

Article

Policy perspectives on the role of government in the distribution of agricultural inputs to farmers: Lessons from Zimbabwe

Ignatius Govere^{1*}, Richard Foti¹, Edward Mutandwa¹, Arnold B. Mashingaidze² and Evison Bhebhe³

¹Rural Development and Agribusiness Department, ISAE-Busogo, P. B. 210, Musanze, Northern Province, Rwanda.

²Faculty of Agriculture, Umutara Polytechnic, P. B. 57 Nyagatare, Eastern Province, Rwanda.

³Department of Animal Production, ISAE-Busogo, P. B. 210, Musanze, Northern Province, Rwanda.

Accepted 12 October, 2009

Many governments and donor aid agencies have been involved in distributing free agricultural inputs to farmers particularly during periods of natural disasters, harsh economic environments or unjust government policies which could create vulnerable groups of farmers. When properly targeted, such efforts have enabled vulnerable farmers to regain crop and livestock productivity while recovering from their setbacks. However, in recent times critics have questioned the appropriateness of the approach of directly handing out free inputs to farmers on the basis that it undermines the traditional private agricultural input markets and also that it promotes the dependency syndrome among farmers. In addition, there are inherent distribution inefficiencies associated with the direct handout of free inputs to farmers. This paper is a policy perspective which attempts to answer the question whether governments should be involved in the distribution of free agricultural inputs to farmers. Based on the experiences derived from Zimbabwe's land reform program in which the government embarked on a massive free agricultural inputs agenda, the paper offers a critique of the merits and demerits of alternative agricultural inputs distribution approaches. The paper also proposes practical policy strategies for the private sector, governments and donor aid agencies. Finally, the paper concludes that there is rationale for direct government supply of free inputs to farmers provided the objective is to ensure agricultural recovery and food security or to complement failed private sector input marketing channels. However, in general government agricultural input distribution schemes should be limited to the provision of recovery and relief inputs to properly targeted vulnerable farmers. Private input marketing firms and financial institutions should play the pivotal role in the supply of inputs to farmers while the government and development aid agencies play the facilitatory roles of creating conducive policies and promoting the sharing of costs and risks between the farmers and input suppliers.

Key words: Zimbabwe, agricultural inputs, role of government, free distribution, private sector markets, policy, dependence syndrome.

INTRODUCTION

Government-sponsored input support programmes have been a common occurrence in Zimbabwe since independence in 1980, especially during seasons following natur-

ral disasters such as droughts. The assistance, which largely constituted seeds and fertilizers, was mainly targeted at communal farmers. Previous governments also rendered agricultural resource support to farmers but this was less of direct input support and more of input price subsidies, viable product prices and general institutional support to relevant private and public enterprises.

The period from 2000 to date has seen a deliberate government effort to support farmers through direct provi-

*Corresponding author. E-mail: ignatiusgovere@yahoo.com.

This study was funded through the support of the African Institute for Agrarian Studies and the Zimbabwe Project Trust

sion of inputs, necessitated by the need to prop up the new farmers created by the Fast Track Land Reform Programme (FTLRP). The latter resulted in massive land transfers from the large-scale commercial farmers to the smallholder farmers under Model A1 (small-scale resettlement) and Model A2 (medium to large-scale resettlement) schemes. In order to boost production in the newly resettled areas, Government introduced the Crop and Livestock Credit Input Schemes to assist the new farmers in meeting production levels sufficient to enhance national food security and food self sufficiency.

Although the Government Input Support Scheme is premised on the noble objective of assisting the new farmers to establish themselves and to recover from the devastating effects of unfavourable economic and natural environments, there have been major policy concerns emanating from the negative effects of such a policy on sustainable input delivery mechanisms and disruption of private sector-driven input supply channels. The Minister of Finance, Herbert Murerwa recently acknowledged that these government input support programmes thrust a huge and unsustainable burden on the fiscal budget (GoZ, 2006). The limited government resources have also resulted in failure to meet input demand while the inherent leakages in the distribution system have fuelled the black market thus exacerbating the plight of the smallholder farmers. The delays in input provision have tended to affect the production levels of most farmers, even those who are well endowed, because of the apparently widespread dependency syndrome among farmers.

In light of these challenges, some concerned stakeholders have begun to ask legitimate questions relating to whether the Government should be involved in the distribution of agricultural inputs in the first place. However, such questions cannot be responded to adequately without first understanding the rationale and evolution of past and current input distribution policies. This policy paper attempts to answer this question through a systematic review of the past and current government agricultural input provision schemes in Zimbabwe and Sub-Saharan Africa and the rationale for public and private sector involvement. Ultimately strategic policy recommendations will be proposed for an efficient and sustainable agricultural input supply system.

