

Improvement of Malawi's Farm Input Subsidy Program (FISP)

Learning from ISP best practices

Nairobi, 23th August, 2017



Outline

1. Overview of FISP implementation between 2005/06-2015/16

2. FISP improvements during 2016/17 campaign

3. What did we learn so far

4. Best practices from other programs

5. What should be done differently

6. Possible farming models for Malawi's FISP sustainability

- In 2016 AGRA Commissioned a study in 10 countries after requests from Ministers
 - ☞ In-depth country diagnostics including stakeholder consultations
 - ☞ Analyzed what works and made proposals
- In Dec 2016, a synthesis report and individual country reports were validated and recommended in further country validation of findings
- AGRA President visited and engaged Ministry officials/partners and Ministry of Finance
- AGRA hired an expert/consultant to further engage in country to propose improvement in Malawi's FISP
- Reviewed best practices globally
- Undertook further consultations with in-country partners [USAID, DFID, World Bank, EU, PS, FBOs, among others]
- Next steps: presentation of the final proposals to Government

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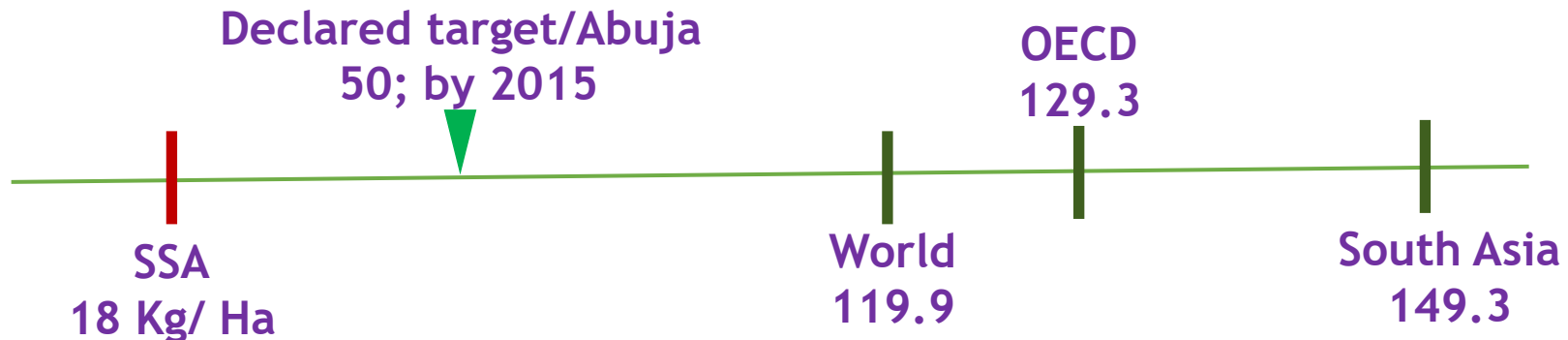
VII. Stakeholders consultations

1.1. FISP-historical context

- Like other African countries, Malawi employed general and credit subsidies during 1970s and 1980s to stimulate food production, leading to high levels of maize self-sufficiency.
- However, with donor pressure to abolish state-led interventions, these subsidies were eliminated in early 1990s.
- In the late 1990s, Targeted Input Subsidy (TIP) was introduced as a result of persistent food crises, mostly exasperated by drought.
- This was followed by the Extended TIP (1998 to 2004) and FISP from 2005/06 to date.
- Malawi has, therefore, implemented the first generation (universal subsidies) and second generations (smart subsidies).

- The national scale FISP implemented in Malawi has been heralded as an “African green revolution” success story.
- The programme was developed by the Malawian Government in response to long-term recurring food shortages, following the notably poor maize harvest of 2005.
- Reports indicate that poor production in 2004/5 was caused by a combination of poor rains and late and limited commercial fertilizer deliveries and sales.
- The Malawi success has certainly influenced development of agricultural input subsidies in other countries (Tanzania, Zambia, Kenya, Rwanda, etc.).

- ➔ The resurgence of the subsidies in SSA was due to two major factors:
 - ☞ The “success” of the pioneering 2005/6 fertilizer subsidy program in Malawi;
 - ☞ Resolution 5 of the “Abuja Declaration on Fertilizers for an African Green Revolution (the main outcome of the AU/NEPAD Africa Fertilizer Summit).
- ➔ However, to date average fertilizer use (Kg/ha) in SSA is still low:



Abuja Declaration (2006) aimed to achieve the target through “Smart Subsidy” programs that will increase: (i) private sector participation and (ii) improve access to fertilizers by small-holder farmers

1.2. FISP- original objectives

- ➔ The core stated objective has consistently been to raise household and national food security, and food self-sufficiency by improving resource-poor smallholder farmer's access to improved agricultural inputs (fertilizer and seed).
- ➔ Later years of the programme have given greater emphasis to concerns for vulnerable farm households.

1.3. FISP-policy alignment

- ➔ The overall objective of Malawi's Agriculture Sector Wide Approach (ASWAp) is to improve food security and generate agricultural growth through increased productivity of food and cash crops, while ensuring sustainable use of natural resources, contributing to the UN Development Goals and harmonizing government and donor procedures based on the Paris Declaration

- ➔ ASWAp Major Pillars
 - Food Security and Risk Management (FSRM),
 - Sustainable Land and Water Management
 - Commercial Agriculture,
 - Agro-processing and Market Development

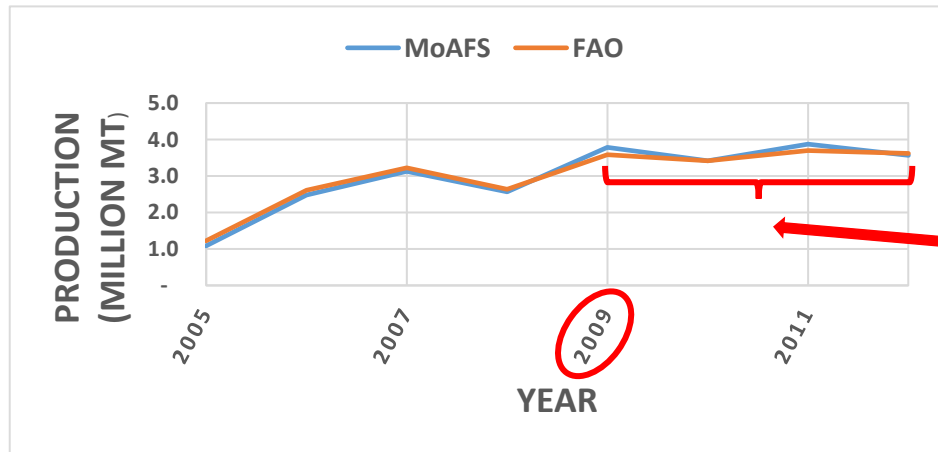
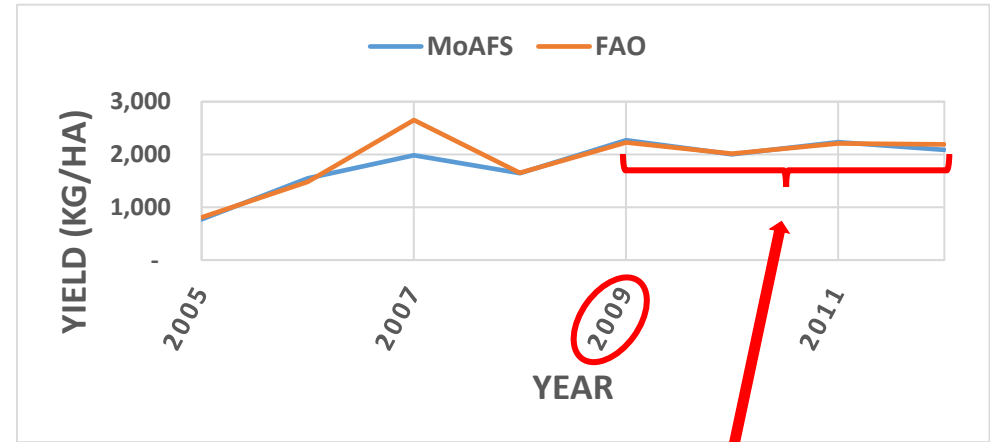
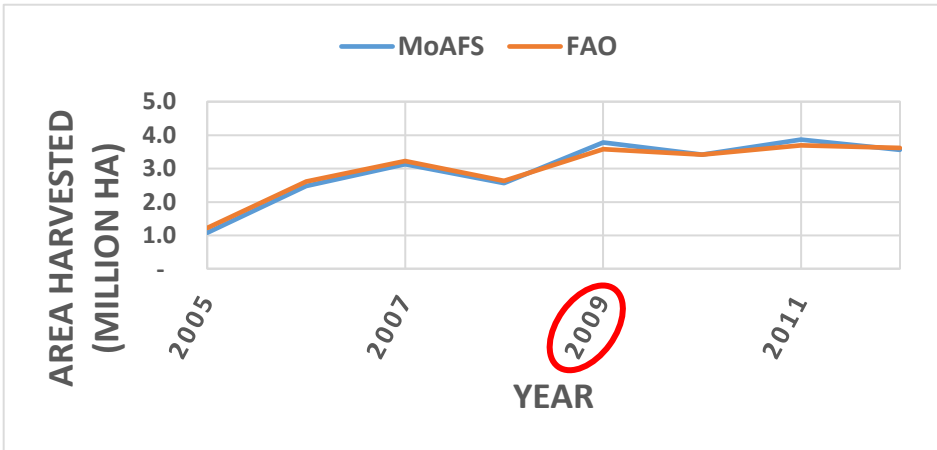
- ➔ Farm Input Subsidy Program (FISP) is a part of FSRM pillar

