buy back schemes) that are not based on agro-enterprise analysis
Use an agro-enterprise approach- with a focus on market opportunities for poor farm families — to analyze options	Accept “seed certification” as the only method of ensuring seed quality
Strengthen social capital by supporting farmer organization, trader organization and farmer/trader linkages	Allow participation of women as sellers or voucher holders to decrease.
Strengthen the linkage with agricultural research to enable farmers to access seed of promising varieties	
Hold research partners accountable	
Be proactive in strengthening seed quality assurance procedures	
Move to open market determined pricing	
Improve overall planning, implementation, monitoring, evaluation and reporting/communication	
Continue to improve beneficiary targeting	

Source: Bramel *et al.*, ed. (2004: 164-166).

#### **4.0 APPROACHES TO THE STUDY**

This field research was a follow up to the Phase 1 literature review (Kachule and Chilongo 2007). Planning for the rapid field research started with a consultative workshop involving the Malawian and Zambian researchers with the guidance of the overall project coordinator (Dr. Doug Merrey of FANRPAN Secretariat) and the regional coordinator (Dr. Julius Mangisoni from Bunda College of Agriculture of the University of Malawi). The workshop was also attended by private sector and civil society representatives from Malawi and Zambia. The aim of the workshop was to develop a common approach to the study and also the study tools that were eventually adapted to country specifics. Due to limited resources and time constraint, it was agreed at the workshop that the field research would not involve individual household surveys.

Information was gathered from all the three regions (North, Centre and South) of the country. Two districts were selected from each region and two Extension Planning Areas (EPAs) were selected from each district. Selection criteria of the EPAs were based on proximity to urban areas; thus one of the EPAs had to be close to an urban centre while the other one had to be from a remote area. The idea behind this was to find out whether the proximity to urban centres had any impact on the implementation of the inputs distribution programme using coupons.

Information gathering involved consultations with various stakeholders that included farmer representatives (through focus group discussions), private sector input suppliers and the government. A checklist that was developed during the consultative workshop was used in gathering the information (Appendix 2). Much of the information that was gathered was qualitative based on the perceptions of the stakeholders on the use of vouchers and coupons in agricultural inputs distribution. Farmer representatives were selected through consultations with the District Agriculture Development Officers (DADOs), Agriculture Extension Development Officers (AEDO) and the Agriculture Extension Development Coordinators (AEDC).

Analysis of the information involved quantification of responses on various issues based on stakeholder responses to the checklist.

#### **5.0 RESULTS AND DISCUSSION**

The discussion of the results is primarily focused on the government subsidy programme. This is based on the fact that the subsidy programme was common to all areas visited by the research team. However, there were a few cases where communities mentioned other programmes than the government subsidy. These were mostly input supply programmes by NGOs and involved either direct distribution or use of vouchers through seed fairs.

##### **5.1 Knowledge about Input Vouchers and Subsidy Programmes**

Consultations with various stakeholders indicated that the concept of input vouchers/coupons and subsidies and their modalities are well understood by most people.

For example, most representatives of local communities defined a voucher/coupon as a ticket/document/paper used to purchase “*cheap*”<sup>4</sup> fertilizer.

## 5.2 Registration System

Through the stakeholder consultations, it became apparent that there was no systematic procedure for registration of beneficiaries and issuing of coupons in most parts of the country. This was in terms of who is to be involved in the registration/identification of beneficiaries and the sequence of events with respect to issuing of coupons and distribution of inputs. In most cases, registration/identification of beneficiaries was done by the village chief and his Village Development Committee (VDC), while in other cases village chiefs selected a subsidy monitoring committee that jointly worked with the village chief and the VDC.

While registration was meant for those that qualified to receive the fertilizer (i.e., the resource poorer, orphans, the aged, chronically ill or those affected by HIV/AIDS), most village chiefs considered all the people in the village as being poor, hence they simply registered each household in the village. Thus most of the chiefs that were consulted indicated that it was difficult for them to choose a few farmers amongst many of the poor. Furthermore, communication from the mass media (especially the radio) and Ministry of Agriculture authorities indicated that the subsidy was for every smallholder farmer as long as they had farm land. This became a problem at the time of distributing coupons because in most cases the coupons were fewer than the number of registered beneficiaries. In different parts of the country, chiefs and the communities resorted to various strategies in an effort to achieve equity in distributing the few coupons.

Issuing of coupons was from the District Commissioner’s Office (DC) to the Traditional Authority (TA) who distributed the coupons to his Group Village Headmen (GVH) who worked closely with their Village Development Committees<sup>5</sup>. The GVH in turn distributed the vouchers to their village headmen. In some cases village chiefs informed all the villagers about the registration process and the number of coupons that had been issued for the village, and together with the community they had to agree on the distribution criteria. In some cases delivery of coupons preceded registration/identification of beneficiaries and in some cases it was the opposite. Much confusion arose when delivery of the coupons preceded registration because of the few coupons that were distributed to most chiefs.

Due to shortage of coupons, most households went away with only one coupon implying only one type of fertilizer (either basal or top dressing). Those obtaining coupons had to pay K950 (about US\$6.80) per 50 kg bag. Majority of the smallholder farmers that were consulted felt this was on the high side for ordinary farmers. They therefore recommended that the price should be reduced to K700 (about US\$5) per 50 kg bag of fertilizer. In some cases up to three households had to be allocated one coupon. This

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<sup>4</sup> Implying the government subsidised fertilizer.

<sup>5</sup> A Group Village Headman/woman is in charge of a cluster of several village headmen/women. A Village Development Committee (VDC) oversees developmental issues at GVH level, i.e., a cluster of villages.

meant contributing money to raise the K950 and later sharing the 50 kg bag of fertilizer amongst themselves. This problem was pronounced for fertilizer unlike for seed, as almost each household received a pack of either hybrid or OPV maize seed<sup>6</sup>. In certain instances, the chiefs and their people agreed to issue the few coupons to only those households that could afford the K950.00. In extreme cases people simply went away with a dish of fertilizer weighing about 15 kg (Plate 1).



Plate 1: Sample of basin that was used in some places

In some situations, especially in areas close to urban centres, it was largely the business community (those involved in trading and other businesses than farming) that ended up benefiting because they could easily raise the K950 from their businesses. This deprived the real targeted beneficiaries. In places where cash for work programmes were implemented, some households that on their own could not raise the K950.00 managed to do so through participating in the programme.

### 5.3 Type of Inputs and Coupons

#### 5.3.1 Inputs

##### *Fertilizer*

The 2006/07 subsidy programme focused on maize as a food crop and tobacco as a cash crop. There were therefore two fertilizer packages, one for the maize crop and the other for tobacco. The package for maize comprised 23:21:0 +4S (NPK + S) for basal dressing and Urea for top dressing while the tobacco package comprised of D Compound and Calcium Ammonium Nitrate (CAN).