EVOLUTION OF INPUT SUPPLY POLICIES IN ZIMBABWE

At Independence in 1980, Zimbabwe inherited a dual agricultural sector, which consisted of the predominantly white large-scale commercial farmers and the black small holder farmers. Many years of developmental agricultural support from the colonial governments saw the large-scale commercial farmers developing into a commercially viable priority clientele for the private and public providers

of agricultural finance and inputs (GoZ, 2004). The FTLRP has transformed the agricultural industry into a industry into a tripartite sector consisting of the large-scale white commercial producers, the emerging small to large-scale indigenous farmers and the traditional smallholder communal farmers – all of which have unique characteristics that influence the success of any input supply strategies by the public and private sectors.

The 1940s and 1950s saw phenomenal growth of the agricultural input supply sector due to favourable government policies encouraging the private sector participation. Expansion of many multinational companies as well as private and public sector investments fuelled most of the developments during this era (Rusike and Sukume, 2006). During the post-1965 UDI period when the country was under sanctions, there were developments leading to diversified and sophisticated input supply systems championed by local firms, which ensured self-sufficiency through import substitution. However, the trade block resulted in limited input availability and choice. The post-independence period after 1980 saw rapid growth in the utilization of improved inputs by smallholder farmers due to the Agricultural Finance Corporation Seasonal Input Credit Scheme. Inherent inefficiencies in the administration of the scheme resulted in its collapse and so did the rapid growth in the use of hybrid seed and inorganic fertilizers. During the 1990s, the liberalization of the economy led to the removal of mandatory testing and registration of inputs, elimination of price controls and subsidies as well as reforms to provide foreign currency to private firms. As a consequence of the adequate incentives for the private firms to provide services at a profit, there were concomitant increases in input availability, quality, innovation, information flow and agro-dealer services even in marginal areas.

Despite its noble objective of equitably redistributing land, the FTLRP caused widespread disruptions in the sophisticated input supply channels that had been developed over many years. We need to derive important lessons from the successful though racially discriminatory development programmes of colonial governments that created a vibrant and highly successful commercial farming sector through sustained developmental support that encompassed both the public and private sector stakeholders at all levels. The input supply sector needs to evolve in order to effectively respond to the increased demands of the new smallholder farmers for relevant technologies that conform to their limited resource endowments, especially those in marginal areas.

ALTERNATIVE APPROACHES TO THE SUPPLY OF AGRICULTURAL INPUTS

Before attempting to discuss the rationale, merits and demerits of the current Government policies on input supply, it is important to review the alternative input supply

strategies and how they may influence the sustainability of input distribution systems.

Private sector-based approach

The rationale for a private sector-driven model of input supply is premised on the fact that considerable efficiencies can be derived if private firms are allowed to have a free role in the provision of products and services at a profit. Competition among the firms would stimulate input availability, enhance product quality, create innovation, promote information flow and encourage growth of wide manufacturers and dealership networks.

However, lessons should be drawn from the Zimbabwean fertilizer industry where collusion among the few companies has failed to create any efficiencies at all since the complicated shareholding structures rule out any meaningful competition. The harsh economic environments and the reality of having to serve many geographically-segmented smallholder farmers have created huge risks which private firms are not willing to shoulder to a large extent. This has resulted in the private sector failing to adequately respond to the input demands of the new farmers under the FTLRP. However, even in a private sector input supply model, there exists an inevitable role for the government to provide certain inputs especially in the marginal areas and for small crops especially after disasters.

Government-led subsidized input supply system

Subsidized input supply systems are usually justified where governments embark on deliberate efforts to support agricultural recovery of vulnerable farmers and to ensure food self-sufficiency and food security. Natural disasters, harsh economic environments or discriminatory policies can create vulnerability among certain groups of farmers such as the resource-constrained new small holder farmers under the FTLRP or farmers in drought-stricken areas. In addition, private sector participation may not be profitable in marginal areas or for minor crops where economies of scale cannot be achieved.

However, massive government participation in input distribution programmes is not sustainable due to limited government budgets, the disruption of the growth of the private sector as well as inherent inefficiencies that lead to input distribution delays, limited choice of inputs, lack of quality assurance and the misallocation of scarce resources due to poor targeting and leakages.

Supply of agricultural inputs under donor recovery programmes

Development aid agencies have been playing a significant role in the provision of agricultural inputs and

support services in Zimbabwe and other developing countries. The main aim of agricultural relief and recovery programmes is to ensure food security and self-sufficiency of vulnerable households and to strengthen their capacity to handle future disasters. According to Rohrbach et al. (2004), several reasons have been commonly cited to justify the need for agricultural assistance and these include:

- i. Poor rainfall leading to widespread shortfalls in food production relative to household and community needs.
- ii. Shortages of basic foodstuffs on the retail market, increasing the probability that farmers will consume some of their seed supplies.
- iii. The sharp decline in economic growth, reducing remittance income and off-farm employment.
- iv. Shortages and consequent high prices of agricultural inputs on the retail market.
- v. The high incidence of HIV/AIDS resulting in labor shortages, capital losses and a larger proportion of child-headed households.

