

Agricultural Input Vouchers in Southern Africa: Research findings from Malawi, Mozambique and Zambia

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Introduction

In recent years there have been a number of changes in how agencies provide seed and agricultural inputs to farmers affected by disaster. Conventional approaches to emergency seed provisioning – also known as direct seed distribution – have been modified, and there is increasing experience with voucher-based programming mechanisms. These changes stem from the limited impact of conventional approaches, combined with the more chronic nature of many disasters. In the case of southern Africa, disasters tend to be related to recurrent drought, chronic poverty (often related to HIV/AIDS), and market failures. Responses in the agricultural sector are not only designed to provide planting materials to farmers in the short term but also to promote longer-term development aims such as crop diversification, improved nutrition, improved soil fertility, higher yields, and the adoption of practices relating to conservation agriculture. The problems associated with conventional direct seed distribution, together with the need to fulfil longer-term developmental objectives, has promoted the emergence of several different programming approaches to seed provisioning.

This policy brief is a synthesis of the findings from research undertaken by the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) in Malawi, Mozambique and Zambia to examine the different ways in which relief seed and seed vouchers are programmed. There are two main ways in which vouchers are used in these countries:

- (a) As a way of identifying beneficiary farmers and providing specific pre-defined inputs and;
- (b) As a way of providing farmers with the means to purchase seed or other agricultural inputs of their choice.

In cases where vouchers are used to identify beneficiaries, the voucher is essentially a chit that beneficiary farmers must present to receive inputs provided through direct distribution. Under this mechanism, beneficiary farmers have no choice as to the inputs they receive.

In the second voucher programming mechanism, vouchers with a specific cash value are given to target farmers who

can then exchange their voucher with approved traders for the inputs of their choice. Under this second mechanism, vouchers are often programmed in conjunction with an agricultural input fair, which takes place on an agreed day at an agreed location to which traders are invited to bring different types of seed and other agricultural inputs.



Farmers can then exchange their vouchers with any of the traders and for any of the inputs available at the fair.

Based on the evidence from the case study countries, the paper seeks to identify how seed vouchers can potentially best benefit both farmers and commercial seed markets. The interest in commercial seed markets stems from a concern that direct seed distribution potentially inhibits the development of a sustainable, market-based input marketing system. Instead of responding to demand for agricultural inputs from farmers, commercial companies are reacting to the demand from those agencies that implement direct seed distributions. Thus, the link between the consumer and the private sector is interrupted by the presence of the implementing agency: the seed companies have no knowledge of farmer preferences; and the farmers have no recourse vis-à-vis the company in the event that they are dissatisfied with the seed provided.

This synthesis highlights the broad range of ways in which direct distribution has been implemented in the three countries, and the limited ways in which voucher-based programming has been used. Variations on direct distribution interventions include the use of commercial agro-dealers as distributing agents, various forms of beneficiary contributions or payments, and the establishment of various secondary structures such as revolving funds, nurseries, seed banks, and public works infrastructure.

Two main programming mechanisms are used in providing seed and other inputs to vulnerable farmers

1. Direct seed distribution and voucher-based programming.

The fundamental differences between direct distribution and voucher-based programming are:

- (i) the fact that seeds must be procured in bulk for direct distribution;
- (ii) that beneficiaries have no choice of inputs received through direct distribution but are able to choose their inputs with vouchers and;
- (iii) the procurement procedures for direct seed distribution tend to allow only for the provision of improved crop varieties as opposed to local varieties.

In Malawi, direct distribution has been used in conjunction with vouchers or chits that are used to identify beneficiaries who must present their chit to receive their input package. This should not be confused with the voucher-based programming approach that allows beneficiaries a choice of inputs.

There are two main approaches for programming with vouchers: an approach in which vouchers are redeemable at specified retail shops, distribution outlets or through designated traders (implemented in Ethiopia); and an approach known as seed vouchers and fairs (implemented in Mozambique; Malawi and Zimbabwe). The effectiveness of these approaches does not necessarily relate so much to the specific voucher mechanism used as to the finer details of how each programme is designed and implemented. For both approaches, it is important to involve enough vendors to allow for a greater choice of seed types and competitive pricing. However, experiences in the case study countries suggest that commercial seed companies are sometimes reluctant to take part in seed fair programmes.