Through the consultations, farmers were asked what would be their preference in situations whereby one was only given one option to get either basal type of fertilizer or the top dressing fertilizer. There was a general consensus in most areas that people would opt for the top dressing because they could substitute the basal fertilizer with organic manure.

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<sup>6</sup> The maize seed was free in the sense that as long as a farmer had a coupon and paid the K950.00, s/he was entitled to a pack of seed, 2 kg for hybrid maize and 4 kg for OPV.

The distribution of the types of fertilizer for the two crops (maize and tobacco) was pan-territorial. That is, the same types of fertilizers were distributed irrespective of the agro-ecological zones. However, farmers in the Lower Shire preferred CAN to Urea as top dressing fertilizer for maize. Their reasoning was that CAN works faster than Urea and hence does not require much rain. Thus owing to the low rainfall that the area receives, farmers feel C.A.N. would perform better than Urea.

### *Seed*

In addition to the fertilizer coupons, people also received a coupon for maize seed. The seed was basically free because farmers did not have to pay anything for the seed. Once a farmer purchased a bag of fertiliser, she or he was entitled to a pack of seed. There were two types of seed, different hybrids depending on the supplier and an Open Pollinated Variety (OPV). The hybrids were packed in 2 kg packages while the OPVs were packed in 4 kg packages. Farmers' perception of the seed package was that it was on the low side and they would have liked it if the quantity were increased to a minimum of 5 kg per household. Most of the smallholder farmers that were consulted preferred to have OPV<sup>7</sup> than hybrids on the basis that they can recycle the seed and that it is a bit more resistant to weevils compared to hybrids. The difference in pack size might have also contributed to the preference on OPV than hybrids. However, in some cases farmers had no choice because only one type of maize (either hybrid or OPV) was available.

Farmers' perceptions of the subsidy package were that they would like to have other types of crops included in the package. These include cotton for the Lower Shire, and groundnuts, soya beans, pigeon peas and beans for most of the areas visited. Some also indicated that pesticides for some of the crops should be included as a package. In areas such as Ntchenachena where horticulture is a potential commercial enterprise, people requested the inclusion of vegetable seeds and chemicals and pesticides as a cash crop as opposed to tobacco.

### **5.3.2 Type of Coupons and Value**

The coupons were of different colours depending on the type of fertilizer<sup>8</sup>. The price to be paid by the beneficiaries was indicated on the coupon. Maize farmers had to pay a subsidised price of K950.00 for a 50 kg bag of fertilizer while tobacco farmers paid K1450.00 for a 50 kg bag of fertilizer. Thus the farmers contributed about 24% of the real commercial price of fertilizer implying a 76% subsidy by the government.

The majority of the smallholder farmers we consulted liked the type of coupons. However, the major problem they experienced was that they could have a coupon for a particular type of fertilizer yet this fertilizer was not in stock in some of the distribution outlets. This forced the farmers to travel to distant places<sup>9</sup> where they could get the right type of fertilizer for the coupon they had in hand. In some cases, a farmer could have a coupon for fertilizer meant for tobacco yet the farmer does not grow tobacco.

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<sup>7</sup> Majority of the farmers however recognize the fact that yields for hybrids are higher than those of OPVs.

<sup>8</sup> This was advantageous for the illiterate farmers to easily identify the type of fertiliser by the colour of the coupon.

<sup>9</sup> Some farmers travelled as far as 20 km to get the fertilizer.

#### **5.4 Quantity and Quality of Inputs**

The 2006/07 subsidy programme distributed a total of 176,000 metric tonnes of fertilizer (156,000 mt for maize growers and 20,000 mt for tobacco growers ) compared to a total of 147,000 mt in the 2005/06 programme . The quality of both fertilizers and seeds was rated as good by most of the farmers that were consulted, except in few instances as in Zomba where it was reported that germination of certain types of maize was poor. This forced farmers to replant with either local varieties or other types of maize seed that they obtained on their own. Farmers also stated some of the criteria they use in assessing quality of both fertilizer and seed. In the case of fertilizer, the farmers look for the following quality attributes:

- Performance of the crop in the field;
- Purity (i.e., the bag must have no foreign substances such as sand);
- Clearly labelled bags with expiry date indicated; and
- Standard weight.

For seed, the farmers look for the following quality attributes:

- Purity;
- Expiry date on the pack;
- Size of grain (most farmers prefer the large-grained varieties);
- Germination percentage; and
- Yield.

Some input suppliers expressed concern that quality assurance is not quite guaranteed especially amongst the small-scale agro-dealers. This is because of their limited capital investment in the business. Thus most of the small-scale agro-dealers have limited space and do not have pallets on which to stack the input packs; hence they simply pile the inputs on bare cement floors. Furthermore, in an attempt to minimise costs, the agro-dealers rarely fumigate the seed while in their custody. Because of these practices, seed that is not sold by the agro-dealers and has to be returned to the original suppliers is often of lower quality and most usually ends up being discarded by the suppliers<sup>10</sup>. Along with the limited space, the small agro-dealers are forced to pile fertilizer alongside seed stacks and other products. Due to the chemical nature of some substances such as fertilizer which is hygroscopic, the quality of certain inputs is likely to be affected.