Many donor agencies have assisted farmers to recover from seasons of natural disasters and farmers have benefited from new technologies. However, questions have been raised on the role of donor aid in disrupting local input markets and creating the donor syndrome. Therefore direct input distribution is gradually being replaced by more market-friendly relief distribution approaches such as input credit schemes, vouchers redeemable at rural retail shops or voucher-based seed fairs. Table 1 is a summary of the advantages and disadvantages of alternative input distribution approaches.

However, the stakeholder roles discussed above do not necessarily suggest mutual exclusivity of public sector, private firms or development agency participation. A common framework is required that clearly defines the important roles of all stakeholders thus creating synergies to benefit not only the individual stakeholders (including the farmers) but also the society in general. Unjustified and excessive involvement of the government and development aid agencies in distributing agricultural inputs will not only cause market disruptions but also a dependency syndrome among farmers. On the other hand, some policy makers would argue that private firms may not be trusted with ensuring the food security of a nation especially when there are no viable economic incentives or are not benevolent enough to serve the less profitable markets.

THE CURRENT SITUATION

Overview of input supply policies in Sub-Saharan Africa (SSA)

The question of how to develop sustainable agricultural input markets is a major policy issue in SSA because

Table 1. Merits and demerits of alternative relief and recovery input distribution approaches.

Advantages	Disadvantages
Free, direct distribution	
Similar in logistical requirements to food aid delivery	Provides no choice of inputs
Most NGOs are familiar with the procedures for free input delivery	Undermines retail trade of inputs
Low establishment costs	Creates dependency on free handouts
Credit programs	
Reduces dependency on free handouts insofar as farmers have to repay loans	May undermine formal credit systems if credit is subsidized
Provides some choice in the type and quantity of inputs to be obtained	Risky to administer in drought prone regions
Seed fairs	
Provides farmers choice of inputs to be purchased	High start-up costs in staff training and community organization
Encourages local seed producers to expand their production	May undermine local seed markets
Encourages development of informal, community seed market	Inflates local seed prices
Brings cash into the rural community	Input availability is not guaranteed; need to check if seed is really available on local markets; can be difficult to determine if farmers are hiding stocks in order to qualify for handouts
	Elderly, disabled may have difficulty obtaining seed in a crowded fair
	May increase dependency on external interventions
Vouchers redeemable at retail shops	
Encourages development of wholesale and retail input markets	High start-up costs in organizing and training retail traders
May provide choice depending on how the program is run	Still unclear how much collateral investment will be made by input supply companies in developing such retail trade
Reduces risks of stocking agricultural inputs	Possibly prone to corruption – eg trader provides partial allotments or asks for bribes

Source: Rohrbach et al. (2004).

improved input supply strategies that support appropriate and sustainable agricultural technologies are essential in order to improve rural incomes and enhance food security. Most Sub-Saharan African (SSA) countries provide smallholder and commercial farmers with inputs through a combination of government or NGO-sponsored programmes and the private sector (outgrower) credit schemes that include joint ventures and cooperatives.

Kelly et al. (1999) note that input markets serve farmers best when there is some degree of vertical coordination among input distribution, output marketing, and credit functions, which lowers costs and improves loan repayment rates. Successes have been recorded in industrial or export crops (such as cotton) where the improved inputs and more reliable output markets stimulate productivity in food crops as well as in cash crops. The key lies in the provision of incentives that enhance the long-term viability of farmers who sell their output through these vertically integrated schemes. On the other hand, it is also profitable for the credit schemes to extend credit, inputs, and other services in support of agricultural productivity growth to the mutual benefit of both the scheme and participating farmers. However, vertically integrated credit schemes have broken down where there are no sufficient incentives (e.g. viable product prices and

reasonably priced inputs) for the farmers to channel their product through the schemes.

Through most of the 1980s, input delivery programmes in SSA were provided directly by public or semi-public firms (Kelly et al., 1999). Direct and indirect subsidies often boosted input use and marketed output but budgetary constraints made them unsustainable. This led to structural reform programmes that led to the removal of input subsidies and government withdrawal from direct input distribution. Currently, many SSA countries have stagnated into a low-input-use and high-input-cost trap that has negatively impacted on agricultural productivity.

Private sector involvement has been constrained by high costs and risks associated with dealing with small holder farmers. Initiatives such as vertically integrated input provision schemes have succeeded in countries like Ethiopia and Zimbabwe in enhancing farmers' access to inputs but the sustainability these efforts is uncertain due to unpredictable government policies.

