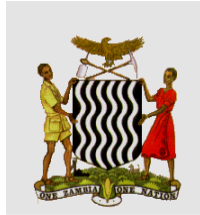


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ACTION PLAN FOR THE FULL MIGRATION OF THE FARMER INPUT SUPPORT PROGRAMME TO AN ELECTRONIC AGRICULTURAL INPUT SUPPORT SYSTEM

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1.0 INTRODUCTION

The implementation of reforms in the agriculture sector is key towards economic transformation and job creation. The Eighth National Development Plan (8NDP) envisages an annual agriculture growth rate of at least 10 percent per annum and an increase in exports to above US\$ 2 billion by 2026 from US\$ 756.2 million in 2021. This is predicated on removal of agricultural commodity export restrictions and facilitating access to finance. The all-embracing programme that would drive the increase in agriculture production and productivity is the Comprehensive Agricultural Support Programme (CASP) whose main components include, infrastructure development, irrigation development, livestock development, extension services support, farm block development and climate change adaptation.

The CASP is an integrated approach to programme implementation that will enhance development not only in the input support program, but in all critical agriculture value chains. It combines agriculture programmes that are interlinked to enhance agriculture production and productivity from research, production, processing and market to consumption. The CASP will improve farm productivity and enhance the sector contribution to GDP, poverty reduction and resilience building against climate change.

A key programme under the CASP is the Farmer Input Support Programme (FISP). As the flagship input delivery programme for more than one million farmers, FISP requires immediate reform. Over the past few years, the delivery mode for FISP has mostly been through the Direct Input Support system including for the current 2022/2023 farming season. The Direct Input Support system has proven to be expensive, does not give farmers choice, and is characterised by low productivity.

2.0 EVOLUTION OF THE FARMER SUPPORT SYSTEM

2.1 Fertiliser Support Programme

The Fertiliser Support Programme (FSP) was introduced in 2002 as a subsidy to supply agricultural inputs to support 120,000 vulnerable, but viable small-scale farmers. The subsidy focused on the distribution of maize seed and fertiliser to farmers as a way of contributing to increased household food security and income for the farmers. The number of beneficiaries steadily grew over the years and by 2008/2009 farming season, the programme had 500,000 beneficiaries with

the programme providing 8 bags by 50Kg of fertilizer and 20Kg of maize seed for farmers for them to cultivate 1 hectare of Maize.

2.2 Farmer Input Support Programme

In the 2009/2010 farming season, the Fertiliser Support Programme (FSP) was renamed to Farmer Input Support Programme (FISP) and reformed to increase number of beneficiaries from 500,000 to 1,000,000 beneficiaries but the input package was reduced from 8 bags by 50Kg of fertilizer to 4 bags by 50kg of fertilizer and 10kg of maize seed. The cost outlay of the programme remained unchanged. The FSP was renamed the Farmer Input Support Programme (FISP) and there was some level of diversification of seed to include rice seed and in later years groundnuts, sunflower and sorghum. In subsequent years, other seeds including soya beans were introduced. The immediate impact was an increase in the level of production of maize from 1.8 Million MT in the 2008/2009 agricultural season to 2.7 million MT in the 2009/2010 season. It was the first time in the history of the country that maize production surpassed 2 million metric tonnes.

2.3 Electronic Voucher

In 2015, the Electronic Voucher system was introduced with a pilot programme in 13 districts and 234,101 beneficiaries, using the Zambia Integrated Agricultural Management Information System (ZIAMIS) in collaboration with Smart Zambia. The idea was to give choice to the farmers to select the inputs required so as to support crop diversification and promote livestock production. Implementation of the programme resulted into lower cost of implementing the FISP by leveraging private sector participation in input distribution. During the 2017/2018 farming season when E-voucher was rolled out to 100 percent of the beneficiaries, the cost of implementing the programme reduced by over K1 billion relative to the previous season.

Following the full migration to E-Voucher, a number of challenges were experienced such as delayed payment by Government to Agro-dealers, technological challenges, limited stocking of inputs, insufficient controls and limited access to financial services in remote areas, such as banks for farmers to make deposits. This led to Government reverting to the Direct Input Supply method.

3.0 E-VOUCHER VERSUS DIRECT INPUT SUPPORT

While the Direct Input Support system has contributed to increased crop production in agriculture, the continued involvement of Government in the procurement process, input distribution to districts and satellite depots among others, not only has high monetary outlay associated with administrative costs, transport costs and other logistical but also monocrop focused and uses blanket beneficiary package regardless of agro-ecological regions and their comparative advantage. Further, Direct Input Support system is associated with input leakages across distribution channels and susceptible to late input distribution.

The use of the Electronic Agricultural Input Support system limits Government's role to that of oversight thereby reducing the associated administrative burden, ultimately reducing public expenditure outlay on FISP. Further, e-voucher crowds in the private sector, promotes competition and transparency in the supply and distribution of inputs; ensures choice and timely delivery of inputs. To increase the wide acceptance of the electronic system, a number of measures should be implemented such as prompt payment by Government to agro-dealers, refocus efforts to enhance technological capabilities and increase provision of financial services especially in rural areas.

Given the benefits associated with Electronic Agricultural Input Support System compared to the Direct Input Support system, the Eighth National Development Plan (8NDP) has envisaged a migration from the traditional FISP to an electronic platform-based system.

Governments' aim in the medium to long term is to fully administer the input support program through electronic platforms. Electronic platforms will be critical in reducing or eliminating the high overheads associated with the traditional Direct Input Support System. The Electronic Agricultural Input Support System will also improve targeting of farmers and more importantly allow for flexible and independent farmer decisions in the areas of crop, livestock and fisheries production. This will facilitate diversification away from maize and increase production of industrial and export products.