#### **5.5 Distribution Networks**

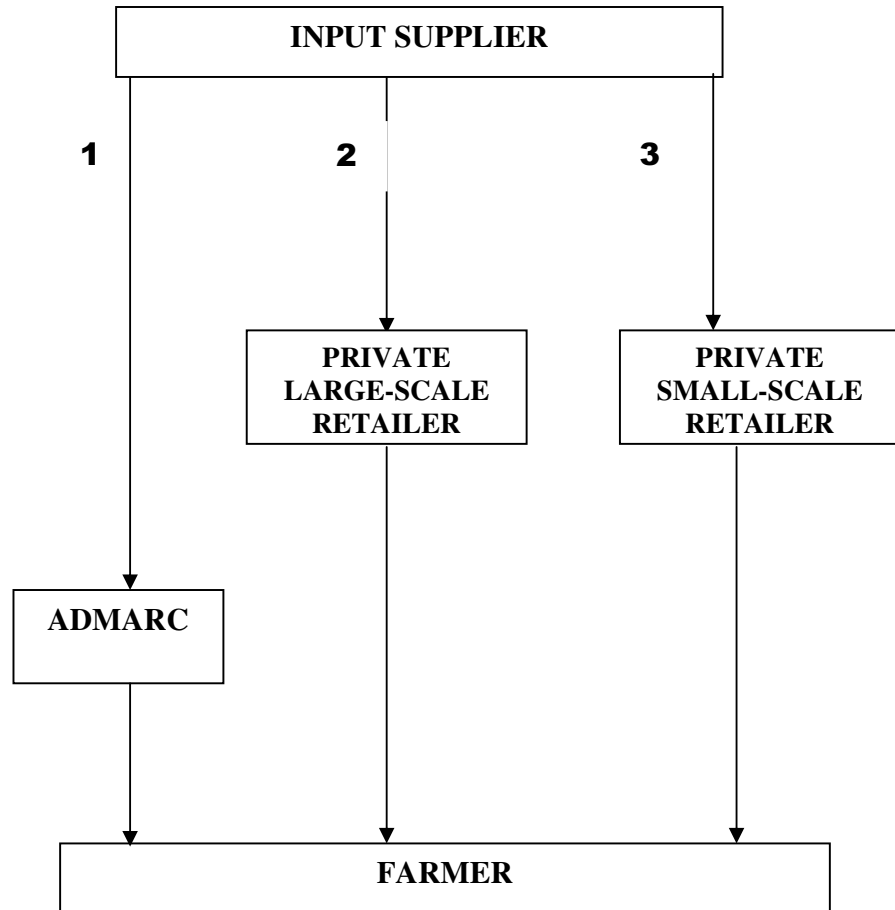
There were a number of outlets used by the fertiliser and seed companies for their commodities. Major distributors<sup>11</sup> that were involved included the Smallholder Farmers Fertilizer Revolving Fund of Malawi (SFFRFM), the Agricultural Development and Marketing Corporation (ADMARC) [both SFFRFM and ADMARC are parastatal organizations], Farmers World, Kulima Gold, Chipiku Stores, individual small-scale agro-dealers and the National Smallholder Farmers' Association of Malawi (NASFAM).

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<sup>10</sup> Any seed with less than 80 percent germination percentage is disregarded/rejected

<sup>11</sup> Profiles for some of the major input companies were presented in the Phase 1 output (Kachule and Chilongo 2007).

The fertilizer<sup>12</sup> and seed companies supplied the inputs to these outlets where farmers could come with their coupons to buy the fertilizer and get the free pack of seed if the beneficiary also had a coupon for seed. The basic input distribution channels are depicted in Figure 1.



**FIGURE 1: Inputs Distribution Channels**

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<sup>12</sup> SFRRFM handled its own fertiliser consignments, i.e., imported by itself and distributed to its own outlets in addition to the others.

## 5.6 Potential Benefits/Impact

There are a number of potential benefits associated with the programme as noted by the Ministry of Agriculture (Luhanga and Sungani 2007). They include:

- Improved food security at household level and increased maize surplus at national level as evident from the 0.5 million mt surplus in the 2005/06 season and 1.3 million mt in the 2006/07 season<sup>13</sup>. The two years that the subsidy programme has been implemented has resulted in increased maize production at household level which has translated into improved food security at household as well as national level. It is the first time since the mid-1990s that Malawi has registered surplus maize at national level to the extent of exporting to countries like Zimbabwe.
- The provision of 140,000 tons and 170,000 tons of fertilizer to about two million farmers in 2005/06 and 2006/07 respectively at less than a third of its market price led to estimated increases of 17 percent and 30 percent in fertilizer application (Whitworth 2007). Whitworth notes that the increase in fertilizer use was responsible for additional maize production in 2007 of the order of 600,000 - 700,000 tons, representing a 25% increase. This has resulted in a decline in the proportion of people living below the national poverty line from 50 percent to 45 percent between 2005 and 2006. Empirical evidence of bumper harvests is maize granaries full of maize in most homesteads as illustrated in Plate 2.



Plate 2: Sample of a Smallholder Farmer's Maize Granary

- Progressive increase in maize yield, i.e., from less than one tonne up to 2.04 MT/ha
- Growth and expansion of business
- Creation of competition amongst players
- Increased use of improved technologies

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<sup>13</sup> Records from the Ministry of Agriculture.

- Involvement of private sector has led to timely implementation of the programme due to their constant cash flow
- Increased per capita uptake of agricultural inputs (fertilizer and seed)

## **5.7 Commercial Benefits and Integration of Input Distribution Systems**

### **5.7.1 Benefits to the Commercial Sector**

Most private sector companies participating in the subsidy programme indicated that the programme increased their sales volume. The programme provided an assured market in the sense that once the packs were exchanged for the coupons, the supplier was assured of payment. The programme also strengthened the operational base of input dealers and created employment through opening up of some ADMARC markets that were previously not operational. The major concern is the uncertainty with respect to continuity of the programme. Thus suppliers are not certain how long the government will continue with the programme, making investment decisions difficult. But in general, the private sector was satisfied that it was more involved during the 2006/2007 subsidy programme, unlike the 2005/06 programme.

There was an outcry however, from the small agro-dealers that the voucher system crowded them out as very few of them were involved in the programme. This consequently reduced their market share significantly. Most agro-dealers were not involved because they lacked capacity such as storage facilities. In addition, some input suppliers claimed that other small agro-dealers had a bad track record of loan repayment since most of these input are supplied to them on credit.

### **5.7.2 Integration of Formal and Informal Input Supply Systems**

The input supply systems in Malawi can be categorized into formal and informal. The formal sector refers to companies and individuals that are registered and are legally accepted to participate in the agricultural input supply business. Since there is no fertilizer manufacturing company in Malawi yet, players in the fertilizer system are largely involved in importation, blending and local distribution of the fertilizer. For the seed sector, some companies are engaged in local production while others simply import the seed.

The informal sector refers to those entities, largely individuals, who are dealing in inputs without formal registration with the national registration system. Some are basically itinerant or street vendors. For the seed sector, there are some individuals who simply grow maize seed, especially the OPVs, by simply being affiliated to local groupings such as the Association of Smallholders Seed Multiplication Group (ASSMAG).

The government subsidy programme has tended to crowd out the non-commercial sector because of procedures followed such as invitation of tenders. The non-commercial sector does not participate in such programmes because they are not legally recognized, and also their operational levels are too small to meet the required quantities and quality standards.

On the other hand, some of the input programmes, largely those implemented by the NGOs, have tended to integrate the commercial and non-commercial sectors. This has usually been the case in situations where the implementing agents organize seed fairs as discussed in Section 1.1.2. In such cases both commercial and non-commercial players are allowed to participate in the fairs as long as they meet the criteria set by the local implementation committee. Such arrangements enable some beneficiaries to access locally available inputs of their choice, especially those from the non-commercial sector.

## **5.8 Challenges/Problems**

### **5.8.1 Sustainability**

One of the questions amongst most farmers is on the continuity and sustainability of the subsidy programme based on the fact that the programme heavily depends on government funding, yet no clear sustainable financing strategies are yet in place.