1.4. FISP-main program achievements

- The main justification for implementing FISP has been to improve maize productivity and achieve food security at household and national level.
- Initial evaluations indicated that production doubled within one harvest season following FISP deployment (from 1.2 million MT in 2004/5 to 2.6, 3.2, 2.8, 3.8, 3.4, 3.8, and 3.6 million MT in the seven subsidy years 2005/6 to 2011/12) and yield increased significantly.
- Success factors for productivity and production increase appeared to be the results of use of hybrid seed, increase of overall maize area and readiness of soil response to mineral fertilizer application.
- Other non-inputs factors include better targeting, proximity advisory services, etc.
- Beneficiary farming farmers reported improvements in household and community food security as a result of the subsidy programme.

Impact of FISP on production

After initial increases, Yield and Production has stalled since 2009



Yield ~ 2t/ha

Production ~3.6Mill MT

Source: Re-evaluating the Malawian Farm Input Subsidy Program. Messina, Peter and Snapp, 2017

FISP vis. agricultural sector spending*

Year	FISP cost (million US \$)	fertilizer distributed ('000 MT)	public expenditure (million US \$)	FISP costs % share of public agricultural spending
2011	106	149	345	30.8
2012	77	177	355	21.6
2013	95	213	350	27.1
2014	157	208	352	44.5

**Source: Taking Stock of Africa's Second Generation Agricultural Input Subsidy Program, 2000-2015. Jayne, Mason, Burke and Ariga, 2016*

1.5. Key features of FISP 2005/6-2015/16- Implementation arrangements



- ➔ The Program is implemented by the Ministry of Agriculture, Irrigation and Water Development Department (MoAIWD), structure that include:
 - ☞ FISP Coordination Unit, embedded under the department of Crop Development
 - ☞ District Commissioners
 - ☞ District Agricultural Development Officers
 - ☞ Extension Planning Areas
- ➔ Institutional roles
 - ☞ Ministry's Management provides overall policy guidance
 - ☞ FISP Coordinating Unit oversee the implementation of the program
 - ☞ Logistics Unit provides logistical support
 - ☞ ADDs to backstop the implementation, mainly conducting monitoring and supervisory visits
 - ☞ The districts implements the program

Key features- beneficiaries and subsidy package

- The number of smallholder farmers in the FISP at the start of the program in 2005/06 were 2.6 million but has been 1.5 million (about 36% of farm household) per year from 2012/13 through 2014/15

- Each beneficiary received paper vouchers for fertilizer, maize seed, and legume seed:
 - ☞ Two fertilizer vouchers (for one acre of maize cultivation): one for a 50-kg bag of NPK as basal dressing, and one for a 50-kg bag of urea as top dressing
 - ☞ Farmers paid a fixed amount and the rest by the Government
 - ☞ The fertilizer subsidy varied between 80% and 90% depending upon the prevailing global fertilizer price
 - ☞ One maize seed voucher for 5kg of hybrid maize seed or 8kg of OPV maize seed for free
 - ☞ One legume seed voucher for 3kg of soybean seed or 2kg of other legume seed (beans, cowpeas, pigeon peas, or groundnuts) for free.

Size distribution of farms (% of farms by size)*- to inform targeting criteria

Farm size in hectares	Malawi (cumulative)	Belgium (cumulative)	USA
≤ 1.0	77.7**	14.6	-----
1-2	17.3	8.5	-----
2-5	5.0 (100)	15.5 (38.6)	10.6
5-10	0.0	14.8	7.5
10 +	0.0	46.6	81.9
Avg. farm size (ha)	0.7	16.1	187.0

* *Land Misallocation and Productivity: Diego Restuccia & Raul Santaculalia, 2014*

**Farmer pre-registration will provide disaggregate data by land holding

Key Features- **beneficiary*** selection process

- **First**, the Ministry of Agriculture, Irrigation and Water Department (MoAIWD) allocates vouchers to districts in proportion to their number of farm households
- **Second**, within each district, the District Commissioner, in conjunction with the District Agricultural Development Officer, traditional authorities, NGOs, and religious leaders determine how to allocate the district's vouchers to Extension Planning Areas (EPAs) within the district, and to villages within the EPAs.
- **Third**, within each village, beneficiary village residents are to be selected through community-based targeting in open forums.

**Has to be full time farmers that can not afford one to two bags of fertilizer at market price.
Priority given to resource poor household*

1.6. FISP: Implementation of the pilot E-voucher

- Till 2014/15, fertilizer vouchers were redeemed at government-run outlets - ADMARC and SFFRFM locations. In 2015/16 private retailers/dealers participated and accounted for 27% of the total fertilizer market.
- Farmers get their seed from registered, private agro-dealers' shops in exchange for vouchers
- The private sector gets payment from the Reserve Bank of Malawi after reconciliation of the vouchers by the Logistical Unit and approval from MoAIWD
- Until 2013/14, all FISP vouchers were paper, but an electronic voucher (E-voucher), system was piloted for seed in six Extension Planning Areas (EPAs) in 2013/14 and expanded to 18 EPAs in 2014/15.
- Fertilizer E-vouchers were piloted in 2014/15 in the six EPAs where seed E-vouchers had been piloted in 2013/14

Paper Voucher

- Initially Government printed paper vouchers, but they were duplicated easily
- In the last several cycles, DfID had the vouchers printed in UK to increase security but in 2017 the printing support will be discontinued
- Paper vouchers are subject to manipulation at various levels
- Reconciliation of vouchers is long and tedious

E-Voucher*

- 95% of beneficiaries in pilot EPAs preferred e-voucher and found it to be more secure and less prone to manipulation
- More than 40% savings in administration costs
- Relatively quick reconciliation than paper vouchers
- Implementation hampered by slow internet connection and a lack of network coverage

**Discontinued in favor of paper voucher for 2015/16 and 2016/17 campaigns due to network issues*

1.7. FISP 2005/6-2015/16- which lessons?

- FISP constitutes a large part of MoAIWD budget but the results are mixed
- Subsidy levels on farm inputs (government contribution) remained very high
- After initial increases the maize yield and productivity have stagnated probably due to:
 - ☞ Lack of shift in beneficiary targeting
 - ☞ Delayed FISP budget approval and program announcement resulting in late delivery of vouchers, procurement and distribution of inputs
 - ☞ Lack of deployment of other complementary interventions (e.g. soil fertility improvement and development of new fertilizer recommendations, proximity extension services, etc.
- Government parastatal's (ADMARC and SFFRFM) involvement in fertilizer distribution and marketing was crowding out private sector
- Fertilizer and seed quality control system remained weak
- Non existent monitoring and evaluation

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2.1. Key FISP changes- during 2016/2017 season

Key FISP changes for 2016/17 campaign

Description

- ➔ The value of Government contribution was fixed as opposed to farmer contribution (fixed voucher values for fertilizer and seed packs)
- ➔ Government subsidy on fertilizer reduced to about 75%
- ➔ Close to 100% of fertilizers was retailed by private sector. SFFRFM managed the procurement process on behalf of MoAIWM. 21 fertilizer companies and 14 seed companies participated
- ➔ Central beneficiary selection was adopted as opposed to the involvement of local leaders
- ➔ Targeting of productive poor farmers was piloted in two districts
- ➔ Total number of beneficiaries reduced to 900,000 from 1.5 million; about 21% of farming population supported by the FISP
- ➔ Farmers contribution on provided package varied across the country

2.2. Effect of introduced changes in FISP 2016/17

Effect of fixed Government contributions

Positive effects

- Government operated within the budget (MK27 billion for fertilizers & MK6.75 billion for seeds)

Negative effects

- Wide variation in cost to farmers (i.e. MK5,500 to MK11,500 for a bag of fertilizer)
- Some farmers could not redeem the input vouchers because of lack of funds to pay their share

Increased private sector participation

Positive effects

- Efficient procurement, distribution and retail of inputs
- In most cases, no problem with the availability of fertilizers & limited diversion
- In most areas farmers had wide choices as to where to buy inputs
- Allowed the private business to develop