An overview of Zimbabwe's government crop and livestock input programmes

The commencement of Zimbabwe's Fast Track Land Re-

form Programme (FTLRP) in 2000 necessitated the launching of the massive government-supported Crop and Livestock Input Schemes, as the private sector was unable to meet the sudden and huge input demand by the new farmers. There was a need for support mechanisms to ensure food security and food self-sufficiency and to restore agricultural productivity that had been disrupted by the massive land transfers from the white large-scale farmers to the black smallholder farmers. The inability of the private sector to respond adequately to the inputs supply situation was largely attributable to their failure to respond to the demands of the many small geographically-segmented resource-constrained farmers with diverse technology requirements due to diverse livelihoods. This problem was compounded by the harsh economic environment in which foreign currency shortages and price controls ruined their viability.

The Ministry of Agriculture has been largely responsible for the administration of the Government Input Support Schemes since 2000 with its Economics and Marketing Department being responsible for the planning and procurement. The inputs were distributed through relevant parastatals such as the Grain Marketing Board (GMB), Tobacco Industry Marketing Board (TIMB), Agricultural and Rural Development Authority (ARDA), Pig Industry Board (PIB), District Development Fund (DDF), and National Oil Company of Zimbabwe (NOCZIM). These institutions were also involved in the identification of beneficiaries and recovery of the loans. Initially the private sector used to distribute inputs to the farmers on behalf of the government (e.g. Reapers for groundnuts and COTTCO for cotton). The Ministry of Finance and the Reserve Bank of Zimbabwe provided funds for the procurement of the inputs. The private sector was encouraged to get involved in the provision of inputs to farmers through contract farming. Over the years the number of institutions involved in the government input schemes was reduced and companies from the private sector ceased to distribute inputs on behalf of the Government.

The government has made available financial resources under its crop and livestock input schemes targeting farmers from the communal areas and A1, A2 and old resettlement areas. The 2005/2006 and 2006/2007 seasons have seen the government sidelining the A2 farmers in favour of the more vulnerable and less-endowed communal and old resettlement farmers. The A2 farmers were encouraged to seek loans from banks, although issues concerning the lack of land tenure security have discouraged the banks from lending to these apparently high-risk new farmers.

The 2005/2006-summer season saw the launch of Operation Food Security/Maguta/Inala a programme whose objective was to ensure food security by mainly focusing on production of maize, wheat and small grains – complementing the Ministry of agriculture. This streamlined targeting of crops after 2005 resulted in a narrower-range of crop inputs being distributed.

The Agriculture Sector Productivity Enhancement facility

(ASPEF) was introduced by the Reserve Bank of Zimbabwe (RBZ) following the announcement of the May 2005 Post- Elections and Drought Mitigating Monetary Policy Framework to provide capital finance for agriculture and related activities at concessionary rates. This was in recognition of the critical role played by agriculture in the Zimbabwean economy, with the sector then contributing about a fifth of the country's Gross Domestic Product. ASPEF aimed at establishing linkages between agriculture and other key sectors of the economy that are critical in enhancing economic growth and to enhance food security, boost foreign currency generation through exports and foreign currency savings through import substitution on food and related products (RBZ, 2006).

The disbursement of funds under ASPEF commenced in June 2005. This saw most of the A2 farmers, who had been weaned from direct input support, accessing finances for agricultural production through Agribank and other financial institutions at concessionary rates of around 50%. Farmers could access funds under ASPEF through various facilities such as the Tobacco Seedlings and Land Preparation Facility, Maize and Sorghum Support Facility, Wheat Purchase Facility, the Soyabean Production Facility or the National Agricultural Mechanization Programme among others. The Winter Crops Inputs Loan Scheme which mainly encompassed wheat production, had limited scope targeting only those farmers with capacity to irrigate although the implementation modalities were the same with the summer programmes. The Ministry of Agriculture received funding from either Ministry of Finance or Reserve Bank of Zimbabwe and procured inputs for the winter crops for distribution to farmers through GMB and ARDA.