The 2006/07 agricultural season saw a drastic increase in tobacco prices at the auction floors. This is a positive development, as prices have been low for at least the past 10 years. The high tobacco prices could be an incentive for ordinary farmers to venture into production of the crop. This being the case, and if no proper strategies are put in place to include a variety of other cash crops in the subsidy programme, chances are that most of the farmers may divert fertilizer meant for maize into tobacco production. This could reverse the increasing maize production trend, thereby reverting to a situation of food insecurity.

### **5.8.2 Logistical**

There were a number of logistical problems associated with the subsidy programme. One of the major problems was lack of clear criteria on who to register for the subsidized fertilizer and the subsequent issuing of fewer coupons than the number of registered beneficiaries. This problem was highlighted in all the places that the research team went to. In addition to fewer coupons, the following were some of the logistical problems that were experienced in the programme:

- i. Registering of beneficiaries in advance of coupon distribution. This caused conflicts between VDC members and community members who were registered but did not receive a coupon because too few coupons were made available from the District Commissioner's office.
- ii. Some input dealers especially in the seed sector expressed concern about the way tendering was done. They indicated that the tenders were open even to companies and individuals that are not officially registered and have no substantial investment in the seed industry to assure quality. As a result, some of the supplies were basically grain and not seed from a technical point of view. This disadvantages those industries whose sole activity is seed production and processing.

- iii. Seed suppliers noted that much of the publicity about the subsidy programme is on fertilizer and not seed. Furthermore, there have been no consultations between government and the seed suppliers on the logistics of the subsidy programme for proper planning by the suppliers.
- iv. Unavailability of coupons in some places resulted in large amounts of input (seed and fertilizer) returns at the end of the programme. This was expensive on the part of the suppliers.
- v. In some cases lower quantities of inputs were available compared to the number of coupons, such that people did not use the coupons and they still had the coupons at the time of the interview.
- vi. Some seed companies had a lot of returns from ADMARC because ADMARC restricted sales to the vouchers only and not for cash. In addition, some companies alleged that ADMARC had a system of selling one type of input at a time. The private sector therefore is of the view that this partly contributed to the seed returns.
- vii. Timing of the subsidy programme caused some problems amongst some seed suppliers in the sense that information on the coupon value and pack size was not communicated on time (i.e., late decision by government on the implementation of the programme). Late planning and implementation also resulted in coupons being delivered as late as January in some cases.
- vi. Stakeholders feel there was a mismatch between the quantity of fertilizer issued (50 kg bag) and the quantity of seed (2 and 4 kg). Ideally the 50 kg fertilizer bag should go along with a 5 kg seed pack. This has not been the case.
- vii. For some seed companies, a 5 kg pack is the minimum economical size, yet the subsidy programme had 2 and 4 kg packs for hybrids and OPVs, respectively. It is costly in time and material to pack 2 kg packages as the companies are forced to do because the smallholder farmers are unlikely to top up for the 5 kg pack.
- viii. The delay in information flow also causes congestion at packaging industries because they get flooded with orders. Preference from most companies is that detailed and clear information must be released by July of each year that the programme is to be implemented. Some seed companies would even prefer to have such information three years in advance to allow planning in seed production and processing. Otherwise *ad hoc* type of information results in imports of seed that might not be suitable for the Malawi environment.
- ix. Radio announcements by government created unnecessary expectations amongst the farmers in the sense that farmers expected that each one of them

was to get a set of coupons (two for fertilizer and one for seed), yet in reality this was not the case.

- x. Timing of the cash-for-work programmes was a problem, though the programme itself was highly commended by most communities, in the sense that it helped them to raise cash that they used to buy the fertilizer. Most people indicated that the cash-for-work programme was implemented very late in the sense that it coincided with the distribution of coupons and fertilizer.
- xi. Availability of wrong types of fertilizer, i.e., in most cases, there was either too little or too much of one type of fertilizer or the other. For example, some outlets stocked more of the tobacco fertilizers, yet people wanted fertilizers for maize and in some instances only one type of maize fertilizer was available (either basal or top dressing fertilizer). In some places, people had coupons for a type of fertilizer not available at the distribution point. This forced people to travel to distant places looking for the right type of fertilizer that matched the coupon they had. Some travelled for distances of over 20 km, thereby increasing the cost of the fertilizer to more than K950 from the farmers' point of view because they had to pay for their own transport and that of the fertilizer bag/s.
- xii. Farmers, especially in the Lower Shire, feel that Urea is a wrong type of fertilizer because it requires more moisture to dissolve than the area often receives. The people of Lower Shire would therefore prefer C.A.N. to Urea.
- xiii. Some coupons were rejected on the basis that they were duplicates (not original copies) despite being distributed by the authorities.
- xiv. Some stakeholders expressed concern that the donor (DFID) imposed a lot of regulations and that it (DFID) engaged a private business individual as a monitor, yet he was also an interested party as a supplier of some of the inputs.
- xvii. No identity on the coupons in terms of the type of seed used which would easily identify the supplier and make it easy to redeem the coupon for its money value. This resulted in some cases of coupons of one supplier finding their way to another supplier. To this, there was a suggestion that the design of the coupon should leave a space where the suppliers are indicated.
- xviii. Delayed payments stifle operations of some companies. For instance at the time of the consultations (May/June 2007), some companies had not yet been paid.
- xix. The redemption procedures are considered cumbersome by some of the players<sup>14</sup>.

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<sup>14</sup> The process is as follows: the dealer (final outlet) reconciles the coupons according to supplier, the supplier has to confirm the reports from the dealer then sends the coupons and an invoice to the donor who

## 5.8 Fraud/Corrupt Practices

Several cases of suspected corruption and fraud were reported by the farmers and other stakeholders. Such alleged incidents of corruption and fraud included:

- i. There was no transparency in some cases amongst chiefs, VDC and subsidy committee members. This made people suspicious of some fraud and corruption.
- ii. Bribes being given at various levels (during registration and issue of coupons by chiefs and other local leaders and at distribution points). For instance, at distribution points, the farmers reported that they had to pay bribes to get the subsidized inputs and/or buy the inputs in time. In addition, in most cases, the farmers did not receive their change in cases where the currency denominations were more than K950. Associated with this were cases whereby sellers in some outlets demanded extra payments for one to be served quickly. Because of this a farmer could pay up to K1500 (US\$10.90) per 50 kg bag instead of the K950 (US\$6.80). Those farmers that could afford it had no choice because of the congestion in most of the outlets and also considering the fact that some travelled long distances to the distribution points.
- iii. Some chiefs were suspected of releasing fewer coupons than they had received and selling the remaining coupons. The chain of fraud started from the TA to his GVH, the VDC and then to the village chiefs and finally the subsidy committee in cases where these were instituted. This meant that fewer coupons remained for the intended beneficiaries.
- iv. Some chiefs influenced the selection of the subsidy committee and the VDC members to participate in the implementation of the programme. This created suspicion amongst members of the community in that it was a deliberate move by the chiefs to control the committees and mismanage the programme.
- v. In some cases, ghost names were registered at village level, and the concerned village chief either sold those coupons or issued them to his close relatives.
- vi. Deliberate withholding of stocks by some distributors and asking for bribes from the beneficiaries.
- vii. Even though there were no cases of forgery of the coupons, there is a concern that the type of coupons in use is amenable to forgery, hence the need for coupons that cannot easily be forged.
- viii. In some cases it was reported that the fertilizer was purchased by unintended beneficiaries, mostly vendors who either bought coupons from farmers or obtained coupons fraudulently and purchased fertilizers in large quantities for resale in other

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in turn has to verify the invoice based on the coupons. The process becomes cumbersome considering the many outlets that a single supplier has to deal with.

markets at commercial rate<sup>15</sup>. This tendency was catalysed by some beneficiaries who exchanged coupons for other items than fertilizer and seed.

## **5.9 Government's Views on Sustainability and Continuity of the Programme**

### **5.9.1 Sustainability**

The government recognizes the importance of the subsidy programme in terms of maintaining household level food security and national reserves of the country's staple food. The 2006/07 fertiliser (and seed) subsidy programme cost the Malawi government over MK 8 billion (US\$57,142,857) which represented 8.3% of domestic expenditure and 2.8% of Gross Domestic Product (GDP), Whitworth, A. (2007). Mindful of the cost implications of subsidies and in an effort to relieve itself from the burden of subsidizing agricultural production, the government is advocating sustainable production systems whereby the smallholder farmer should have affordable technologies without looking to the government for support, except where necessary like creating a favourable environment for effective and efficient agricultural production and input and output marketing system. One of the government's thrusts is therefore to advance soil fertility enriching technologies such as agro-forestry so that the farmer does not always mine the soil without replenishing for the next season's production. In addition to this, the following are some possible strategies for sustainability:

- Inclusion of a range of cash crops in the programme in accordance to climatic conditions;
- Strengthening farmer organizations to increase their bargaining power;
- Establishing revolving funds within the farmer organizations for farmers to borrow with the intention of investing in farming activities;
- Building capacity amongst smallholder farmers to manage the farmer organisations and to consider farming as a business not just for subsistence;
- Establishing village grain banks whereby communities will stock various commodities from their own production either for sale or as a reserve to be used in lean periods. The system is proving to be a success in some of Actionaid – Malawi operational areas (Kachule *et.al.* 2007);
- Diversifying into other enterprises such as livestock and agro-processing in order to increase the financial base and also to avert various forms of risk.

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<sup>15</sup> In some cases, especially in the northern region, coupons were found with foreigners (Tanzanians), depriving the intended Malawian beneficiaries.

### **5.9.2 Continuity**

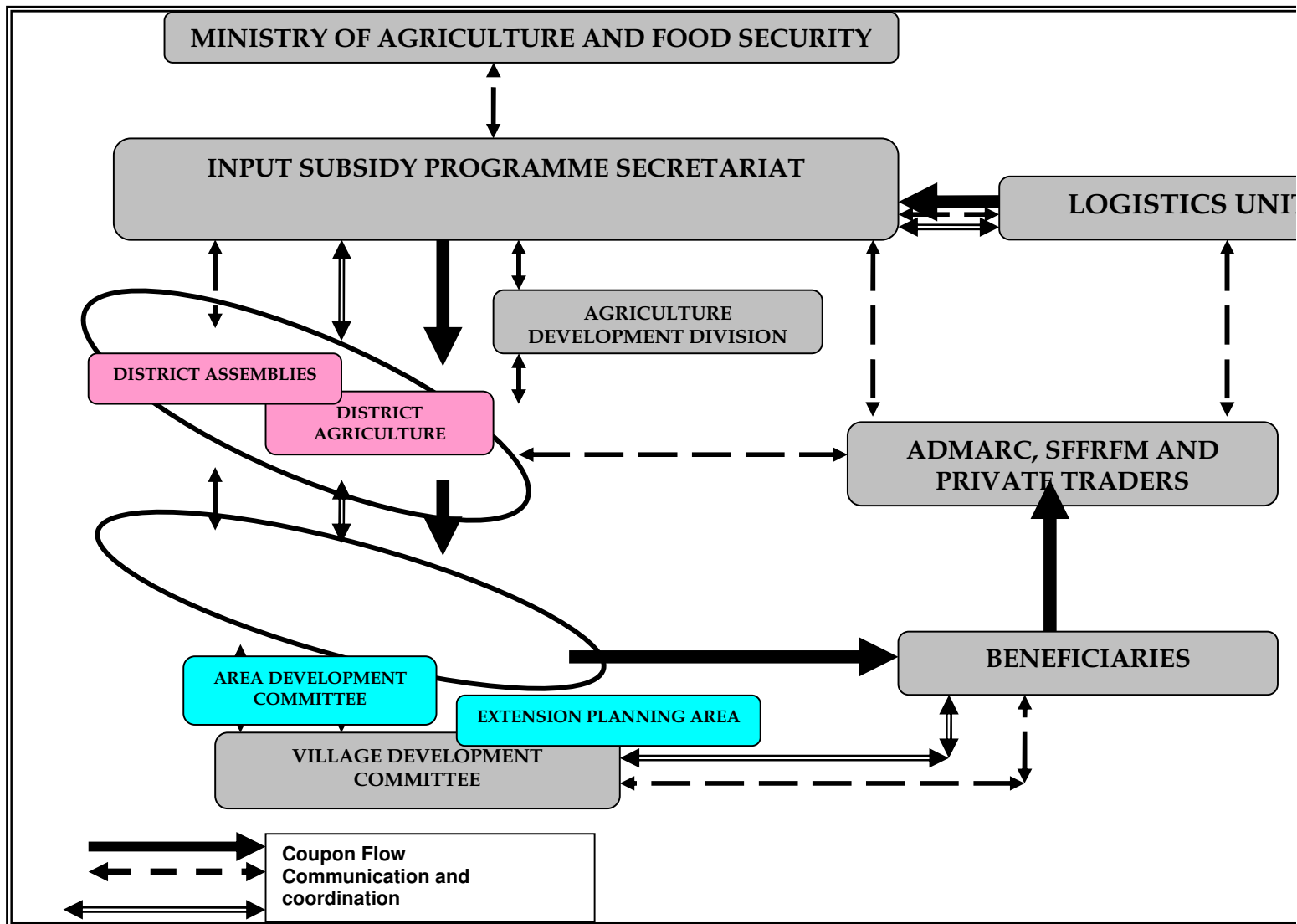
Based on the foregoing discussion in section 5.9.1, it is not government's wish to continue subsidizing agricultural production. The government is keen to move the smallholder farmer out of the poverty trap by improving and promoting sustainable production and marketing systems. However, this remains a major challenge considering the fragile economy and the nature of the target group (illiterate and resource poor community). In view of this, the government, with donor assistance, is committed to continue the subsidy programme for at least the next four years while advancing its exit strategy of promoting sustainable, effective and efficient production and marketing systems.