Negative effects

- Limited number of dealers in several rural areas; farmers had to travel long distances
- Limited selling points in remote areas
- Quality of inputs could not be checked in rural areas
- Reported selling of vouchers by farmers

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3.1. Lessons learned: FISP 2005/06 to date

- 1 Program design**
 - Need to clarify the strategic objective of the program from the beginning
 - The program graduation trajectory (exit timelines) has to be well defined

- 2 Beneficiary targeting**
 - Policy clarity on conditions of eligibility of beneficiaries
 - Adherence to pre-agreed selection process and criteria
 - A database/register of farming households is important for better targeting

- 3 Input delivery system**
 - A private sector-led input subsidy program is more efficient
 - A public sector driven program leads to (i) delays in inputs procurement, distribution and retail; (ii) late payment of inputs suppliers/agro-dealers

- 4 Timing**
 - Timely procurement and distribution of inputs matters
 - Timely payment of suppliers is important

- 5 Targeting mechanism**
 - E-voucher reduces transaction costs compare to the paper voucher
 - It increases traceability of input systems to reduce fraud
 - Allows timely payment of suppliers and provides a better means of monitoring and reconciling the scheme

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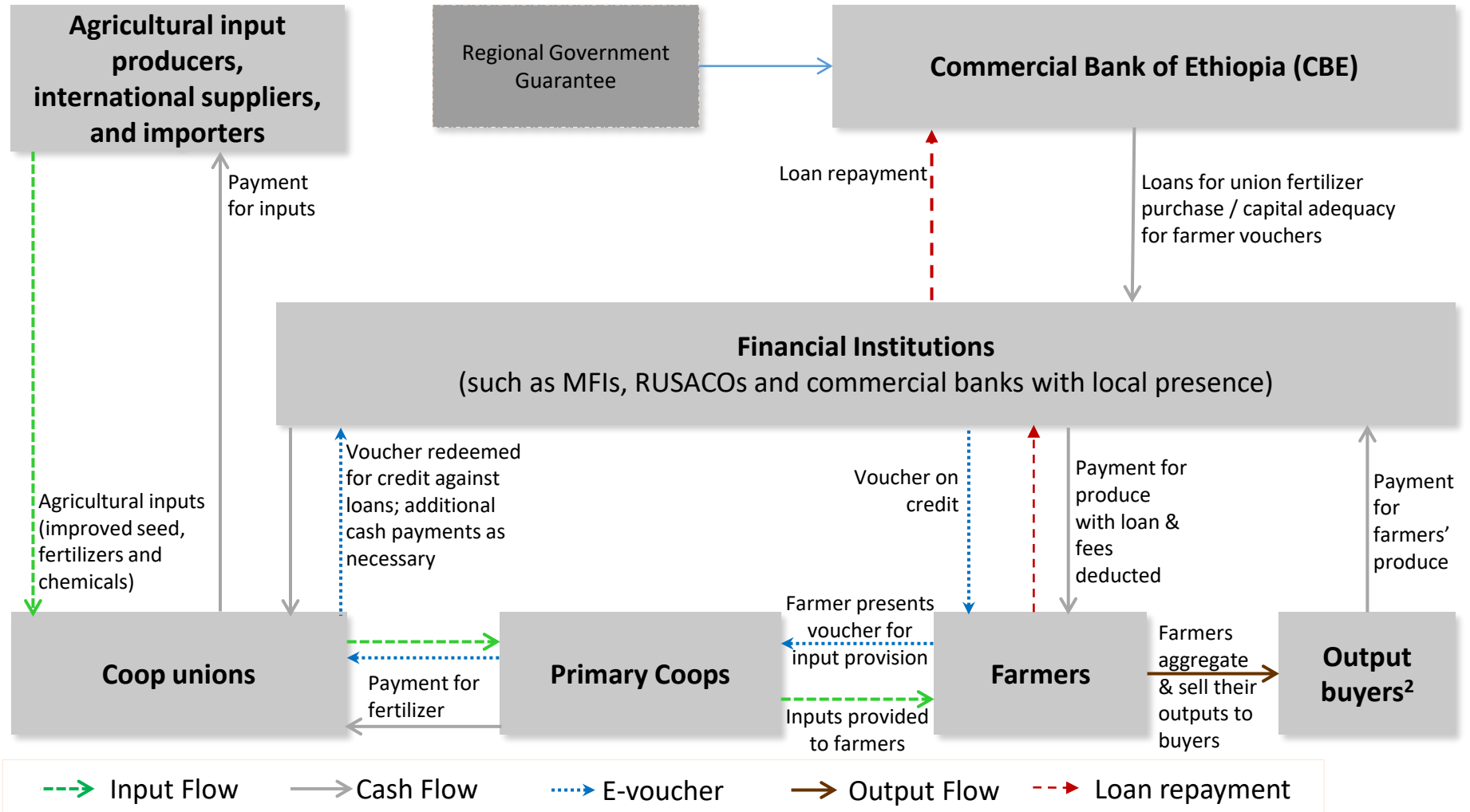
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- ➔ Over time Ethiopia introduced reforms that aim to:
 - ☞ Improve access to and use efficiency of fertilizers by smallholder farmers
 - ☞ Improve the fertilizer demand forecasting
 - ☞ Streamline the fertilizer distribution system to reduce farm-gate prices
 - ☞ Introduce an input credit delivery system coupled with an electronic voucher platform that work online and off-line
 - ☞ Allow exit from direct subsidy to farmers towards a credit program and output market development

Input credit delivery system implemented in Ethiopia



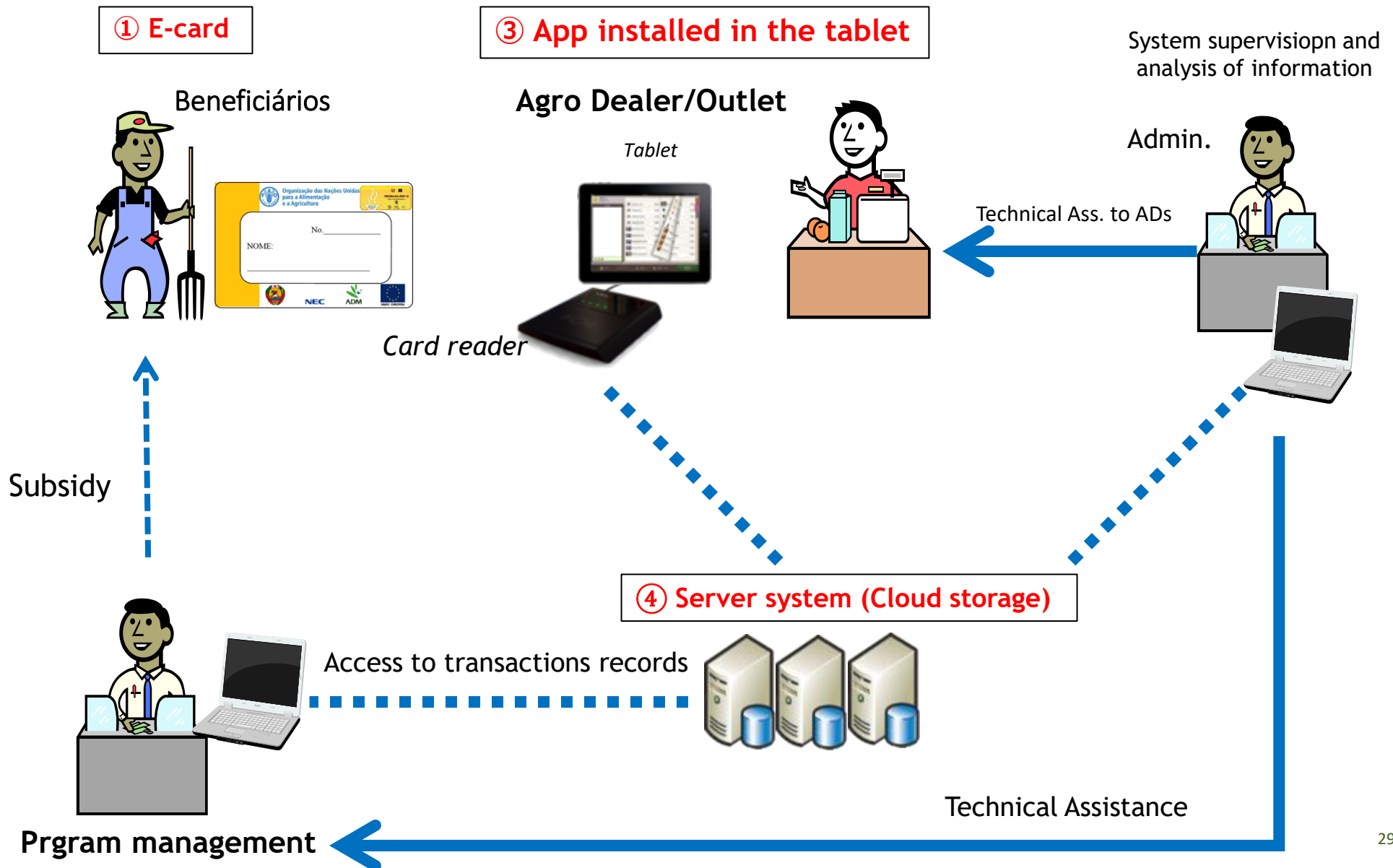
¹ May not be required if risk mitigation mechanisms are put in place, particularly a designated buyer of farmer output