4.0 PROPOSED E-VOUCHER MIGRATION PATH

As a way for ensuring farmer choice, involved of wide range of private sector in input supply chain and cost reduction, the migration path will be done over a 3-year period commencing with the 2023/24 agricultural season. The migration will be done at district level depending on network coverage and availability of Agro-dealership.

4.1 Migration Principles and Criteria

The migration principles that will ensure that the Electronic Agricultural Input Support System successfully replaces the Direct Input Support System over the medium term include the following:

- a) **Increased Private Sector Participation:** The Electronic agricultural input system will rely on Agro-dealers to spearhead the distribution of agricultural inputs. This will increase private sector participation in the input support system as well as promote job creation. The expected development of the wholesale and retail trade sector is envisaged to contribute positively towards growth. Local private sector participation will also extend to the manufacturing and supply of locally produced fertiliser. In the past, Nitrogen Chemicals of Zambia (NCZ) was the only large-scale producer of Compound D fertiliser of between 20,000-60,000 Mt for the input support programme. Recently, United Capital Fertilizer has established a fertilizer manufacturing plant which at full capacity has a production output of 700,000 tonnes per year. The large-scale production of fertiliser will provide an alternative source for affordable fertilisers to support Governments intention for an efficient agriculture support system and make Zambia self-sufficient in the supply of fertilisers to meet local and regional demand.
- b) **Network Coverage:** The Electronic agricultural input system relies on the use of network connectivity to facilitate the redeeming of electronic agricultural input systems by beneficiaries at the Agro-dealerships. Accordingly, the absence of adequate network coverage is an impediment to the implementation of the Electronic agricultural input system. Districts will require sufficient network coverage of equal to or above 80 percent to qualify for full migration to the electronic support agricultural system for the first year. Government will facilitate the expansion of communication towers and increase connectivity in rural areas by establishing partnerships with mobile service providers.
- c) **Transparent selection of beneficiaries:** Cleaning and updating of the farmer register by Government; including upgrading to a biometric identification system will enhance transparency in the electronic agricultural input support system.

- d) **Availability of funds at redemption:** Government will constitute a procedure for transfer of subsidy money to commercial bank(s) for immediate payments and where banks are absent engage financial institutions for mobile payments of input supplies upon redemption. This is to ensure expediate loading of vouchers to facilitate the timely release of funds to the Agro-dealers.
- e) **Usage throughout the year:** The electronic agricultural input support system is meant to promote diversification in the agricultural sector. Previously usage of any electronic channel was restricted to a specified time period. To promote diversification and all year-round production the new mode of delivery will ensure all year use of the electronic system.
- f) **Graduation Plan:** Ministry of Agriculture and Ministry of Livestock will develop a clear graduation policy for farmers from the Input Support Programme for beneficiaries who become self-sustaining to lessen the pressure on the treasury. The graduation plan shall encompass Maximum participation of 5 Years on the program, Farmer contribution to gradually increase annually, A gradual reduction in input support, Introduction of viable farmers to financial institutions for access to credit, Matching grant facilities for high performing farmers.
- g) **Equity principle:** As beneficiaries purchase inputs at different prices in different locations, it is important that equity is applied to ensure that beneficiaries in far flin areas are not disadvantaged. In this regard, Government will ensure that the E-Voucher beneficiaries located in remote areas relative to Lusaka, receive more in monetary value than the beneficiaries located in urban areas. This will be determined by an agreed percentage based on an agreed threshold distance from Lusaka.

4.2 Migration Path

The Action Plan recommends a 3-year migration path to fully migrate to the Electronic Agricultural Input System with full roll-out achieved during the 2025/2026 farming season.

- **2023/2024 farming season:** migration will commence with 43 districts which have over 80 percent 3/4G network coverage and a developed Agro-dealership network. In the first year, 10 high maize producing districts¹ among the 43 for which Government will contract suppliers to supply inputs but payment or redeeming mechanism will use the electronic system will be isolated. This is to address the risk of farmers in the high producing districts to opt for other cash crops, which could threaten food security. These districts have 539,031 beneficiaries;
- **2024/2025 farming season:** an additional 31 districts, to bring the total to 73 districts will be migrated to the electronic agricultural input support system. This will bring the total number of beneficiaries to 784,565; and
- **2025/2026 farming season:** the last 42 districts will be brought on the electronic agricultural input support system. This will result in 100 percent coverage of all the beneficiaries in the 116 districts.

The three-year migration path is captured in tabular form below:

Figure 1: Migration Path to Full E-Agricultural Input Support System

	2023/2024 Farming Season	2024/2025 Farming Season	2025/2026 Farming Season
Direct Input Support System			
Districts	73	42	0
Beneficiaries	485,403	239,869	0
E-Voucher			
Districts	43	74	116
Beneficiaries	539,031	784,565	1,024,434
Total	1,024,434	1,024,434	1,024,434
Districts added to Electronic System	43	31	42

5.0 Conclusion

Government's aim for the farmer input support programme will continue to be based on the need to provide affordable agriculture inputs to vulnerable but viable small-scale farmers, at the time increase private sector participation in the input supply chain. Learning from the past experiences and in view of the benefits

¹ The criteria for selecting the top 10 districts will be based on performance over the past five years.

associated with the E-Voucher, the proposed migration Action Plan is a step towards reducing the Government administrative burdens in implementing FISP, will result in better targeting of farmers and giving farmers choice, ultimately facilitating diversification away from maize and increase production of industrial and export products.

Government will remain committed in strengthening digital platforms and required infrastructure to support the envisioned electronic based input support in line with the 8NDP.