#### *The 2007/08 Subsidy Programme*

As the government plans for the 2007/08 season, it has drawn some lessons from the previous seasons and made some improvements in the planned 2007/08 subsidy programme. These include the following:

**Targeted Beneficiaries, Volumes and Type of Inputs.** During the 2007/08 subsidy programme, the government will target 1.7 million smallholder farmers, and plans to distribute a total of 170,000 mt of fertilizer of which 150,000 mt is earmarked for those growing maize and the remaining 20,000 mt for tobacco growers. For maize seed, the government plans to distribute a total of 6,000 mt of improved seed. In addition to fertilizer and maize seed, the government will also distribute 1,000 mt of legume seed (400 mt ground nuts, 300 mt soya beans and 300 mt beans). For the fertilizer, the farmer will have to pay K900 (\$6.42).

**Management of the Programme.** The institutional arrangement is that the Management of the Ministry of Agriculture will provide overall policy guidance while the Secretariat will oversee the implementation of the programme and the Logistics Unit will continue to provide all the logistical support. The Agricultural Development Divisions (ADDs) will backstop the implementation in terms of monitoring and supervisory visits and the district agricultural staff will take a leading role in identifying the intended beneficiaries. This is quite in line with the request by most stakeholders for the active involvement of the local agricultural staff. The overall management is as presented in Figure 2.



**FIGURE 2: Subsidy Management Structure**  
**Source: Ministry of Agriculture**

**Beneficiary Identification.** One other improvement in the 2007/08 subsidy programme is the streamlining of the criteria for beneficiary identification as follows:

- A Malawian that owns a piece of land
- Vulnerable household, with low purchasing power
- Guardian looking after physically challenged persons who are unable to farm
- Hard working household
- Adopter of new technologies
- Resident of the village
- The vulnerable group -- child headed household, female-headed household, and elderly but hard working household.

A combination of these criteria will be used in identifying the beneficiaries and there will be one beneficiary per household registered. Pre-registration will be done and beneficiary identification will be done in an open forum. The registration will be facilitated by the AEDO in the presence of the Village Development Committee. The register of beneficiaries will be kept in the Village, EPA, District and ADD. A team will be constituted to verify the registers to ensure that the final figures match with the coupon allocation. The team will comprise of:

VDC  
Agricultural staff  
Community police and  
District Assembly.

The registers will later be published for purposes of transparency.

## **6. CONCLUSION**

The subsidy programme has been implemented in an *ad hoc* manner in the sense that there has been no clear policy guiding its implementation. The government is having to learn from experience, in that lessons from previous programmes are used to improve on implementation of the next/subsequent programme. The subsidy programme contributed to food security at household level and surplus at national level to the extent that Malawi has been able to export maize to Zimbabwe and donate some to Lesotho. Implementation of the programme has had problems in terms of reaching the majority of the intended beneficiaries. This has largely been attributed to a number of logistical hiccups coupled with suspected fraud/corrupt practices in the course of programme implementation as discussed in Sections 5.6 and 5.8.

The subsidy programme has not been effective in integrating the commercial and non-commercial inputs supply system in the sense that the programme has favoured large and well-established input suppliers to the disadvantage of the small-scale input dealers. There has however been some kind of integration of the two input supply systems through some NGOs that have organized seed fairs using the vouchers.

The government is committed to implement the programme for at least the next four years while putting in place sustainable measures to ensure continued and increased production of food as well as cash crops.

## 7. RECOMMENDATIONS

### 7.1 Enhancement of Potential Benefits

Much as the programme has contributed to improved food security at household level, the potential benefits of the programme can be enhanced by improving on logistical arrangements which should include:

- Development of clear selection criteria for the beneficiaries.
- There should be transparency at all levels of the programme starting from beneficiary identification to issuing of inputs.
- The programme must improve on timeliness as suggested by most of the stakeholders that were consulted who recommended the following implementation schedule of activities:

<b>Activity</b>	<b>Time/Period/month</b>
Beneficiary identification	June
Issue of vouchers/coupons	August
Issue of inputs	September

- Distribution points should be close enough to the beneficiaries, i.e., not more than 5 km, so that beneficiaries do not have to spend much on transport which eventually increases the cost of the inputs.
- The programme must also ensure that adequate quantities of all the inputs are stocked at the distribution points.
- The work-for-cash programmes should be well timed to balance with farmers' own labour demand for their fields and to ensure that participants in the programme benefit from the subsidy programme.
- Coupon distribution and fertilizer supplies should coincide with the marketing season when people have cash to buy the inputs. This will help farmers to plan their farming activities.
- The package must take into consideration different climatic conditions. Thus, the package must not be universal in terms of types of fertilizer and seed.

- Responsibilities of the subsidy implementation committees should not end at distribution of inputs; they must also monitor the fields of those that receive the inputs to ensure that they have actually used the inputs and not sold them.

## **7.2 Policy**

Having implemented the programme for at least two seasons and given that the government intends to continue the programme for the next few years as well, the government should now develop clear guidelines on how the programme is to be implemented. This will help all the stakeholders to plan and participate effectively in the programme.

## **7.3 Sustainability**

Government should promote sustainable production systems while implementing the subsidy programme to minimise shocks as the subsidy programmes phases out.

## **7.4 Anti-Corrupt/Fraud Measures**

The programme is associated with a number of alleged corrupt and fraudulent practices which should be avoided if the programme is to be more effective. The following are some of the ways in which fraud and corruption can be minimized:

1. Subsidy committees and the VDCs should be vigilant in identifying the beneficiaries from each of the villages for which they are responsible. Thus, a particular outlet point should be designated to serve people from specified villages and it should be the responsibility of the committees to identify the people from their respective areas.
2. Labelling the subsidy pack for easy identification from the other inputs that a supplier/outlet point deals with will minimize chances of the subsidy packages landing in the wrong hands.
3. The subsidy implementation team should work hand-in-hand with the shopkeepers at distribution points in monitoring the quantities of subsidy inputs delivered at particular outlet points. This justifies the need for distinguishing the subsidy packages from the rest of the inputs that the distributors deal in through labelling.
4. Chiefs must not be directly involved in distribution of coupons; they simply have to oversee the process to ensure that things are done properly without cheating and favouritism.
5. If registration is done on time, it is possible to have household names printed on the coupons<sup>16</sup>.

