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### LIST OF ACRONYMS

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<tr>
<td>ACP</td>
<td>Asia, Caribbean and Pacific countries</td>
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<tr>
<td>ADMARC</td>
<td>Agricultural Development and Marketing Corporation</td>
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<tr>
<td>AMPEC</td>
<td>Agricultural Marketing Policy Evaluation Committee Analysis</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>ASARECA</td>
<td>Association for Strengthening Agricultural Research in Eastern and Central Africa</td>
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<td>ASIPS</td>
<td>Agricultural Sector Investment Programmes</td>
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<td>ASMP</td>
<td>Agricultural Sector Management Project</td>
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<td>CFU</td>
<td>Commercial Farmers Union</td>
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<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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<td>CTA</td>
<td>Technical Centre for Agricultural &amp; Rural Cooperation (ACP-EU)</td>
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<td>DRSS</td>
<td>Department of Research and Specialist Services</td>
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<td>ECAPAPA</td>
<td>Eastern and Central Africa Programme for Agriculture Policy</td>
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<td>EDRI</td>
<td>Ethiopian Development Research Institute</td>
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<tr>
<td>ESAP</td>
<td>Economic Structural Adjustment Programme</td>
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<td>EU</td>
<td>European Union</td>
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<td>FANR-DU</td>
<td>Food Agriculture Natural Resources Development Unit</td>
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<td>FANRPAN</td>
<td>Food Agriculture Natural Resources Policy Analysis Network</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GMO</td>
<td>Genetically Modified Organisms</td>
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<td>GOT</td>
<td>Government of Tanzania</td>
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<td>GOU</td>
<td>Government of Uganda</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Countries</td>
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<td>ICFU</td>
<td>Indigenous Commercial Farmers Union</td>
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<td>ICRISAT</td>
<td>International Centre for Research Institute for the Semi Arid Tropics</td>
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<td>IDRC</td>
<td>International Development Research Centre</td>
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<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
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<td>IFRI</td>
<td>International Food Policy Research Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>LAPC</td>
<td>Land and Agricultural Policy Centre</td>
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<td>MDF</td>
<td>Multilateral Debt Relief Fund</td>
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<td>MITT</td>
<td>Ministry of International Trade and Tourism</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NSES</td>
<td>National Strategy Eradication Strategy</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>RCSA</td>
<td>Regional Centre for Southern Africa</td>
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<td>RD</td>
<td>Rural Development</td>
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<td>SACU</td>
<td>South African Customs Union</td>
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<td>SADC</td>
<td>Southern African Development Cooperation</td>
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<td>Structural Adjustment Programme</td>
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<td>TA</td>
<td>Tanzania Assistance Strategy</td>
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<td>Tanzania Agriculture Policy Network</td>
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<td>TB</td>
<td>Treasury Bills</td>
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<td>UIA</td>
<td>Uganda Investment Authority</td>
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<td>UNCTAD</td>
<td>United Nations Conference for Trade and Agricultural Development</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WFP</td>
<td>World Food Programme</td>
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<td>World Trade Organisation</td>
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<td>Zimbabwe African National Union (Public Front)</td>
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<td>ZFU</td>
<td>Zimbabwe Farmers Union</td>
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<td>ZAPF</td>
<td>Zimbabwe Agricultural Policy Formulation</td>
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Agricultural policy making in Southern Africa: Issues and challenges

Report of the Second Regional Stakeholder Meeting Held on 6-9 May, 2001 - the Holiday Inn, Harare, Zimbabwe
WORKSHOP OVERVIEW

1. PREAMBLE

The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) was created to promote appropriate agricultural and natural resources policy in order to reduce poverty, increase food security and enhance sustainable agricultural development in the SADC region. To achieve the above, FANRPAN is focused on three tasks:

- Improving policy research, analysis and formulation on key SADC priority themes
- Developing human and institutional capacity for co-ordinated policy dialogue among all stakeholders
- Improving policy decision making by enhancing generation, exchange and use of policy related information.

2. STAKEHOLDERS’ MEETING

The FANRPAN stakeholders’ meeting was held from 6th to 9th of May 2001 at the Holiday Inn in Harare, Zimbabwe. The meeting was attended by 23 participants from Botswana, South Africa, Zambia, Namibia, Malawi, Tanzania, Mozambique and Zimbabwe representing a broad spectrum of stakeholders in the agricultural industry. The theme of the meeting was Agricultural Policy Making in Southern Africa: Issues and Challenges.