The implementation of the government input support programmes has been occurring in an environment characterized by declining macro-economic fundamentals and has thus faced many challenges:

- i. Hyperinflation and shortages of foreign currency resulted in acute input shortages. For instance, the fertilizer industry operated at between 30 and 60% of capacity during most of 2006. These shortages of essential inputs like fertilizer, chemicals and fuel have impacted negatively on agricultural production during the post-2000 period, thus, slowing down the recovery of the agricultural sector. The unavailability of heifers on the market and shortage of foreign currency to import breeding stock severely constrained the livestock component of the input programme.
- ii. Government price controls affected the supply of most of the critical agricultural inputs such as fertilizers, seeds and fuel. These controls reduced the profitability of private sector involvement in the supply of inputs especially at a time when they had to source most of their foreign currency requirements at parallel market rates.
- iii. Inadequate fuel supplies hampered the distribution of inputs to farmers and there were major delays that seriously affected crop production.

iv. Some seed that was distributed under the government input schemes was never planted due to the low levels of mechanization in the smallholder sector. For instance, the 2002/2003 season saw the sale of 45,000 tonnes of maize but some of it was not planted (Matondi and Munyuki-Hungwe, 2006).

v. The issue of lack of land tenure security has hampered the access of commercial loans by new farmers. The Ministry of Lands, Land Reform and Resettlement has started the process of issuing 99-year leases for the A2 farmers who were allocated land. However, there are still major concerns on whether the 99-year leases offer sufficient tenure security to be used as collateral against commercial loans.

vi. There were some dishonest farmers and non-farmers who exaggerated their financial requirements and successfully acquired government assistance but later diverted the money to other investments such as the money market (RBZ, 2006).

vii. Some non-deserving farmers with own resources also applied for inputs and funds, thus crowding-out other farmers who genuinely needed assistance.

POLICY ISSUES AND CONCERNS

The massive involvement of government in the agricultural input supply system has been based on the premise that the Land Reform Programme has changed the structure of Zimbabwe's agricultural sector too rapidly for public and private providers of agricultural marketing and support services to adjust operations to best serve the new realities. Agricultural structural changes brought about by the massive land redistribution programme are thus creating a vacuum in service provision, which if left unattended can compromise the performance of the agricultural sector. It is on this basis that the government initiated a number of state-funded programmes aimed at facilitating rapid expansion of agricultural financial services and expansion of input support to stimulate agricultural productivity and output growth in the newly resettled areas as well as the old farming areas.

However, despite the noble intentions of the intense involvement of government in the input distribution system in the post-2000 era, there have been wide repercussions on input markets – which have been developed over a period spanning more than half a century. Government became the largest buyer of agricultural inputs in the market accounting for over 90% of seed sales made by seed houses (in 2005/2006 season) and its demand for locally produced fertilizers outstripped supply. Ironically, while the government was responsible for controlling input prices, it was also the major purchaser of the inputs and dominated the distribution of inputs to farmers. The traditional countryside rural and urban input marketing channels were severely disrupted as a result.

The government input programme took advantage of the geographical spread of GMB depots to distribute inputs

whose prices were pegged at the same price throughout the country. Consequently, this reduced the marketing margins that could have obtained by private firms had the traditional marketing systems been allowed to prevail. In factoring the costs of production, input suppliers were compelled to use the overvalued official exchange rate for the determination of the input prices yet some of the foreign currency would have been obtained at parallel market rates. The controlled prices in an environment characterized by hyperinflation and foreign currency shortages resulted in severe input shortages, which expectedly gave birth to a thriving parallel market for most of the agricultural inputs thus defeating the purpose of assisting the vulnerable new farmers who were sometimes crowded-out by powerful individuals who took advantage of the inherent loopholes in the distribution system.

In light of the central role that was played by the government in funding input supply, it should be noted that the combination of controlled input prices and credit funds availed at concessionary rates resulted in farmers enjoying an implicit subsidy at a huge cost to the economy, especially considering the macroeconomic destabilization effect of the budget deficit. Furthermore, some of the inputs were not used at all (Matondi and Munyuki-Hungwe, 2006) or unproductively used while some funds were diverted to non-agricultural uses (RBZ, 2006). Widespread evidence in the press over the years indicates massive leakages from the government input support programmes. Some of the inputs were disposed off on the parallel market where they fetched higher prices while other inputs were directed to non-agricultural activities, particularly fuel which would have been distributed to farmers at highly subsidized prices by NOCZIM.

The severely limited transport and administrative capacity of the GMB has resulted in serious delays in the distribution of inputs to farmers despite the existence of a wide network of GMB depots throughout the country. Most commercial transporters are reluctant to service remote rural areas because there are insufficient incentives to ply the off-tarred routes. The administration of the Government Input Scheme has been so capacity-demanding that GMB has been stretched to the extent of diverting from its core business of crop marketing and relief food distribution. Some farmers have voiced their concerns about their perceived “dumping” of inputs by GMB, which is usually unaccompanied by important information such as the prices of the inputs and crop management instructions.

One of the major policy shortfalls of the Government Input Scheme has been the failure by the relevant government ministries to clearly distinguish between commercial agricultural input credit schemes and the free relief handouts. This has confounded the targeting of beneficiaries under each of the input schemes with some well-endowed farmers also receiving inputs under the free scheme. This poor targeting has created two major problems

Firstly, most recipients under the government input schemes do not feel obliged to repay the input or cash loans. They assume that government support is always a benevolent act meant to bring its citizens out of poverty. This has worsened the burden on the fiscus. Secondly, it has also created a deep-rooted dependency syndrome among Zimbabwean farmers. The concomitant problem is that when government distribution is late in the season, even the well-off farmers are also affected because they have become so used to receiving and not buying agricultural inputs.