² Purchasing arrangement will vary by crop and region but could include letters of intent to purchase or more formal contract agreement

4.2. Learning from other ISP in SSA: program targeting Mozambique

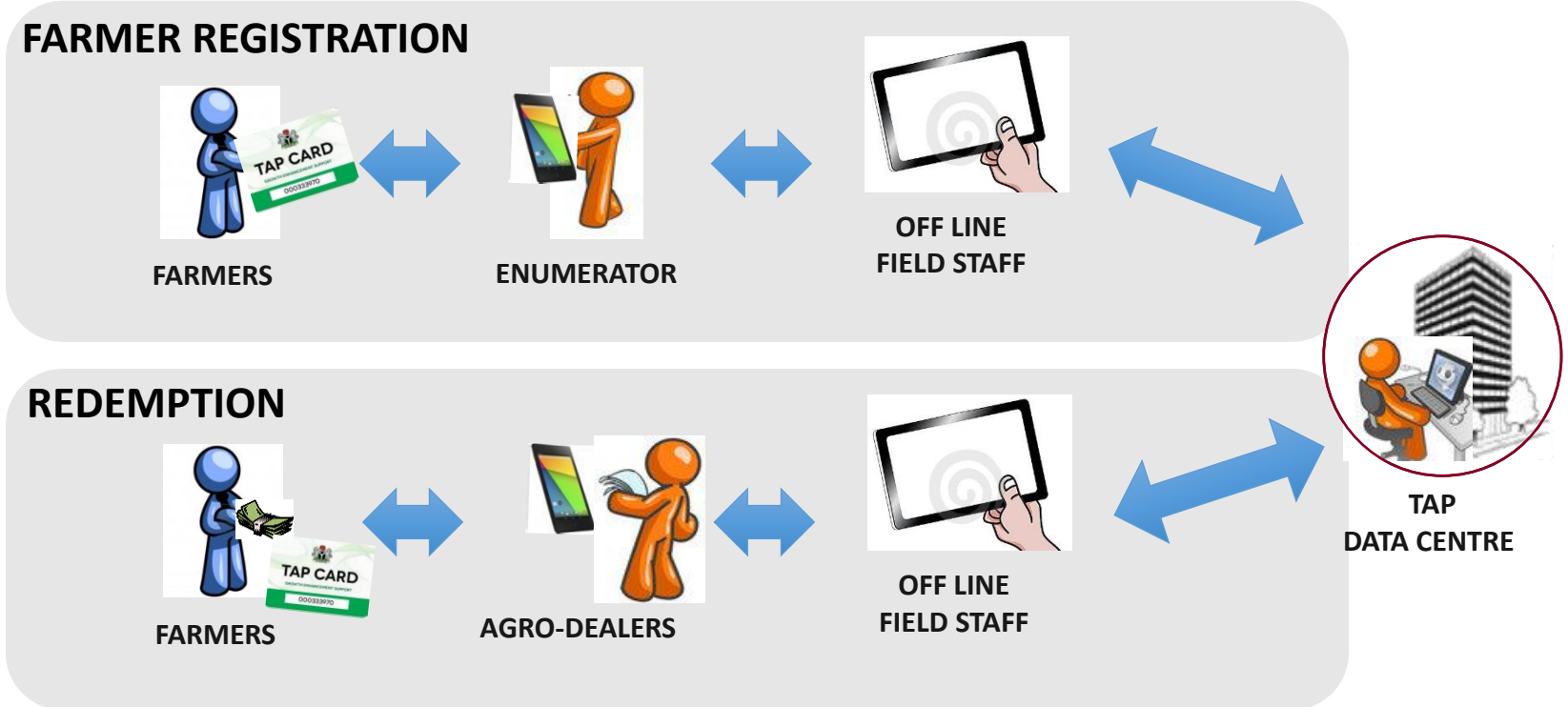
- The government of Mozambique and FAO implemented a “flexible input voucher” program using e-voucher in four provinces of Manica, Zambezia, Sofala and Nampula, coupled with the farmer field school (FFS)
- Farmers are registered into a consolidated beneficiary database, including biometric features
- E-card is given as subsidy for the purchase of inputs, co-financed with the beneficiary farmer
- The program targets two groups of beneficiaries by wealth status:
 - ☞ Subsistence farmers who are entitled to package “A” of inputs (~value of 35USD for the purchase of OPV maize and beans seed and insecticides). Farmer's contribution is 30% of the value of the package for this category
 - ☞ Small emerging farmers entitled to package “B” of inputs (~ value of 130USD for the purchase hybrid/OPV maize or beans, legumes, fertilizer, insecticide). Farmers contribution is 50% of the value of the package and graduation timeline for this category is three years
- The E-card given to farmers work offline and online, and can be used for other non-inputs transactions
- Farmers can redeem their vouchers different time during the season and different ADs

Learning from other ISP in SSA: program targeting Mozambique...



4.3. Learning from other ISP in SSA: TAP implementation in Nigeria

- The program was designed to deliver a context-based solution to meet farmers needs under the Growth Enhancement Scheme (GES) program:
 - Enables farmers to access inputs from the Private Sector
 - Connects on line and off line farmers to local agro-dealers
 - Detailed reconciliation reports
 - Built in fraud prevention and detection
 - In one state ~ 500,000 farmers were registered off line on the TAP in four months



4.4. Learning from other ISP in SSA: farming model in Rwanda

- Majority of farmers in Rwanda own less than 0.5ha land for food production and other uses
- In order to promote access and use of improved inputs (fertilizer and seed) by smallholder farmers, Rwanda adopted a policy of Land Use Consolidation (LUC) as main component of the Crop Intensification Program (CIP)
- Under farm LUC program:
 - ☞ Farmers put their pieces of land together to constitute a sizable block/site without affecting individual land right/title
 - ☞ All farm operations are synchronized all farm operations and access (crop choice, planting time, harvesting and produce marketing)
 - ☞ Subsidy vouchers are given as incentive for land use consolidation
 - ☞ Site members receive additional support services together: extension, irrigation, mechanization, post-harvest facilities & marketing
 - ☞ LUC consolidation sites can evolve into a registered cooperative

Learning from other ISP in SSA: farming model in Rwanda...

- Agriculture land under consolidation model increased from 28,000ha in 2008 to 700,000 ha in 2014. Maize production increased by 5-fold; wheat and cassava by about 3-fold; Irish potato, soybean and beans by about 2-fold; rice by 30%.
- Government contribution (subsidy level) decreased from 100% to 20-30% over 8 years of program implementation
- The budget saved for fertilizer and seed subsidy was reallocated to other farmer support programs: lime, small-scale irrigation and mechanization subsidy, post-harvest and market infrastructure, etc.
- The current LUC policy encourages crop specialization to realize economies of scale and to orient SHF-based agricultural sector more towards the commercial market.



Pivot irrigation system and post-harvest facilities on SHF consolidate farms in Rwanda

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5.1. What should be done differently: **targeting objectives**

