BUSTING THE MYTH:
THE DIRECT INPUT SUPPLY SYSTEM IS NOT SYNONYMOUS TO E-FISP

Key Points

1. Contrary to what some people have claimed, the direct input supply (DIS) system implemented during the 2018/19 agricultural season, in at least 40% of the districts in the country, is not similar to the originally proposed e-FISP but very similar to the traditional FISP. The only difference between the two is that whereas the traditional FISP was largely paper based, the DIS was implemented through a digitised cardless system linked to the Zambia Integrated Agriculture Management Information System (ZIAMIS).

2. As DIS is traditional FISP by another name, it shares the same flaws: it is not very transparent as originally conceived and it is substantially more expensive for the government than the e-voucher; as the costs of procurement, transport, and storage remain with the government. It denies farmers choice over their inputs and therefore stifles diversification. It also freezes the private sector out – at the potential cost of jobs and greater service provision for farmers.

3. How did the E-FISP perform in 2018/19 growing season?
   • Firstly, the shift to a cardless system linked to ZIAMIS proved effective and enabled on time processing of deposits from farmers. This growing season has therefore shown that it is possible to improve the delivery mechanism of e-FISP.
   • Secondly, challenges to effective implementation of e-FISP remain in place and need addressing. In particular, significant challenges have arisen from failure of government to pay agro-dealers. Arrears from previous years, combined with requesting traders in the 2018/19 season to pre-finance inputs to farmers for up to 30 days, has reduced their ability to restock, resulting in delays for farmers accessing inputs. This is not the fault of the e-voucher, but the payment system.
   • Thirdly, e-FISP implementation was delayed relative to DIS implementation. DIS inputs were available and in-place in September, but e-FISP redemption did not begin until November. Late implementation, combined with requiring agro-dealers to pre-finance inputs, had undermined the effectiveness of e-FISP in the 2018/19 farming season.

4. By contrast, the e-FISP remains the best policy option for Zambia, but the positive benefits associated with it can only be realized if government effectively implements it. Most importantly, this demands that the government develops a strong payment system that enables real time transfers to agro-dealers and input suppliers. This will mean releasing funding on time, registering farmers, and accepting farmer deposits by September of each year.
1. Introduction

Due to some challenges faced during the 2017/18 agricultural season, the Government of Zambia in the 2018/19 agricultural season partially reversed its commitment to fully migrate the Farmer Input Support Programme (FISP) to the electronic voucher system (e-FISP). The Ministry of Agriculture (MoA) in mid-2018 announced that the government was reverting at least 40 percent of the FISP from e-FISP to the conventional/traditional system where inputs would be directly delivered to the farmers. This meant that out of the 1,022,434 target farmers, 371,616 farmers in 45 districts were put back on the direct input supply system (hereinafter referred to as DIS). This entailed government appointing a single distributor of fertilizer and seed in each district, with redemption of these inputs from the distributor done through two lead farmers or chairpersons of farmer groups or cooperatives on behalf of their members.

Unlike the old traditional system, which was mostly paper based, the DIS was going to be more decentralised, digitised, and linked to the country’s ZIAMIS for timely delivery of inputs. Hence, to some extent, the DIS was marketed as a variant of the e-FISP, given that it was to be implemented through a digitalised cardless system. Nevertheless, the two delivery systems are different and the DIS will not address key shortcomings of the system that the e-FISP would address.

One of the other issues raised by stakeholders was that the DIS was being implemented in some areas that had made considerably more progress in terms of getting inputs to farmers through the e-voucher (see map 1 below). This reinforced the speculation that there were some people who were making a deliberate attempt to undermine the case for a return to 100% e-voucher. However, it is not known how factual these speculations are, hence, the need to assess the implementation of the two systems in various districts. Against this background, the Indaba Agricultural Policy Research Institute (IAPRI), as part of its mandate given by MoA to assist in monitoring the e-FISP roll out, set out to assess the implementation of the two systems; as well as the level of preparedness for the e-voucher and the potential implications of the DIS on the return to 100% nationwide e-voucher roll out. This brief summarises the findings from this assessment that policy makers can use to inform future FISP reform options.