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<sup>16</sup> This option may however a problem in certain cases where names are common.

6. Local officials from the Ministry of Agriculture<sup>17</sup> should be actively involved in registration as well as issuing of the inputs, and not staff from the District Commissioner's Office<sup>18</sup>. This recommendation is on the basis that the local agriculture staff work closely with the communities, hence it is easy for them to identify the farmers.
7. Government must ensure that unauthorized and unregistered companies and individuals must not trade in fertilizers and seeds. This will assist to ensure quality of the fertilizers and seeds.
8. As the subsidy programme continues, government should consider diversifying the input package by including other crops such as vegetables, cotton, etc, depending on climatic conditions of particular geographic areas.
9. Some stakeholders like the EU propose the use of smart cards as a way of identifying the beneficiaries. The smart card would have an electronic scan of the beneficiary's fingerprint for identification. The card has the possibility of having multiple uses including purchase of specific inputs as well as savings which can be partitioned (referred to as 'pockets') on the card to which money value would be attached, such that one can neither exceed the printed amount nor use a particular allocation for a different purpose<sup>19</sup>. This technology is to be piloted in Dowa district during the 2007/08 (Raniel Leto: EU Malawi Office, personal communication). One of the drawbacks of this technology would be the initial capital investment.
10. Use of posters at all distribution points as Farmers World did at all its outlets. The posters indicated the appropriate amount that the beneficiaries were supposed to pay for each input pack and it also carried contact details for the beneficiaries to report any suspected fraud or corrupt practices by the officials.

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<sup>17</sup> This was noted as a success in Chinyolo Extension Planning Area of Rumphi Rural Development Programmes, whereby the involvement of local agriculture staff in the 2006/07 subsidy programme eliminated some of the fraud and corrupt practices which were prevalent in the previous programmes.

<sup>18</sup> It was argued that this is an agriculture activity, hence there is no justification to leave out the agriculture staff and involve staff from the DC's office who are not in the agriculture sector.

<sup>19</sup> Information obtained from the EU office is that the smart card technology is to be piloted in Dowa district in the 2007/08 season.

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**APPENDICES**

**Appendix 1 Sample of Input Voucher and Coupon**



Plan Malawi  
 P.O. Box 2000 Lilongwe  
 City Centre  
 P.O. Box 2000  
 Lilongwe  
 Malawi  
 Tel: +265 11 770 699/946/7507  
 Fax: +265 11 724 479  
 Email: malawi@plan-international.org  
 www.plan-international.org

**PLAN MALAWI RATION CARD / No**

Beneficiary Name: Abdullah Banda Sex (M/F): M Age 42  
 Head of the Family: Abdullah Banda Sex (M/F): M Age 42  
 Village: Wanthewa AC # \_\_\_\_\_  
 GVM: Mankhanga Family size: 6  
 TA: Mankhanga No. Of Children: 4  
 District: KAL No. Of children under five \_\_\_\_\_  
 Registration Date (dd/mm/yy): 1

Date	M (kg)	Beans (kg)	CSB Kg	Oil (Litres)		Signatures/print
				M	F	
Nov 2005	75	5				
Dec 2005	82	5				
Jan 2006	82	5				
Feb 2006	84	5				
March 2006						

## Appendix 2: CHECKLIST

### FOOD AGRICULTURE AND NATURAL RESOURCES POLICY ANALYSIS NETWORK (FANRPAN)

#### INPUT VOUCHER STUDY FIELD SURVEY QUESTIONNAIRE

#### INTRODUCTION

*Dear Sir/Madam,*

*This questionnaire is being administered to collect data on the potential benefits of using voucher systems to integrate the commercial and non-commercial (relief) input distribution channels.*

*In the distribution of relief inputs, there are two distribution mechanisms commonly utilized: (1) The Direct Distribution Method, and (2) The Input Vouchers.*

*Input Vouchers are designed to address the lack of access to inputs and allow farmers a choice of planting material, being programmed sometimes in conjunction with Input Fairs.*

*Your support in responding to this questionnaire will facilitate the ongoing regional effort aimed at improving the input supply marketing systems in the country, and in particular to develop rural input marketing systems.*

#### 1. RESPONDENT DETAILS

<b>DISTRICT/INSTITUTION</b>		
<b>EPA</b>		
<b>NUMBER OF PARTICIPANTS</b>	<b>Male</b>	<b>Female</b>
<b>DATE OF INTERVIEW</b>		

1.2 In relation to input supply and vouchers, which enterprise or activity are you involved in?

Input supplier	Government Staff	Seed producer	Stockist/trader	Other.....
----------------	------------------	---------------	-----------------	------------

If other, Please explain.....

1.3 What do you know about "Input Vouchers"?

1.4 What do you know about "Input Fairs"?

#### 2. REGISTRATION SYSTEM

2.1 Who, do you think should be involved in the registration process, and what role should they play?

2.2 How are the following identified in the voucher system?

- (a) Input suppliers.....
- (b) Beneficiaries.....
- (c) Quantity of inputs to be supplied in different areas, e.g. District, TA area, etc.....
- 2.3 What have been (would be) the merits and demerits of the system of identification above?
  - (a) Merits .....
  - (a) Demerits .....

2.4 How best do you think the identification should be done for the various categories?

CATEGORY	Method of Identification	Reason
Input Suppliers		
Beneficiaries		
Quantities to be Allocated		

2.5 What Other Issues do you want to say about how the registration should be done?

**3. TARGETING OF BENEFICIARIES**

- 3.1 How would you like the beneficiaries to be selected? [With my involvement] [Without my Involvement] [With involvement of local leadership] [Consultation among all Stakeholders] [By Independent/external Persons] [Other].....

3.1.1 Explain why you have selected any of the above

3.2 If selection criteria were required what kind of parameters would you like to be included?

- [Female headed households] [Those HH without food] [HH without assets] [Adolescent headed HH] [Orphan guardian families] [Those affected by HIV/AIDS] [Widows] [The elderly] [Others.....]

Any reasons for any of the above criteria?

3.4 How much of the voucher value would you like beneficiaries of vouchers to contribute?

- [100%] [>50%] [50%] [< 50%] [0%]

3.5 What prior capacity building or training would you need for you to participate in the voucher system effectively?

- [Formal short training] [A workshop] [Brochures] [Study tours] [Other.....]

