

ELECTRONIC VOUCHERS FOR AGRICULTURAL INPUTS

After a decade of economic decline, marked by hyperinflation, high unemployment rates and steep drops in agricultural production, Zimbabwe's economy is beginning to bounce back. And with that, support for the country's smallholder farmers – numbering over 1.5 million – is moving away from free handouts to more innovative, market-based approaches. One such approach is the use of electronic vouchers to buy agricultural inputs.

What FAO Zimbabwe is doing

The Food and Agriculture Organization of the United Nations (FAO) in Zimbabwe, in partnership with Zimbabwe's Ministry of Agriculture, Mechanization and Irrigation Development, provided electronic vouchers – PIN-protected swipe cards – to 4 100 smallholder farmers during the 2011/12 cropping season. The programme drew on FAO's experiences with electronic vouchers in Zambia and the results from pilot projects in Zimbabwe. It was fully in line with the Government's national priorities for the agriculture sector. To be eligible, farmers had to meet certain requirements, including having access to over 0.5 hectares of land and contributing at least 10 percent of the total value of the voucher – in this case,

USD 16. Once issued, farmers could use the vouchers to buy seeds, fertilizers, tools and other agricultural inputs from participating agrodealers.

What was so innovative about this approach was that it put farmers in the driver's seat, giving them the freedom to buy the inputs they needed rather than providing them with fixed input packs, as was the case with direct input distributions. It also helped stimulate growth in the local economy.

Impact on farmers' lives

Zimbabwe's long economic recession saw the near collapse of its formal marketing channels; seeds, fertilizers and other inputs became scarce and expensive. The electronic voucher programme helped to re-establish agrodealer networks, ensuring a reliable supply of quality inputs across the country.

Farmers, not bound by pre-selected input packs, could choose what to buy, when and where. Having USD 160 to spend meant that they could purchase enough seeds, fertilizers, tools or spare parts to move beyond



"The electronic voucher programme is helping Zimbabwe's economic recovery, rebuilding the formal input supply chain that had virtually collapsed during the decade-long recession."

Douglas Magunda, FAO Emergency Unit in Zimbabwe

subsistence farming. Most farmers, for example, bought fertilizers and productive assets such as ploughs. With at least two participating agrodealers per ward, farmers had more choice and prices remained competitive.

Challenges

The use of electronic vouchers in Zimbabwe is still in its infancy; kinks need to be ironed out to ensure continued gains. Technological hiccups are a concern, but backstopping support services provided by technical partners or banks can help resolve those problems. Regular monitoring by FAO and partners can help ensure that farmers receive the full value of their vouchers and are not discounting them for cash. It can also ensure that input prices are in line with general market prices – and not artificially inflated – and that supplies, complying with FAO quality standards, are sufficient to meet demand.

Lessons

It is all about timing. Farmers need to receive their electronic vouchers well before the start of the planting season to give them ample time to plan and buy what they need. Likewise, healthy, mutually-benefiting relationships among agrodealers, wholesalers and suppliers are essential for well-functioning input supply chains, which, along with formal marketing channels and an electronic communication network, need to be in place for the project to work.

Training and awareness raising among all those involved on the voucher exchange process, record keeping and the overseeing of stock levels and quality are crucial, while regular monitoring is key to preventing fraud.

The programme successfully introduced information and communications technology into rural areas. Electronic cards should remain active after the project so that farmers can carry out transactions through existing banking services.

Partnerships / stakeholders

9 input suppliers

26 agrodealers

Community Technology Development Trust (CTDT)

Kingdom Bank Limited

What next?

Around 70 percent of the country lives in rural areas and relies on agriculture for their livelihoods, which is why the agriculture sector is so crucial to Zimbabwe's economic recovery. FAO Zimbabwe is now scaling up the electronic voucher project, reaching out to 18 000 farming households during the 2012/13 cropping season. The goal is to get more agrodealers and suppliers on board and re-establish more business relationships. Having farmers contribute even more than 10 percent will help lessen their reliance on assistance.

FAO will carry out a survey to assess the project's impact on farmers' livelihoods. The Ministry of Agriculture, Mechanization and Irrigation Development continues to play a key role in providing training, extension support and monitoring.

There is a strong push to encourage farmers and agribusinesses to see farming as a business. Innovative public-private partnerships, such as the electronic voucher scheme, have an important role to play in driving agriculture forward in Zimbabwe and beyond. The same voucher system, for example, could be promoted in similar contexts outside Zimbabwe to help strengthen input markets. Such partnerships can provide important business links and opportunities to smallholder farmers to move beyond subsistence farming and achieve greater prosperity.

Achievements to date:

- Business linkages re-established between 9 agricultural input suppliers and 26 agrodealers
- Farmers able to buy what they needed for the main agricultural season
- Shift away from free input distribution, with farmers contributing financially

Ministry of Agriculture, Mechanization and Irrigation Development

Royal Embassy of the Netherlands