Map 1. Map of Zambia showing districts under the DIS in 2018/2019 farming season

Source: Authors’ drawing based on MoA 2018/19 farming season DIS-FISP beneficiary allocations data.
2. Approach

In order to provide a quick but comprehensive assessment, the IAPRI team carried out key informant interviews in six districts namely; Kalomo, Choma, Kabwe, Mpongwe, Kafue, and Chongwe. The districts were purposively selected to enable the comparison between the implementation of the DIS and e-FISP during the 2018/19 agricultural season. In particular, it was important to assess the government’s e-FISP readiness, given the introduction of DIS in 40 percent of the districts, a situation that was likely going to introduce discrepancies in focus by implementing staff between the two systems.

Several key informant interviews were held with farmers, agro-dealers, and government staff implementing the programme. In addition to the field visit in the DIS and e-FISP districts, the IAPRI team interacted with key players in Lusaka, including e-FISP staff at the MoA headquarters. The assessment was based on the key elements as to why stakeholders had called on the government to introduce the flexible e-FISP.

3. Comparison of e-FISP versus DIS System

To start with, it is important to clearly outline the differences between the delivery of inputs through e-FISP and the current DIS.

In general, the current DIS is not too different from the traditional system of input delivery. The DIS still involves the government dealing with a few selected suppliers who are required to deliver an agreed quantity of fertiliser and seed to a central warehouse in the district from which input redemption takes place. Transportation of inputs is also done by selected local transporters paid by the Government. Figure 1 summarises the key elements of the DIS.

![Figure 1. FISP under Direct Input Delivery System](image)

Source: MoA FISP implementation manual with author’s modifications

Notes: PCO implies Programme Coordinating Office; HQ as Ministry of Agriculture Headquarters; while DACO is District Agricultural Coordinator. The arrows signify flow of information/inputs.
Figure 1 shows that the DIS is not too different from the traditional FISP because of the following:

i. The government is still heavily involved in the system in terms of tendering for suppliers and delivery of fixed set of crop inputs hence the cost of delivery is higher than e-FISP;

ii. There is limited competition in the system with larger suppliers being given preferences;

iii. Agricultural diversification is curtailed by DIS because only fertilizer and seed (mainly maize seed and small pack of legume seed) is distributed ignoring all other farmer input needs that can be assessed through a functioning flexible e-FISP system.

Table 1 below compares the activities done by government under the traditional FISP, DIS FISP, and the e-FISP. All these activities have cost implications on the government and the more the number of activities done by the government, the higher the cost from the national treasury.

Table 1. Activities Done by Government under the Traditional, DIS and the e-FISP

<table>
<thead>
<tr>
<th>Activity</th>
<th>Traditional system (Cost borne by Government)</th>
<th>Direct Input Supply (DIS) system (Cost borne by Government)</th>
<th>E-voucher (Private Sector led at their own cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-planning</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tendering</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Distributing to districts</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Distributing to satellite depots (farmers’ locations)</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storage of inputs</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Handling costs</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Adapted from Sitko et al. (2012) with authors’ modifications.

4. Findings

This section presents the key findings of the rapid assessment. First, we present a summary of the feedback by stakeholders regarding the DIS implementation in the districts visited. This is followed by a discussion of government e-FISP readiness in selected districts and a critical analysis of the implications of the DIS on the e-FISP roll-out nationwide.

4.1 DIS Implementation during the 2018/19 Agricultural Season

Preparation for the implementation of the DIS system started in September 2018, such that delivery of fertilizer and maize seed to the designated warehouses in the DIS districts which were included in this monitoring trip was done as early as September/October 2018. However, there were reported minor delays in input distribution mainly due to technical challenges such as internet connectivity, as the system heavily relied of the availability of high speed internet to conduct the transaction. This slowed down the rate at which the farmers were being issued inputs.

In general, farmers interviewed were generally happy with the implementation of the DIS because it did not involve cards and fertilisers were delivered on time. However, others indicated that the system restricted them in their choice of inputs. Whilst agro-dealers lamented that the system had destroyed
the gains earned from the implementation of the e-FISP in the previous seasons. They indicated that instead of going backwards, the government needed to effectively address the challenges faced by suppliers, farmers and agro-dealers during the roll-out country wide. Box 1 presents a summary of key successes and challenges of the DIS as reported by stakeholders during the field visits.

4.2 E-FISP Readiness in 2018/19 Farming Season

In terms of the preparedness of the e-FISP implementation, the e-FISP implementation lagged behind compared to the DIS. In the e-FISP, redeeming started around late November while in the DIS Districts, inputs were delivered as early as September in some of the districts.