2. Research Findings

Although the starting point for the research assumed that voucher-based approaches are a more 'market-friendly' mechanism than direct seed distribution for providing seed and other inputs to vulnerable farmers, the findings suggest that this assumption is perhaps misplaced. In Mozambique, the available evidence suggests that the use of vouchers has supported commercialization in the informal seed sector more than the formal seed sector. On the other hand, evidence from Malawi suggests that direct seed distribution approaches that involve agro-dealers in the distribution of seed can support the commercial seed sector through enhancing the capacity of private agro-dealers. Although such interventions have the potential to support commercial seed markets, they are unlikely

"Are voucher-based approaches a more 'market-friendly' mechanism?"



to promote, strengthen or develop them. The weak level of development of the seed industry in the countries studied suggests that seed interventions (whether direct distribution or vouchers) will have little impact in developing commercial seed markets without considerable institutional and capacity building interventions explicitly aimed to develop and enhance the capacity of the various components of the seed sectors.

3. Conclusions

Although the research on which this paper is based originally aimed to document 'relief seed mechanisms', it is clear from the case studies that it is very difficult to distinguish 'relief' interventions from subsidies or social protection mechanisms and those with longer-term, more developmental objectives. Given the chronic nature of vulnerability in the region, this blurring of relief and development interventions is seen to be an appropriate response, provided that the specific objectives are clear to those designing and implementing the projects.

There are many variations on the way in which direct seed distribution is programmed, including the use of agro-dealers in the provision of inputs, and the use of chits through which beneficiaries are identified and can claim their inputs (not to be confused with voucher-based programming). In comparison, there is still relatively little experience in the region with voucher-based approaches to seed provision, and a lack of innovation in voucher-based programming. Although voucher-based approaches have been implemented on a comparatively smaller scale than direct seed distribution, there is no reason why it cannot be scaled up, provided that traders and seed suppliers are willing to participate. Detailed data on the comparative cost effectiveness of different approaches are lacking.

It cannot be assumed that voucher-based approaches necessarily promote commercial seed sector development. In Mozambique, the available evidence suggests that the use of vouchers has supported commercialization in the informal seed sector more than the formal seed sector.

On the other hand, evidence from Malawi suggests that direct seed distribution approaches can support the commercial seed sector through enhancing the capacity of private agro-dealers. Although such interventions have the potential to support commercial seed markets, they are unlikely to promote, strengthen or develop commercial seed markets. The weak level of development of the seed sectors in the countries studied suggests that seed interventions (whether direct distribution or vouchers) will have little impact in developing commercial seed markets without considerable institutional and capacity building interventions explicitly aimed to develop and enhance the capacity of the various components of the seed sectors.

4. Policy Recommendations

Based on the case study findings and the analysis presented above, the following recommendations are made:

- In view of the chronic nature of the problems affecting farmers in the region and the blurring of seed relief with longer-term agricultural development interventions, it is essential that seed interventions are designed to address clearly articulated objectives that are understood by those implementing the project.
- Whether a seed intervention is based on direct distribution or voucher-based approaches, it should be designed not only according to the problem to be addressed but also according to the level of capacity that exists within the seed sectors.
- The extent to which small-scale, poor farmers rely on informal grain markets for the purchase of planting material should be recognized, particularly in Zambia, where current seed legislation does not allow for the sale of non-certified seed.
- How effectively seed interventions support farmers, agro-dealers and commercial seed markets does not depend on whether they are based on direct distribution or voucher-based programming, but



on the finer details of the ways in which the intervention is designed and managed.

- Direct seed distribution or voucher-based approaches alone cannot be expected to strengthen commercial seed markets. Other measures must also be implemented, e.g. promoting the capacity of agro-dealers, ensuring seed quality standards are upheld, enhancing the infrastructure and retail

networks through which seed is marketed, and educating farmers about the seed types available, etc.

- Where vouchers are used, there is sufficient documented experience available to allow for interventions to be both innovative and well-designed.

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Disclaimer: The work reported in this publication was made possible through support provided by the Regional Center for Southern Africa, U.S. Agency for International Development. The opinions expressed in this publication are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development

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