Over the past few years, there have worrying press reports about farmers receiving poor quality inputs not only from the government input schemes but also some donor relief agencies. The recent reports of an RBZ-facilitated importation from South Africa of 800 tonnes of substandard basal dressing fertilizer are a case in point. Lack of capacity and accountability could cause recurrences of such calamities especially where the government or donor agencies are involved in the distribution of huge amounts of inputs sourced from unverified sources.

It is important to note, however, that the government's agricultural input distribution policies in the post-2000 era have not been entirely devoid of evolution. Since the 2005 - 2006 season, there have been some noticeable policy shifts in response to some stakeholder concerns. The introduction of ASPEF has streamlined the targeting of farmers and range of crops supported necessitated by government budgetary resource. Constraints. A2 farmers are now expected to meet their agricultural financial requirements through commercial loans from Agribank and other commercial banks. But at interest rates of 50%, the agricultural input loans are still highly subsidized by the government. However, better commitment is expected from the farmers who access these loans in their personal capacity. The role of GMB in administering the input loans has been partially replaced by Agribank. Only the smallholder communal and old-resettlement farmers are expected to access inputs through GMB. This action emanated from the need to eliminate the inherent inefficiencies and leakages in the distribution system of GMB.

Apparently, government has reduced the extent of its support and input support schemes are now limited to crops of a strategic nature in terms of food security and foreign currency generation. These crops include maize, wheat, small grains and tobacco. Up to the 2005/2006 season, the Government Input Support Programme was essentially a response to the needs of the new farmers under the FTLRP including the communal and old re-settlement farmers. While the objective of the programme has primarily focused on ensuring household food security, the 2006/2007 season has witnessed a renewed focus on building national strategic grain reserves.

POLICY AND STRATEGY PROPOSALS

We need to learn important lessons from the era of the

1940s and 1950s and the brief 1990s period when there was phenomenal growth in the Zimbabwean agricultural input supply system bolstered by conducive government policies which laid the foundation for profitable private-sector participation. In order to map the way forward for the development of efficient and sustainable input supply strategies, it is important to first outline the long term strategy proposal for the growth of a vibrant private sector and then suggest roles for important stakeholders (the government, private sector and donor aid agencies) in order to minimize the likelihood of a recurrence of the costly post-2000 mistakes which almost destroyed the sophisticated input supply channels which had been developed over many years.

The long-term input supply strategy

As Kelly et al. (1999) rightly point out, input marketing should to a large extent be assured by the private sector, although some government involvement is required to facilitate efficient and transparent markets. The extent and type of government involvement depends on the stage of the agricultural transformation process and the capacity of the private sector to invest in input markets (which have high capital requirements and low profit margins) and farmers' effective demand for purchased inputs. The effective demand for inputs is influenced by the viability of input and product prices and this is the major driver for vibrant input supply systems. It should be noted that the development of off-farm income sectors in rural areas can be used create on-farm investments on agricultural inputs.

Sustainable input marketing channels require a reduction in the real costs and risks associated with input marketing. We need public and private sector investments and institutions that could reduce these costs and risks but this can only be possible if we know these costs and benefits at both the private and social levels. We need to find out how private firms could achieve economies of scale in order to decrease unit costs. For instance, if private firms deal with groups of farmers, this could encourage expansion of cash input credit schemes that facilitate vertically integrated marketing of inputs, crop output and extension services.

It is important to note that marginal production environments, poorer farmers and minor crops require a more rigorous risk management approach because these are often not profitable enough to entice private-sector involvement. The government and development aid agencies have a role to play in such situations in order to encourage the cost-effective involvement of complementary institutions and organizations that are necessary to spread risk more evenly among farmers and input suppliers - thereby encouraging reliable use and repayment of inputs credit, for instance.

However, it may not always be the best approach to encourage resource-constrained farmers to use purchased

inputs for minor crops in marginal areas. For example, it may be more appropriate to promote locally available open pollinated crop varieties and cattle manure than expensive hybrid maize seed and inorganic top dressing fertilizers, which may not yield sufficient net returns in the marginal areas.