Issue

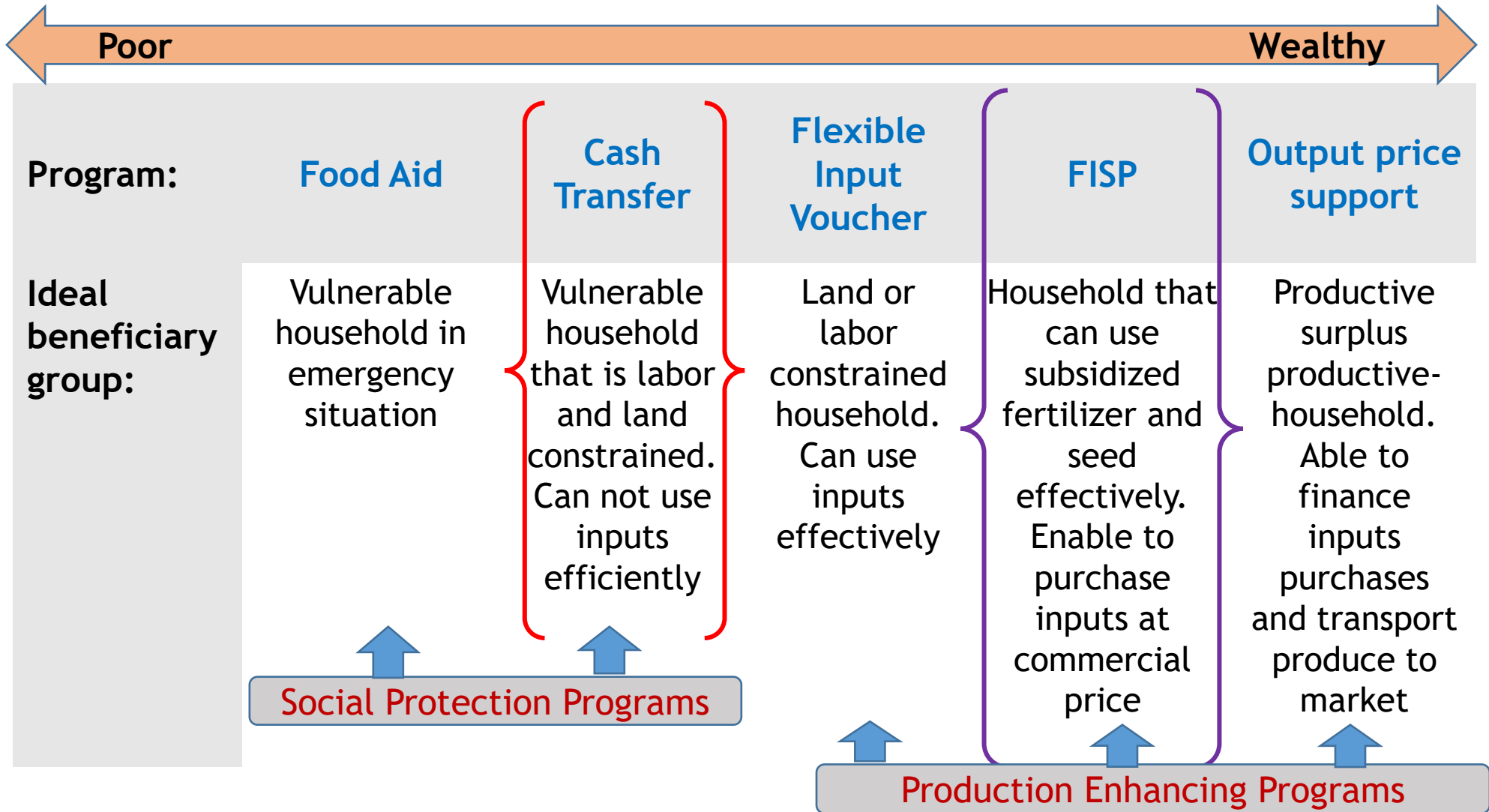
Proposed changes

The current category of targeted farmers may not bring expected transformation

- FISP should contribute to transforming Malawi's agriculture from being primarily subsistence-oriented to being more commercially-oriented with farmers increasingly engaged in more specialized, higher-yielding production
- FISP should target farmers who find it difficult to access fertilizer and seed, but who will make effective and efficient use of any inputs provided at a subsidized cost.
- FISP should contribute to making 'Farming a Business'
- Resource poor farmers left behind must be covered under 'direct' food aid and/or other safety net support interventions

FISP alternatives- social safety net interventions

Continuum of policy interventions by wealth status of intended beneficiary



Social safety vs. production enhancing programs

- To efficiently use FISP's package, beneficiaries require land, labor and knowledge. Does everyone need the same intervention?
- Different interventions have different objectives and intended beneficiary group. FISP is therefore part of a menu of possible options.
- No program is superior, but all potentially compete for the same scarce budget resources.
- Direct cash transfer provides directly money to recipients that are labor and land constrained.
- Ethiopia, Zambia, Rwanda successfully implemented social safety net programs (cash transfer) in parallel to ISP. The Malawi's Cash transfer (MASAF) could be expanded to some of current FISP beneficiaries.

5.2. What should be done differently: farmers registration

Issue

Proposed changes

There is no proper register for FISP beneficiaries that help targeting

- ➔ To improve targeting of the beneficiary farmers in the FISP and other agricultural programs, there is a need to develop a central data base profile of all farmers through pre-registration
- ➔ The Logistic Unit has a database of nearly all (4.3 million) farmers) that can be improved and updated
- ➔ A national farming family database is under preparation and should be used to complete the National Unified Register (NUR). NUR shall provide criteria for social cash transfer, and selection of FISP beneficiaries
- ➔ A national farming family database is under preparation and should be used to prepare the National Unified Register (NUR)

5.3. What should be done differently: E-voucher program

Issue

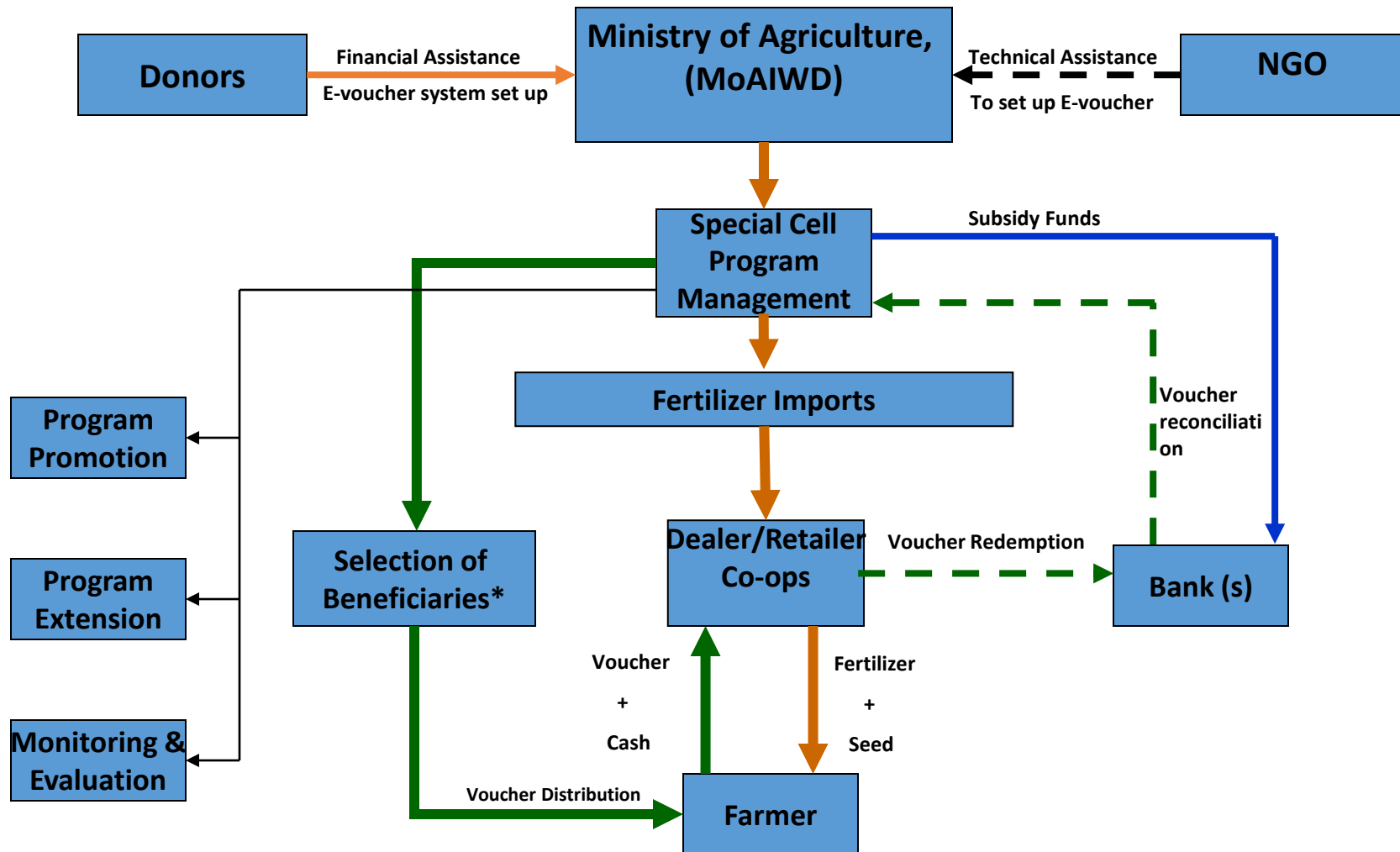
Proposed changes

Paper vouchers are subject to manipulation and reconciliation is long and tedious

- Select an IT firm that would design the E-voucher system that work online and offline and build the platform.
- It is important to develop the design criteria/constraints in advance (not leave it to the technology provider)
- E-Voucher system design should be completed and platform tested and operational by 2018 FISP campaign
- Set up a special unit within MoAIWD to coordinate the installation and rollout of the E-voucher program
- E-vouchers shall be reconciled electronically (by agro-dealers) through one or more commercial banks. Government should set a procedure for transfer of subsidy money to commercial bank(s) for payment of input supplier against the redeemed vouchers