Box 1: Summary of the Key Successes and Challenges Faced by DIS in Mpongwe and Chongwe Districts

A. Notable Successes of DIS:

i. The use of the ZIAMIS platform helped with the smooth implementation of the inputs to farmers. Farmer information, invoicing for payments, clearing of farmers were all synchronized in the ZIAMIS platform simplifying the redemption process; and

ii. Beneficiary farmers indicated that the moment they were given the Authority to Collect (ATC), they immediately had access to their inputs from the authorized distributor.

B. Challenges

i. Fertilizer and seed suppliers complained that they were not being paid on time.

ii. Cases of expired seed: Some farmers in Mpongwe reported being issued with expired maize seed supplied by Zambezi Ranching and Cropping Ltd. Upon discovering that the seed distributed had expired in September 2018, the MoA halted the distribution of that particular seed in order to address this problem, though some farmers had already received it. Below is a picture showing date of expiry for seed supplied.

iii. Some farmers indicated that some of the inputs on the DIS were being imposed on them, as they had never grown them—a good example was Vitamin A rich orange maize. This was an indication of inadequate outreach on the system.

iv. Some seed varieties supplied (e.g., Pioneer 30G19, Pioneer 3812, Pioneer 2859, and Seedco SC627 in Chongwe District) were not in the ZIAMIS. As a result, such varieties could not be distributed until they were assigned codes in the system, so it delayed response from Smart Zambia and Seed Suppliers and affected farmers.

v. In the conventional districts, only a few selected input suppliers were participating in the programme. The rest of the agro-dealers went out of the FISP business, destroying the gains (e.g., direct and indirect jobs) that were already made in the previous season.

vi. Some farmers complained about the lack of capacity for most of the selected local transporters who had challenges transporting inputs to cooperatives or farmer groups. This meant some cooperatives or farmer groups had to incur transport costs of ZMW 15 – 20 per 50kg bag of fertilizer to avoid delays in the transportation of their inputs.

vii. A follow up with some local transporters indicated that some of them were working without signed contracts and this discouraged them from providing their transport services as required.

viii. In some cases there were reports of inaccurate information generated by ZIAMIS, which led to lead farmers having issues with input redemption. This meant that some lead farmers had to go back to the DACO’s office for verification, losing essential time in the process.

ix. The limited number of seed distribution warehouses in the districts (one per district) meant that farmers had to travel long distances to collect their seed.

x. Operationally, districts do not have adequate financial resources to support execution of the daily routine work required for the programme.
Generally, preparations for the season were more adequate in the DIS districts compared to the e-FISP districts.

4.2.1 Challenges during the Roll-out and how they were addressed in 2018/19 Farming Season

Table 2 summarises the challenges faced during the roll-out, how and when they were addressed, and those that were not addressed and continued during implementation of the e-FISP.