The role of the government

- i. Government should facilitate private sector involvement in input supply through enabling policies: - e.g. elimination of price controls, provision of foreign currency and development of transport infrastructure.
- ii. Enhance capacity and profitability of the private sector to invest in marginal input markets (which have high capital requirements and low profit margins) e.g. deliberate subsidies on the provision of inputs in risky marginal areas (and for minor crops) such as tax breaks for setting up input distribution networks in remote and new farming areas.
- iii. Enhance farmers' effective demand for purchased inputs through policies that promote producer viability. In areas where off-farm income activities have a comparative advantage in generating income, these can also be used to create an effective demand for agricultural inputs.
- iv. Identify investments and institutions that reduce the real costs and risks of extending input credit to marginal production environments and poorer farmers e.g. land tenure security (to reduce the risk of lending to landholders) and capacity building of the agricultural extension department (AREX ensures that inputs are used productively and efficiently). Necessary to spread risk evenly among farmers and input suppliers and encourage reliable use and repayment of inputs credit.
- v. Facilitate collaboration between farmer associations, NGOs, and private firms to reduce marketing, extension and credit costs.

In his 2006 Mid-term Fiscal Policy Review, the Minister of Finance Herbert Murerwa highlighted the following important policy pronouncements, which if implemented in good faith could lead to a sustainable input supply system:

- i. There is need to put in place a package of measures which will ultimately result in the private sector and financial institutions playing a pivotal role in the financing of agriculture. Heavy reliance on the fiscus for funding of agriculture is clearly unsustainable, hence the need for the greater involvement of the financial sector. The RBZ has agreed to reduce the level of banks' statutory reserves in return for the banks' commitment to increase their support to agriculture. This would release public resources previously channeled to agriculture by government to critical infrastructure development and social services.

- ii. Stakeholder consultations under the NEDPP have encouraged the government to make an undertaking to enhance coordination of inputs supply, whilst gradually reducing direct provision of inputs. Private sector participation in agriculture through contract farming and empowerment of farmers to plan for their own inputs through guaranteed viability will take centre stage. This also reduces the risk of perpetuating a 'dependence syndrome' on the part of farmers, whose operations would have been commercially driven.
- iii. Farmers should be adequately rewarded for their production because viability progressively reduces the need for concessionary funding for agriculture and government supported supply programmes.
- iv. Government will target provision of support towards the vulnerable groups and those farmers identified and contracted to produce particular commodities for Strategic Grain Reserve requirements.

When one critically analyzes the recent developments in the government's input distribution programmes together with the above-mentioned policy pronouncements, it is quite apparent that the major policy problem in Zimbabwe is not in formulating wise policies but in their implementation. One sincerely hopes that the government would "walk the talk" and save the input distribution system from collapse through undue restrictive interferences and lack of support. There is a worrying tendency by the government to label private firms as unpatriotic economic saboteurs. While these insinuations may be true in some cases, it is important to realize that private companies are not motivated by benevolence but by profit motives. For instance, recently the RBZ sidelined local companies and imported a basal fertilizer, which ended up being of substandard quality. After counting all the direct and indirect costs, it is obvious that the country would have benefited more had the foreign currency been used to augment the resources available to the local fertilizer producers.

The role of the private sector

Historical lessons point to the fact that the private sector should take the leading role in the provision of inputs to farmers. Other lessons from the SSA region suggest that the private sector should not be too dependent on Government support but should be innovative in order to reduce the costs and risks associated with the challenges of providing inputs to many smallholder farmers who are spread over wide geographical areas. Vertically integrated group credit schemes have been used successfully in many SSA countries to achieve economies of scale and reduce unit costs. The success of the credit schemes lies in a viable input-product marketing chain, which rides on long term relationships based on trust and repayment of the loans.

Some private firms have been accused of being so 'unpatriotic' that even after receiving subsidized government support (e.g. cheap foreign currency), they would embark on seemingly profiteering activities of selling products at exorbitant prices. Such blame has been squarely heaped on the shoulders of most fuel companies who have failed to sell their product at government controlled prices. However, it has since emerged that government has at times exaggerated the level of support provided to these firms. Nevertheless, private firms should create goodwill among other stakeholders through good business practices that are based on innovation and good ethics even under the prevailing difficult macroeconomic environments. A less-confrontational all-inclusive consultative approach would benefit the agricultural industry as a whole and the nation in general.

Role of donor aid agencies

- i). Development aid agencies have an important role to play in facilitating the coordination between the public sector, private sector and farmers in order to promote the sharing of risks and costs among all stakeholders
 - ii). Instead of the traditional approach of directly distributing free inputs to farmers, NGOs should use market-based input distribution strategies such as vouchers, credit schemes and seed fairs.
 - iii). According to Rohrbach et al. (2004), in general, an efficient methodology for input distribution is expected to:
 - iv). Minimize errors of inclusion/exclusion (ie, assisting non-deserving households or leaving out deserving households) at the beneficiary identification and selection stage
 - v). Provide farmers with inputs for which they have the agronomic knowledge and skills, and which relate to their crop production preferences. In addition, new products can be introduced provided farmers are given relevant training.
 - vi). Enable farmers to receive inputs in a transparent and corruption-free fashion.
 - vii). Minimize administrative costs of delivery.
 - viii). Minimize donor dependency.
 - ix). Minimize the disruption of input markets; and where possible, facilitate market development.
- Multiple strategies may be employed so as to access different segments of the farming population. The combination of methods eventually used depends on the objectives and capacity of the implementing agency.
- x). Development aid agencies have a social obligation to supply quality assured agricultural inputs to farmers. Recent press reports about some NGOs supplying "very tall sorghum that never tasseled and cowpeas that never bore any flowers" have not only affected agricultural production but also destroyed the goodwill between farmers and NGOs.