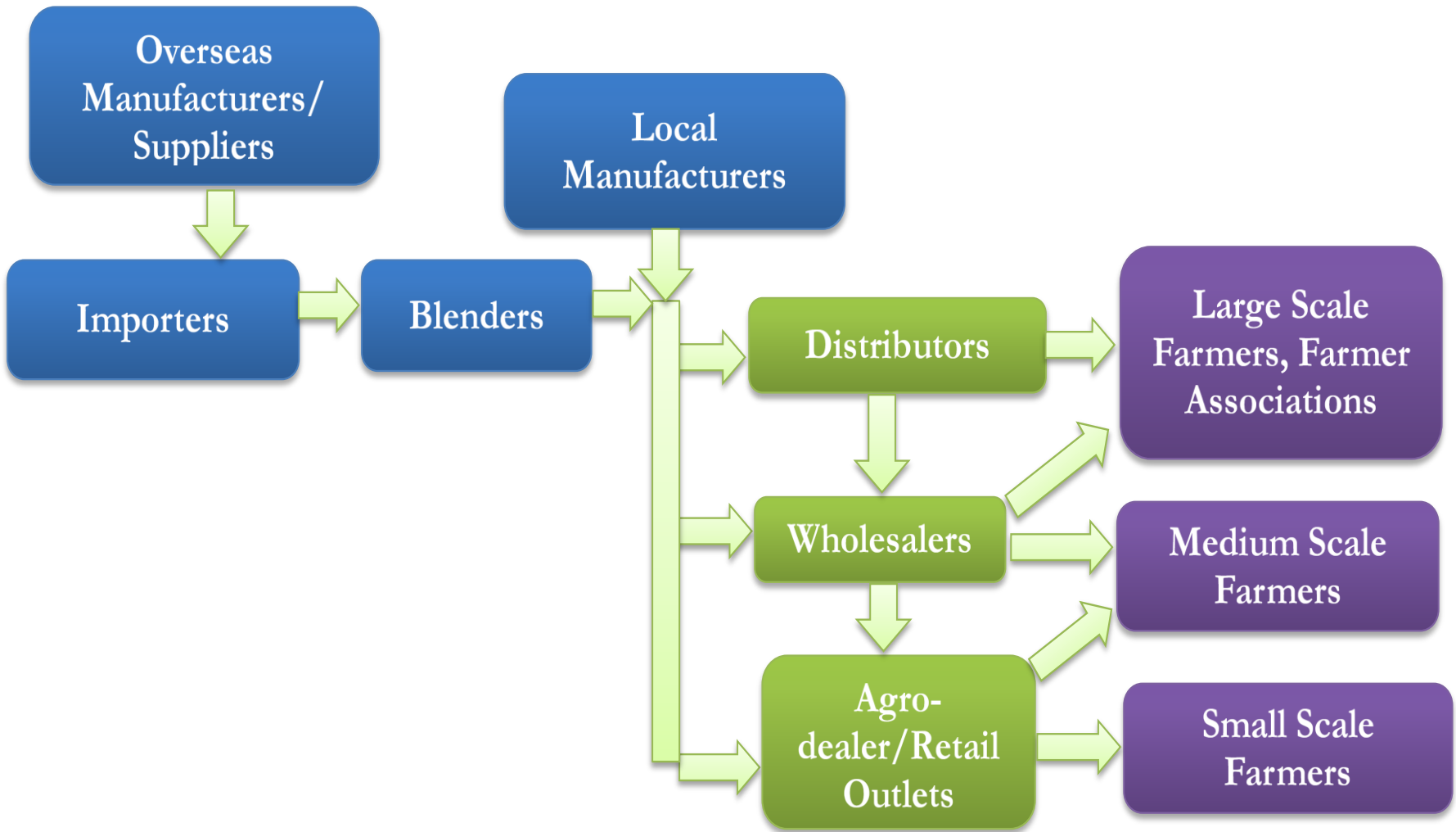
Proposed FISP E-voucher flow-chart

Malawi Farm Input Subsidy Program through E-Voucher – Flow Diagram



Current Input Distribution Systems

General pattern for physical flow of inputs



5.4. What should be done differently: re-packaging and reduce subsidy levels on fertilizer and seed

Issue

Proposed changes

High government contribution on fertilizer and seed overweight other farm support programs

MoAIWD should set up a plan for progressive reduction of price support for fertilizer and seed so that the input subsidy is no more than 20%

As a part of the program announcement, MoAIWD should announce Government contributions for fertilizers and seeds

The savings from reduction of direct subsidy should be used to support farmers through extension services, small-scale mechanization, small-scale irrigation, output market development etc. to make the transition from subsistence farming to 'farming as a business'

MoAIWD should, in consultation with stakeholders and development partners evaluate the option of a general input voucher for seed, fertilizers and agrochemicals (particularly herbicides) that can be redeemed by farmers depending on the planting cycle within a cropping year

5.5. What should be done differently: private sector participation in input procurement and marketing

Issue

Proposed changes

Government (mainly ADMARC & SFFRFM) involvement of input procurement and distribution could easily compromise the efficiency in the distribution and marketing

- Following the approval of 2017 FISP budget, MoAIWD should announce the quantity of fertilizer and seed to be subsidized
- Private sector should import and retail all fertilizers under FISP
- ADMARC and SFFRFM should only market inputs in remote areas where there are no input dealers
- MoAIWD should develop a program for independent input dealers training and certification

5.6. What should be done differently: timing for FISP budget allocation

Issue

Proposed changes

Delayed FISP budget approval and program announcement resulting in late delivery of vouchers, procurement and distribution of inputs

→ Budget allocation for FISP should be early in the financial year to plan for the implementation of improved FISP that is oriented to increasing productivity in line with the revised agricultural policies

→ Program should be announced soon after budget allocation for

- ensuring timely delivery of vouchers to the targeted beneficiaries
- importers to arrange financing for procurement of inputs and plan for distribution network to ensure timely access of inputs by farmers
- farmers to arrange for financing for their portion of the cost of inputs

5.7. What should be done differently: **program graduation strategy**

Issue

Proposed changes

Undefined exit timelines and absence of graduation framework for FISP beneficiaries

➔ MoAIWD shall elaborate a clear graduation trajectory with timelines for productive-poor FISP beneficiaries

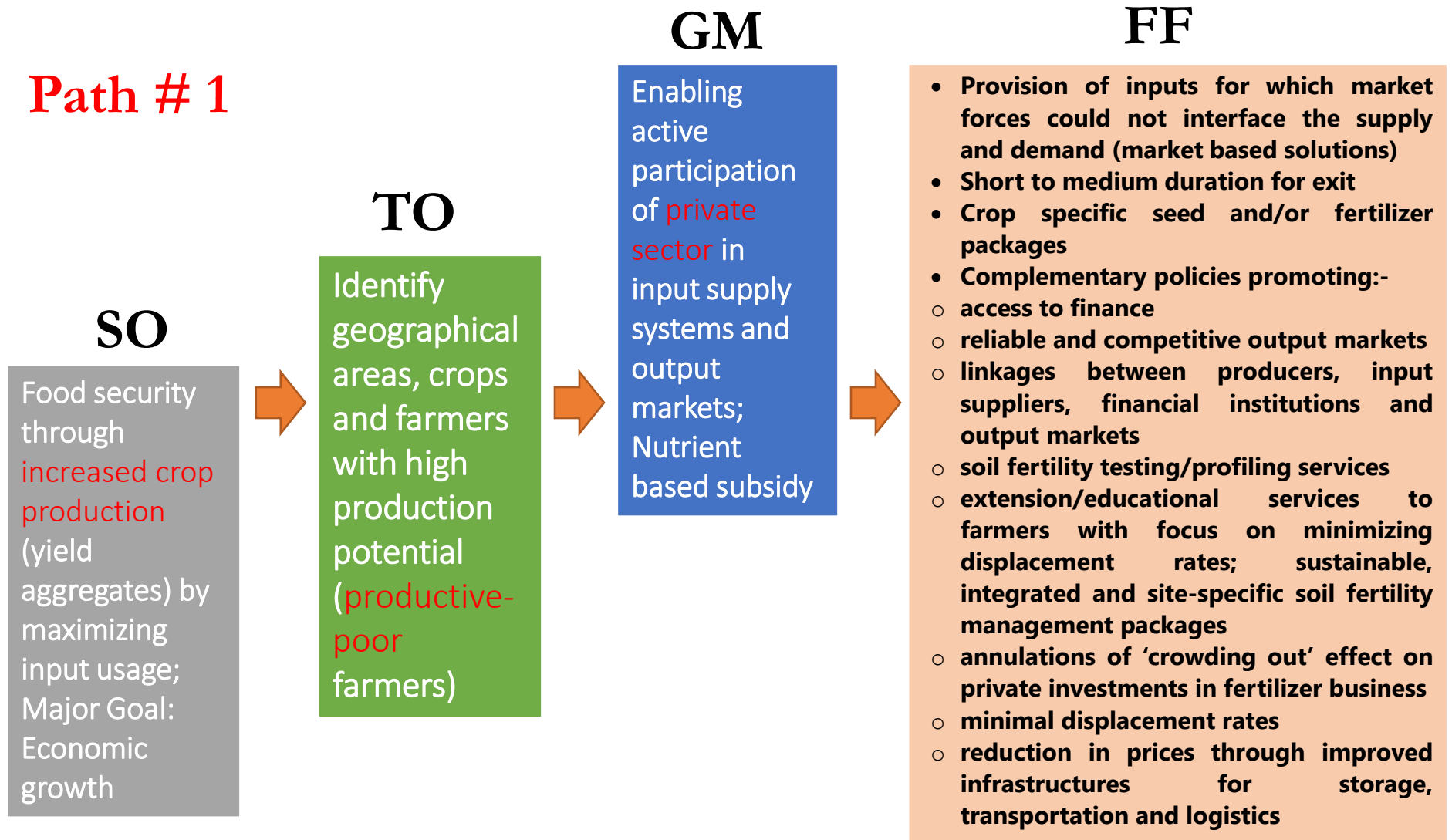
➔ Unlike exit strategies that abruptly terminate the supply of subsidized inputs, a gradual approach enables the beneficiary to break away from dependence on subsidized inputs and become self-reliant in buying inputs

➔ Setting trajectory for graduation of FISP would therefore be based on the strategic objective of the program.