<table>
<thead>
<tr>
<th>SN</th>
<th>Issue or problem</th>
<th>How was it addressed?</th>
<th>When was it addressed</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Late release of programme funds</td>
<td>Not yet addressed. Government still owes agro-dealers and input suppliers huge amounts of money for the supplied inputs</td>
<td>N/A</td>
<td>For the e-voucher to run successfully, the ministries of Finance and Agriculture should work hand in hand to ensure that the funds are released on time and in full.</td>
</tr>
<tr>
<td>2</td>
<td>Late accreditation of the agro-dealers to the ZIAMIS</td>
<td>Not fully addressed as activities started late</td>
<td>Though process started late, all participating agro-dealers were synchronized or added onto the ZIAMIS platform in their respective districts</td>
<td>List of participating agro-dealers should be updated on time, preferably by July.</td>
</tr>
<tr>
<td>3</td>
<td>Change of IT system and operating procedures</td>
<td>E-FISP now being run in the ZIAMIS. System still being perfected, minor changes done during the 2018/2019 ag season</td>
<td>System perfected after the start of the agricultural season in December 2018</td>
<td>No complaints from stakeholders, system working well with beneficiaries and agro-dealers information synchronized into the system.</td>
</tr>
<tr>
<td>4</td>
<td>Inadequate and late training of agro-dealers</td>
<td>Not addressed, though most agro-dealers picked up quite fast after registration.</td>
<td>N/A</td>
<td>Start agro-dealer recruitment/registration and training by May</td>
</tr>
<tr>
<td>5</td>
<td>No linkage between the banks and ZIAMIS</td>
<td>Using the ZIAMIS, participating banks not directly linked</td>
<td>September 2018</td>
<td>The move to card less system helped to resolve issues of not having participating banks in most rural areas. The ZIAMIS was linked to the participating banks.</td>
</tr>
<tr>
<td>6</td>
<td>Network challenges with the ZIAMIS</td>
<td>Government through ZICTA has been installing communication towers countrywide</td>
<td>On-going</td>
<td>Once in place this investment will resolve internet connectivity issues in most areas.</td>
</tr>
<tr>
<td>7</td>
<td>Some of the registered agro-dealers did not have enough capacity to stock inputs</td>
<td>Remains a major problem affecting the effective implementation of the e-FISP</td>
<td>N/A</td>
<td>More investment needed to build a credible and more resilient agro-dealer network. In particular, agro-dealers need to be linked to long term low interest financing.</td>
</tr>
<tr>
<td>8</td>
<td>Stocked inputs skewed towards maize seed and fertilizer</td>
<td>Not addressed</td>
<td>N/A</td>
<td>Agro-dealer and farmer sensitization about the benefits of e-voucher system in promoting agricultural diversification needs strengthening. DIS system likely to be wrongly labeled as e-FISP.</td>
</tr>
<tr>
<td>9</td>
<td>Late activation of the e-vouchers</td>
<td>Not addressed, this challenge has continued even through the card-less system</td>
<td>N/A</td>
<td>Government through ministry of Finance and Agriculture should release FISP funds on time.</td>
</tr>
<tr>
<td>10</td>
<td>Late depositing of the farmer contribution</td>
<td>Date to start farmer deposits was announced early by MoA through the Minister of Agriculture</td>
<td>Announcement made in July 2018 but deposits by farmers started late</td>
<td>Farmer sensitization about their e-FISP and their responsibilities need to be prioritized</td>
</tr>
<tr>
<td>11</td>
<td>Most farmers do not know why the K100 was deducted (Value of voucher was K2,100 but farmers only accessed inputs worth K2,000).</td>
<td>Not addressed</td>
<td></td>
<td>Need for more sensitization so that farmers are clear on the benefits of insurance and why a K100 is deducted.</td>
</tr>
</tbody>
</table>

Source: Authors summary
4.2.2 Notable Successes of the E-FISP in 2018/19 Agricultural Season

One of the most notable changes made to the e-FISP during the 2018/19 agricultural was the introduction and addition of the cardless system. Under this system, all FISP activities were integrated and harmonized through the ZIAMIS. All service providers (individual farmers, large input suppliers/agro-dealers, etc.) were integrated and synchronized in the ZIAMIS. The inputs catalogue was also integrated within the system. This made ZIAMIS a one-stop-shop for all FISP related information and transactions, and helped the Government to monitor the implementation of the FISP programme and provide quick solutions to any problems identified.

The main advantage of the cardless system is giving a notification through the phone short message system (SMS) to the farmer as to when their account had been credited. The system also gives instant updates on the transactions on the voucher, who and what has been transacted, and many other records. This system helped to remove doubts of whether a farmer’s account has been credited or not and many other related transactions. In the previous seasons, there were claims that some agro-dealers were stealing from farmers in that after swiping, agro-dealers would still say there was no money in the card. But with this new system, it is difficult to steal from a farmer because all the records for transactions are real-time and the farmer gets the transaction notifications via SMS.

4.2.3 Stakeholders Assessment of the E-FISP Implementation in 2018/19 Farming Season

Farmers

Some farmers talked to during the monitoring field work and during the pilot in e-voucher districts revealed that they redeemed different types of inputs ranging from fertilizer, maize seed, insecticides, herbicides, veterinary drugs, dip chemicals, etc. Therefore, reverting to the traditional system (now implemented as DIS) will squander the gains achieved under the e-voucher. The e-voucher system offers huge potential in promoting agricultural diversification.

Agro-dealers

In e-voucher districts, late payments to agro-dealers by the government delayed restocking of agro-dealer shops, unlike the redeeming that used e-cards where agro-dealers’ accounts were credited instantly during the 2017/18 farming season. With the cardless system, agro-dealers have to wait longer before their accounts are credited for the completed transactions. Because of late payment, it was reported that some agro-dealers resorted to giving farmers only half of the inputs redeemed with the rest allotted once the government credits their accounts. This move delayed farmers’ ability to access inputs on time. Agro-dealers spoken to complained of not receiving their payments for more than a month after supplying inputs to farmers. Consequently, this tied up their working capital and depleted their inputs (stock), as they could not purchase more supplies.