CONCLUSION AND WAY FORWARD

The post-2000 era has witnessed direct government involvement in the distribution of agricultural inputs on a large scale with the rationale of ensuring both household and national food security and food self-sufficiency. The government input support schemes have immensely benefited the smallholder farmers who would otherwise have languished in a vicious trap of low improved input utilization and poor agricultural productivity. These input programmes have ensured agricultural recovery of farmers operating under periods of harsh economic and natural environments. However, a number of things went wrong. The massive government involvement as an input price controller, purchaser of inputs and input distributor created a conflict of interests due to the direct competition with the private sector in the provision of inputs. In addition, the government failed to separate the commercial agricultural input credit schemes from the agricultural free handout scheme which led to significant leakages at a huge cost to the economy. The private sector is also to blame for the failed input distribution policies during the FTLRP period. The private sector failed to respond adequately to the input demands of the new farmers, not only because of the unfavourable economic climate, government controls and the high costs and risks of serving the new smallholder farmers, but also due to lack of innovation to meet the new challenges.

So should the government be involved in the distribution of inputs to farmers? The answer depends on the purpose, nature and extent of involvement by the government. Government agricultural input distribution schemes should be limited to the provision of recovery and relief inputs to properly targeted vulnerable farmers. Harsh economic environments, natural disasters or unjust government policies, could create vulnerable groups of farmers. There is also rationale for direct government supply of inputs to farmers when the objective is to ensure food security and food self-sufficiency. However, this is only totally justifiable, albeit at limited scales, when the private sector marketing channels have failed to develop. Private input marketing firms and financial institutions should play the pivotal role in the supply of inputs to farmers while the government and development aid agencies play the facilitatory roles of creating conducive policies and promoting the sharing of costs and risks between the farmers and input suppliers. Finally, if the government has to supply agricultural inputs to farmers, the use of alternative input distribution approaches such as vouchers and seed fairs which involve the private sector, offers an opportunity to effectively and efficiently distribute inputs to farmers without necessarily undermining or disrupting private inputs markets.

REFERENCES

Govere I, (2004). Opportunities for Improving Agricultural Input

- Distribution under Drought Relief Programmes in Zimbabwe, ICRISAT WORKSHOP REPORT, Bulawayo Holiday Inn, 9 September 2004
- GoZ (2006). Mid-Term Fiscal Policy Review 2006, Presented to the Parliament of Zimbabwe By Hon. H.M. Murerwa, M.P. Minister of Finance, 27 July 2006, <http://www.mofed.gov.zw/html>, <http://www.mofed.gov.zw/html/mid%20term%20final%20soft%20copy.pdf>
- GoZ (2004). Pre-Budget 2004 seminar Report: Support For The Land Reform Programme, Availability Of Inputs And Pricing System, Portfolio Committee On Lands, Agriculture And Rural Resettlement, October 2004, Mutare
- Kelly VA, Crawford EW, Howard JA, Jayne T, Staatz J, Weber MT (1999). Towards A Strategy For Improving Agricultural Input Markets In Africa, Policy Synthesis For Cooperating USAID Offices And Country Missions, Number 43, April 1999, Food Security Cooperative Agreement Between USAID, Global Bureau, Economic Growth Center, Office Of Agriculture And Food Security And Department Of Agricultural Economics, Michigan State University
- RBZ (2006). *Reserve Bank of Zimbabwe Monetary Policy Statement*, 24 January 2006, <http://www.rbz.co.zw/inc/publications/legaldept/rbzpdfs/Supplement5.pdf>
- Rohrbach DD, Rod C, Jacob N (2004). Guidelines For Agricultural Relief Programs In Zimbabwe, International Crops Research Institute For The Semi-Arid Tropics, PO Box 776, Bulawayo, Zimbabwe, 2004
- Rusike J, Sukume C (2006). Agricultural Input Supply in Rukuni, M., P. Tawonezwi, C. Eicher, M. Munyuki-Hungwe and P. Matondi (eds) *Zimbabwe's Agricultural Revolution Revisited*, University of Zimbabwe Publications, Harare.