**4. THE ROLE OF STAKEHOLDERS**

- 4.1 What role would you like the Government to play in the voucher system?
- 4.2 What role would you like the input suppliers to play in the voucher system?
- 4.3 What role would you like the voucher beneficiaries to play in the voucher system?
- 4.4 What role would you like the local community to play in the voucher system?
- 4.5 What role would you like the local leaders e.g. chiefs, to play in the voucher system?

- 4.6 What role would you like the international/donor agencies to play in the voucher system?  
 4.7 What role would you like the NGOs to play in the voucher system?  
 4.8 If you don't belong to any of the above categories, what role would you like to play in the voucher system?  
 4.9 Who else would you like to play a role in the voucher system? And what role?

**5. THE TYPES AND VALUE OF THE INPUT SUPPLY PACK**

5.1 Describe the types and quantities of inputs you would like to be included in the voucher input relief pack?

TYPE of INPUT	Specify Type			Quantity (KGs)			Importance/priority To the respondent*		
	Basal Dressing	Top Dressing		Basal Dressing	Top Dressing		Basal Dressing	Top Dressing	
Fertilizer									
Seed	Local	Hybrid	OPV	Local	Hybrid	OPV	Local	Hybrid	OPV
Other									
Other									

\*The lower the number assigned, the higher the importance/priority

- (b) Explain the reasons for the selection of the types of inputs  
 (c) Explain the Reasons for the quantities  
 (d) Explain the reasons for the priority ranking

5.2 What is the normal geographical source for the inputs selected in table 2.1 (a) above?

[Within the community] [at district level [imported] [from Central Government] [Other.....]

5.3 Who are the main suppliers of the inputs listed in table 2.1 (a)

[Local/community based NGOs] [External NGOs] [Local seed stockists/traders] [Government Departments] [Other.....]

**6. INPUT SUPPLY LOGISTICS**

6.1 How timely would you like the different stages of the voucher system to operate, and for which types of inputs?

	Time/Period/month			
	Fertilizer	SEED		
		Local	Hybrid	OPV
Beneficiary Identification				
Issue of Vouchers/coupons				
Issue of inputs				

- 6.2 What knowledge do you have about the logistical requirements for the voucher system?
- 6.3 How have you been (or would like to be) involved in the logistics of voucher systems.
- 6.4 If you have been involved in voucher systems, what problems did you observe/experience on logistics?
- 6.5 If you have been involved in vouchers, what's your comment on transparency with respect to the following processes?
- Tendering
  - Beneficiary registration
  - Issuing of vouchers
  - Issuing of inputs
  - Voucher redemption
- 6.6 If you have not been involved, what should be done to ensure transparency in the system?
- 6.7 Any suggestions on design or colour of vouchers?
- [colours must differ with value] [small denominations also] [changeable for cash] [other.....]
- 6.8 Should vouchers always be provided through input fairs?
- [yes-all the time] [not really] [yes-sometimes] [other.....]

## 7. MARKETING ARRANGEMENTS

- 7.1 How do you think the subsidy/relief vouchers programmes affect (or will affect) the operations/performance of the input supply markets?
- 7.2 How far should the input supply centres be for redeeming the vouchers?
- [Within the community/village] [at the district level] [At seed fairs] [Other.....]
- Explain why? .....

## 8. VARIETIES OF INPUTS

For input Suppliers

- 8.1 Which inputs did you handle in the voucher system?
- [Seed] [Fertilizer] [Chemicals] [Other.....]
- 8.2 For which crops were these seeds?

For Beneficiaries

- 8.3 Which inputs did you receive in the voucher system?
- [Seed] [Fertilizer] [Chemicals] [Other.....]
- 8.4 For which crops were these seeds?
- [Maize ] [Groundnuts] [Beans] [Cotton] [Others (specify.....)]
- 8.5 Which inputs would you like to receive using the voucher system?
- [Seed ] [Fertilizer] [Chemicals] [Other.....]
- 8.6 For which crops in case of seeds?
- [Maize] [Groundnuts] [Beans] [Cotton] [Others (specify.....)]
- 8.7 For each of the crops above, specify the varieties.
- Maize Varieties.....
- Groundnuts varieties.....
- Bean Varieties.....
- Cotton Varieties .....
- Others crops: (a).....(b).....(c).....
- For input Suppliers
- 8.8 What types of fertilizer did you handle in the voucher system?
- [23:21:0+4S] [Urea] [CAN] [Compound D] [Others (specify).....]

8.9 What types of chemicals did you handle in the voucher system and for which crops?

CROPS	CHEMICAL TYPE/NAME
<b>Cotton</b>	
<b>Tobacco</b>	
<b>Maize</b>	
<b>Other crop (a).....</b>	
<b>Other crop (b).....</b>	
<b>Other Crop ©.....</b>	

For input Beneficiaries (Can't this also go to the section, 'for beneficiaries'?)

8.10 What types of fertilizer did you receive in the voucher system?

[23:21:0+4S] [Urea] [CAN] [Compound D] [Others (specify).....]

8.11 What types of chemicals did you receive in the voucher system and for which crops?

CROPS	CHEMICAL TYPE/NAME
<b>Cotton</b>	
<b>Tobacco</b>	
<b>Maize</b>	
<b>Other crop (a).....</b>	
<b>Other crop (b).....</b>	
<b>Other Crop ©.....</b>	

### 9. INPUT QUALITY

9.1 Do you define quality of inputs by any of the following general categories?

[Certification] [By physical appearance] [Other]

For specific inputs provide details on how you measure/perceive quality in the table below:

Type of Input	Measure of quality	Reason
Seed		
Fertilizer		
Chemicals		

9.2 Are beneficiaries satisfied with the quality of the different inputs being distributed through relief programmes?

Type of Input	Level of satisfaction with quality
Seed	
Fertilizer	
Chemicals	

9.3 What mechanism is being (or should be) used to ensure compliance to quality requirements?

[Certification] [Physical appearance] [Knowledge of source] [Other.....]

9.4 What problems are experienced on quality for the various inputs?

Type of Input	Problem experienced
Seed	
Fertilizer	
Chemicals	

9.5 What penalties, if any, are (or should be) imposed on any violations of compliance?

[Suspend the supplier] [Fine] [Confiscate inputs] [Other.....]

### 10. FRAUD/CORRUPTION ISSUES

10.1 What types, if any, of fraud have you experienced or come across?

[Favouritism in selection of beneficiaries] [Selling of vouchers] [Selling of inputs by the beneficiaries]

[Input suppliers dubiously identified]

[Other(specify).....]

10.2 What suggestions would you like to make for overcoming fraud in the voucher system?

## **11. CONCLUSION**

Is there anything else you would like to say about input supply in general and voucher system in particular?

- (a) Input Supply
- (b) Voucher System

*Thank you for your time.*