The e-voucher system has continued to attract many more agro-dealers involved in input distribution and marketing, thereby, promoting the local agribusiness sub-sector. But the change in the payment system where agro-dealers have to wait for 30 or more days discouraged participation of many small agro-dealers, as they had to pre-finance inputs redeemed by farmers. Unfortunately, most of them were not in a position to do this, as their liquidity could not allow for the long wait for payment by the government. Most of the agro-dealers were still owed substantial amounts of money by the government for deliveries in the past season and could not effectively stock their shops under the new 30+ day system of waiting for payment for redeemed inputs.
During the e-FISP pilot phases, IAPRI estimated that the development of the agro-dealer network due to the adoption of the e-voucher system had created close to 3,000 direct jobs and many more if indirect jobs are included. However, reverting 40 percent of the e-FISP to the traditional system has put these created jobs at risk as agro-dealers struggle to keep their businesses afloat.

4.1.4 Did E-FISP Fail in 2018/19 Agricultural Season?

The short answer to this question is no, the e-voucher didn’t fail. IAPRI’s research has shown that in a system that works — farmers could register, and deposit and receive redemption codes efficiently and effectively. In the majority of cases, farmers could also access inputs. This alone should give the government confidence e-FISP did not fail, yet some stakeholders including some in government have been doubting the efficacy of the e-FISP system.

These doubts are based on the assumption that all critical requirements for the successful implementation of e-FISP are in place and that all issues identified during the pilot phases have been addressed. IAPRI’s research shows that whilst progress has been made, unfortunately, critical elements recommended by IAPRI in previous papers have not been put in place for the e-FISP to work effectively.

These elements include release of funds by the government on time and instantly paying agro-dealers upon each successful transaction with farmers, and a reliable payment system needed to enable this. Critically, the preparations for e-voucher implementation should also start earlier than in past years, as a late start always delays delivery of inputs to farmers.

These elements of the system are critical, and without action, e-FISP is likely to be discredited as an inefficient system. However this is not e-FISP failing — it delivered on the objectives of farmer choice and crowding in the private sector, but the right effort has not been made to support on-time payment. E-FISP is best for the country in terms of promoting agricultural diversification, job creation in rural areas, and above all reducing government expenditure through crowding -in the private sector into the input sector.
5. Conclusion and Recommendations

There is a danger to use the perceived successes of the DIS in the 2018/19 agricultural season to revert to the traditional system. Policy makers and stakeholders need to bear in mind why the e-FISP was introduced. To recap, e-FISP was introduced to:

i. Crowd in more private sector in agro-input distribution, thereby promoting competitiveness and transparency in the supply and distribution of inputs;
ii. Ensure timely delivery and access to inputs by smallholder farmers;
iii. Provide farmers with freedom to select inputs of their choice, thereby promoting agricultural diversification; and
iv. Reduce public expenditure on the delivery of inputs to farmers.

As discussed in this brief, e-FISP broadly worked over the last growing system and improvements — particularly the use of ZIAMIS and cardless payments — have proved successful. However, the full system faced challenges as not all the conditions for its success were met. First, late implementation of awareness campaigns tend to make stakeholders believe that it is the system that does not work. Instead, it is the inability to put in place what is required to make the system to work effectively for the benefit of the farmers, agro-dealers, large input suppliers, and the nation as a whole.

Second, the requirement that agro-dealers have to pre-finance the supply and redemption of inputs, tended to stifle the effectiveness of the system. This is because the majority of agro-dealers who emerged as a result of the e-FISP pilot and nationwide roll-out are small and do not possess the liquidity to bankroll the supply of inputs in advance and wait 30+ days before they are paid.

Therefore, in order for the government to be able to make available financial resources for instant payments to both suppliers and agro-dealers, the size of the FISP must be reviewed and reduced to a level that will facilitate quick payments. Evidence has shown that not all farmers who receive e-FISP require it, as is shown by the increase in resale of fertilizers by some of the recipient farmers on the open market.

Last but not least, the DIS should not be seen as the substitute for the e-FISP, because the latter has not yet been fully implemented to achieve its full benefits. Therefore, it is important for stakeholders to continue lobbying the government, through MoA and other associated Ministries, to give the e-FISP a chance to service the farming sector and save the country’s limited financial resources. We need to concentrate on correcting the few challenges that were identified during the two years of piloting the e-voucher system than replacing e-FISP with the DIS.