➔ Graduation can be triggered by several intended and spill-over effects of the subsidy programs: (i) increased productivity, (ii) increased farm revenues and disposable incomes, (iii) increments in input use efficiency, (iv) reduced costs of inputs, (v) availability of superior alternatives (such as hybrid seeds, organic manure; micronutrients), (vi) improved access to finance/credit.

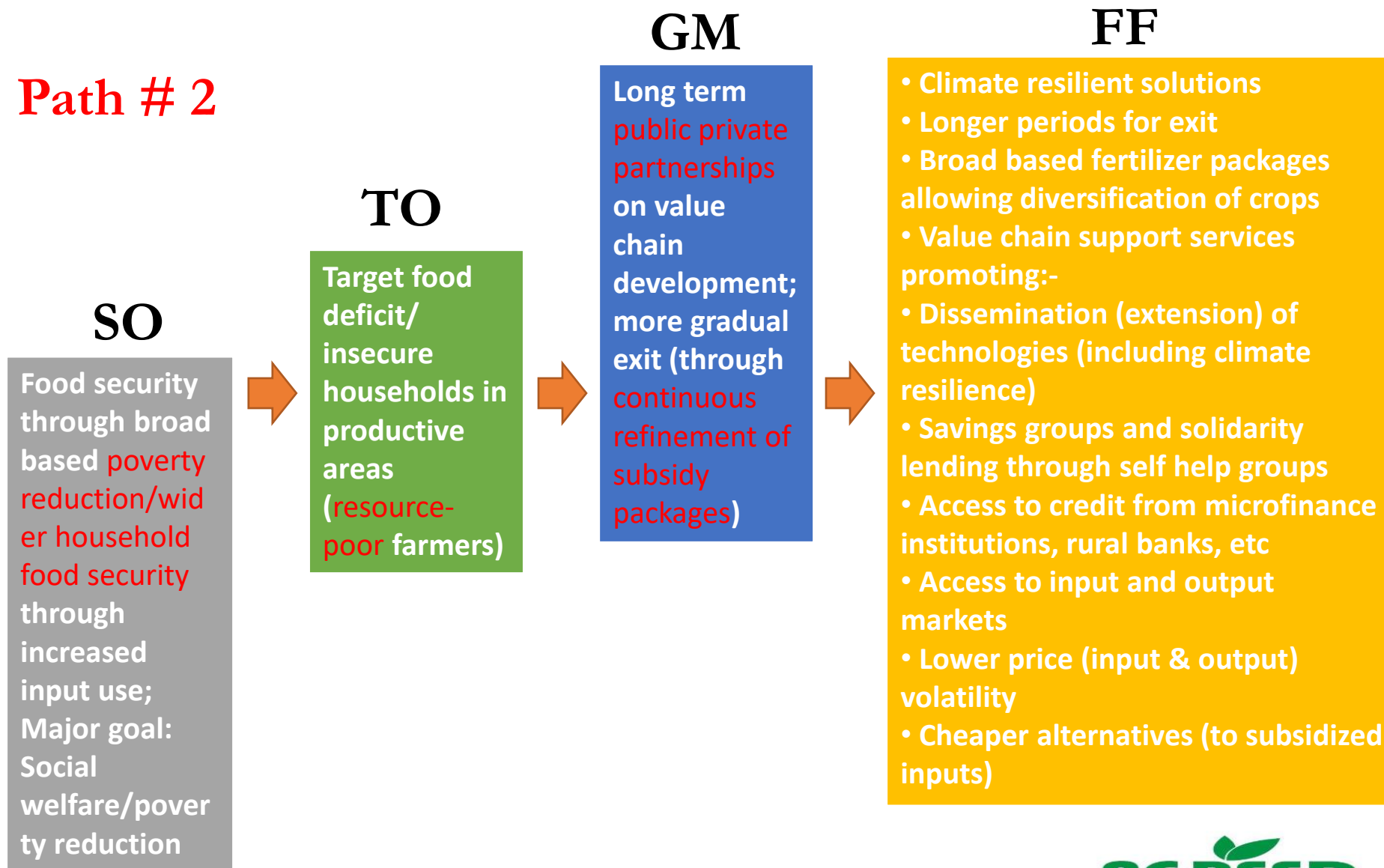
Possible graduation trajectories

Path # 1



Possible graduation trajectories...

Path # 2



5.8. What should be done differently: credit program

Issue

Proposed changes

Limited access to finance by inputs actors

Interest rates for commercial loans of 30-35% coupled with the currency devaluation (which was 65% in 2016) is resulting in increased delivered price of inputs to farmers.

➔ GoM shall urgently address the issue of low access to credits at reasonable rates for (i) importers, (ii) retailers, (iii) dealers, and (iv) farmers. An efficient credit system will facilitate faster graduation from subsidy

➔ An Incentive Based Risk Sharing Agricultural Lending Facility (MIRSAL) is being discussed between Government of Malawi and bilateral and multilateral donors, and shall be given priority

➔ The Government should set up policies for smallholder farmers to access credit from micro finance institutions

5.10. What should be done differently: **quality control**

Issue

Proposed changes

As currently done by the Seed Services Unit and National Bureau of Standards, quality control for seed and fertilizer is inadequate

→ The Seed Services Unit shall be strengthened with equipment and staff to ensure that the seed sold meets the quality requirement.

→ GOM should enact fertilizer law that stipulates setting up of a semi autonomous fertilizer quality control unit (with quality equipment and skilled inspectors). Analytical laboratories in selected regions for shall be certified for analyses of fertilizers

→ Encourage fertilizer association to initiate quality assurance programs for their members as part of good business practice and code of conduct

5.11. What should be done differently: **Monitoring and Evaluation**

Issue

Proposed changes

Non existent monitoring and evaluation for FISP

→ The Government should set up a FISP M&E desk within the MoAIWD

→ The M&E unit should articulate the role played by various stakeholders during each season

→ In consultation with stakeholders, the M&E unit should identify the parameters to be measured and reported.

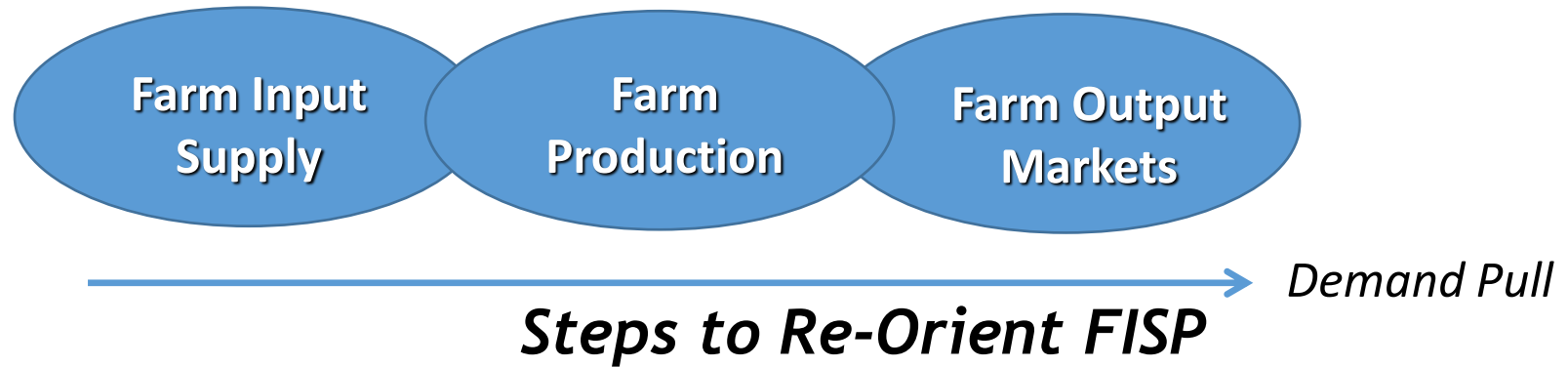
5.12. What should be done differently: **program communication**

Issue

Proposed changes

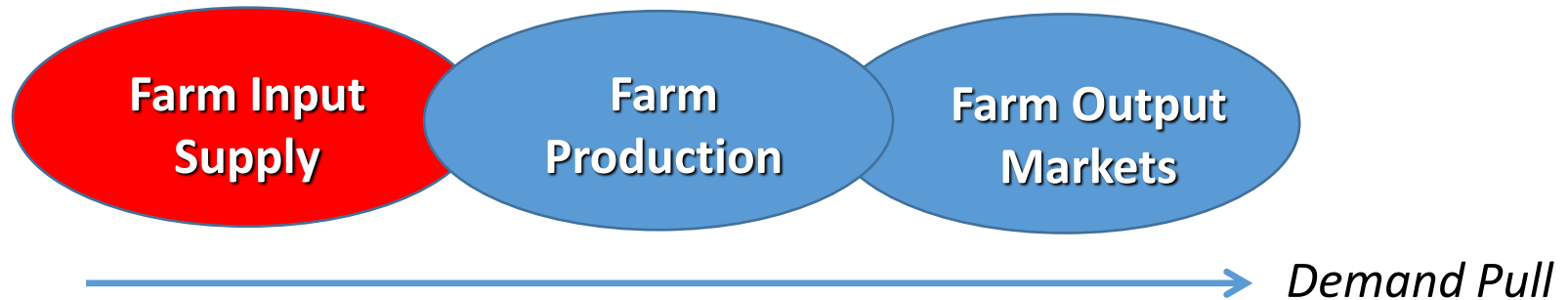
Absence of proper communication plan for FISP campaigns

- ➔ MoAIWD should communicate the FISP soon after the approval of the budget to define the roles of the Government vis-à-vis the private sector and other stakeholders
- ➔ FISP information shall be communicated through: television, radio, newspaper, social media, bulletin boards, pamphlets, etc.
- ➔ MOA should organize meetings with farmers', seed and fertilizer associations and selected banks about the E-voucher system



- After more than ten years of FISP, the Government of Malawi should promote farming as a business for smallholder farmer and focus the program on two fronts:
 - Target smallholder resource poor farmers to access inputs to ensure household food and nutrition security for no more than 20% of the subsidy budget
 - Target productive poor farmers for subsidized inputs for no more than three years (graduation) while creating policy environment to develop output market
 - Where feasible connect the FISP -supported farmers to the recent World Bank financed Agriculture Commercialization Project (AGCOM)*
 - The savings from graduating the productive poor farmers should be directed to support
 - Targeted research for improving crop yields and productivity
 - Public extension
 - Purchase of small scale mechanization equipment
 - Installation of small scale irrigation
 - Development of output markets

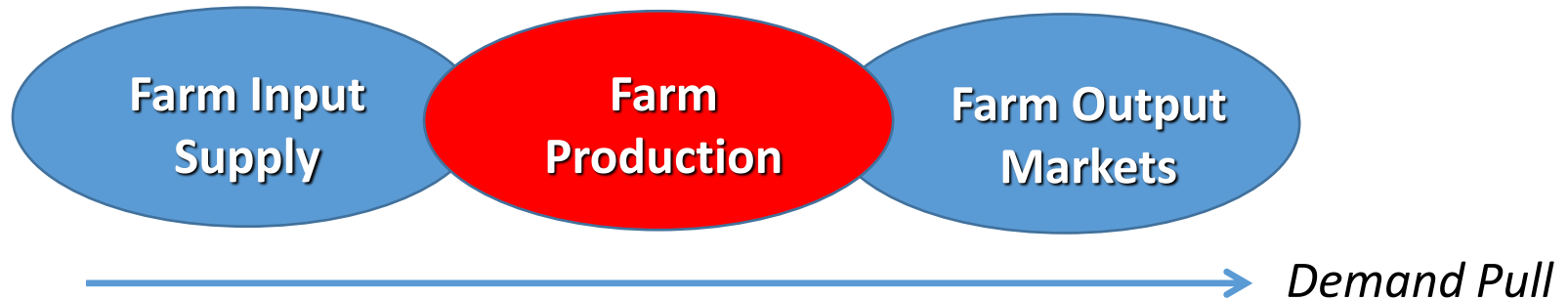
Farming is a business...



Steps to Re-Orient FISP

- Delivered cost of fertilizers to farmers should be reduced through:
 - Lowering the transport cost fertilizers from port(s) to delivery points in Malawi
 - Currently inland transport constitutes about 20% of the cost mainly due to road transport
 - Vale, a Brazilian mining company, constructed a rail link to transport mined coal from Tete (Mozambique) to the port of Nampula (Mozambique).
 - Private importers with the assistance of GOM should evaluate the option of importing fertilizers through the port of Nampula and using the Vale rail system—a cheaper option than road transport
- Reduce cost of credit for importers, dealers, stockists and farmers through policy reform
- Establishing more seed and fertilizer dealers? and retailers to create competition

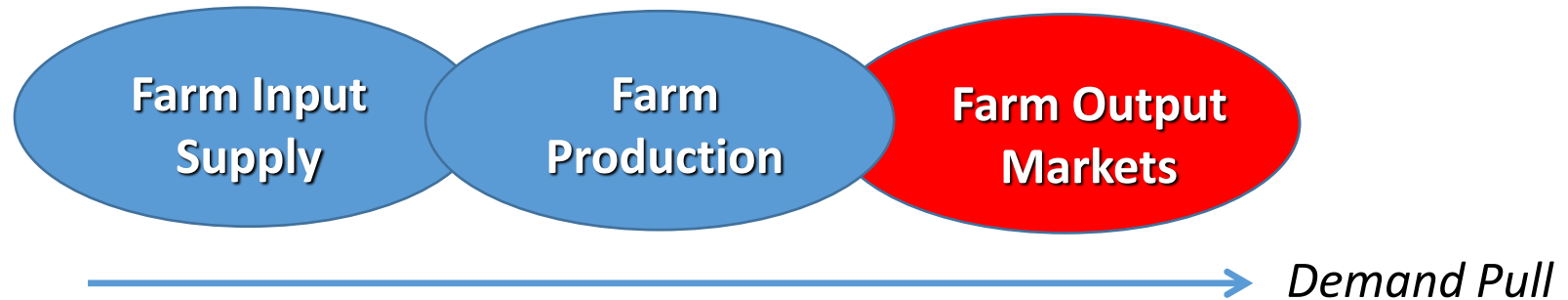
Farming is a business...



Steps to Re-Orient FISP

- Use a part of the subsidy for:
 - Complete the soil nutrient maps to serve as a guide to develop soil and crop specific blends as a part of coordinated effort to improve crop yields and productivity
 - Integrated Soil Fertility Management and Integrated Pest Management should also be an integral part of improving crop yields
 - E-extension option should be considered for areas currently with reliable internet coverage

Farming is a business...



Steps to Re-Orient FISP

- Redirect part of the input subsidy money to
 - Facilitate development of selected commodity value chain
 - Strengthening the market information system with real time price data on commodities
 - Strengthen trade associations for selected crops
- Assist in the development of output markets and commodity value chain(s)

- I. Overview of FISP between 2005/06 - 2015/16 period
- II. FISP improvements during 2016/17 campaign
- III. What did we learn so far
- IV. Best practices from ISP elsewhere
- V. What should be done differently
- VI. Possible farming models for Malawi's FISP sustainability**

7. Possible farming models for SHF in Malawi

- “Land Use Consolidation” for the Southern Region of Malawi
 - ☞ Farmers put their pieces of land together to constitute a sizable block/site without affecting individual land right/title
 - ☞ Subsidy vouchers are given as incentive and all farm operations are synchronized within the same site
 - ☞ LUC consolidation sites can evolve into a registered cooperatives

- “Co-operative Farming” for the Central and Northern Regions
 - ☞ Farmers to pool finances and efforts, for example, to purchase inputs, process output, access credit, or market production
 - ☞ Grow crops without borders within the cooperative
 - ☞ Allows to use the land as a collateral
 - ☞ Land and efforts by individual farmers as “shares” of the cooperative members
 - ☞ Co-operate farming can evolve into “Corporate Farming Model”

8. Stakeholders consultation

- ⇒ DCAFs
 - USAID, Sustainable Economic Growth Department
 - World Bank, Agriculture Department
 - Flanders representative
 - European Union
 - FAO
- ⇒ FISP Logistics Unit
- ⇒ Ministry of Finance
- ⇒ Ministry of Agriculture
- ⇒ National Planning Commission
- ⇒ Private Sector: Seed Trade Association of Malawi, Farmer's World, Fertilizer Association of Malawi, Agro-dealer representatives