The workshop’s official opening was chaired by Professor Ostin Chivinge, Dean of the Faculty of Agriculture, University of Zimbabwe and featured presentations by representatives from SADC Food, Agriculture and Natural Resources Development Unit (SADC-FANR-DU), USAID’s Regional Centre for Southern Africa (RCSA), and SADC Food Security and Rural Development Multi-donor Hub. In the opening remarks by the Dean of the Faculty of Agriculture, Professor Chivinge thanked the regional members of the network for the confidence they showed in nominating the University of Zimbabwe as interim secretariat for FANRPAN to help spearhead the network. Professor Chivinge reported that the University of Zimbabwe has as of May 2001 achieved one of the objectives the Network set out to achieve at its launch in 1997 - that of an independent autonomous co-ordinating unit for the network. For the first time, the network will have full time staff to co-ordinate the dialogue processes. In order to ensure that network activities contribute to regional policy making, the new regional co-ordinating unit will strategically be linked to the SADC Food, Agriculture and Natural Resources Sector Development Unit (FANR). Professor Chivinge particularly singled out the contributions of the former Coordinator, Dr Joseph Rusike (who has since left the University of Zimbabwe for ICRISAT), Mr Reginald Mugwara (SADC) and Dr Chris Sukume for building the operational framework of the network. Mr Reggie Mugwara representing the SADC FANR-DU outlined the origins of the recommendations to set up the network, building on a series of meetings dating back to 1990. He pointed out that with the ongoing economic reforms, structural adjustment and liberalisation of African states, the region needed policy advice from its own researchers. He noted that early thinking was to model the network along the same lines of the highly successful University of Zimbabwe/Michigan State University Food Security Research Programme. This initiative which was operational during the mid 1980s to early 1990s led the thinking and managed to effectively rally most countries in...
Southern Africa on food security issues. Mr Mugwara wished the network could achieve such success.

Dr Scott Allen, representing USAID-RCSA expressed the USAID’s commitment in providing institutional support for setting up the network. He pointed out that the USAID had given a grant to enable the network to hire permanent staff. Dr Allen pledged USAID’s continued support of the network. Dr Rudolph Polson, the SADC-Hub Director praised the initiative for setting up the network structures. He hoped for active collaboration between his institution, FANRPAN as well as other regional networks such as ECAPAPA in East Africa. Dr Polson expressed the need to develop a critical mass of policy makers who would be the think tanks for the network and thereby building human capacity. He also emphasised the importance of the independence of the network both administratively and financially. It was critical, therefore, for the network to find ways of broadening their financial base.

Professor Mandivamba Rukuni, Chairperson of the FANRPAN Interim Steering Committee reiterated the history of the formation of FANRPAN. He described the institutional structure and programme that was designed at the network planning meeting in 1997. He however noted that getting donors to support the networks' rather ambitious programme and desired governance structure proved a problem. Major revisions and simplification of the network programme subsequently convinced the USAID to provide support. He however warned the network not to be complacent and to ensure that funding was sustainable. Professor Rukuni noted that having a lot of the funding from the USAID could create a perception that the network was donor-driven. To assure that the donor-driven perception does not sustain itself, there was need to have a stakeholder driven process to spearhead the network's research agenda. For this to happen, there was need to strengthen the country nodes, and country networks. The network also needed to quickly complete the setting up of a governance mechanism that ensured accountability and produced quality work.

3. ORGANISATION OF THE WORKSHOP
The theme of the Second Regional Stakeholder Meeting was Agricultural Policymaking in Southern Africa: Issues and Challenges. The expected outputs of the workshop were:
1. Policy concerns from various SADC countries shared
2. Common concerns identified and common research agenda developed
3. Gaps in policy formulation identified and strategies for improvement developed
4. Capacity for policy analysis and advocacy improved
5. Strategies for improving communication of network results developed.

The workshop was divided into four main sessions:
- Discussion of key policy issues confronting Southern Africa
- Sharing of perspectives on policy making in East and Southern Africa
- Sharing of experiences based on the year 2000 in-country stakeholder dialogue fora
- Institutional arrangements for networking
4. OVERVIEW OF POLICY ISSUES FACING SADC
The session on key policy issues facing Southern Africa was introduced by Mr Godfrey Mudimu of the University of Zimbabwe. Mr Mudimu who presented the keynote presentation classified the key policy issues as due to environmental, technological, economic, institutional and or globalisation. Under environment related policy issues, Mr Mudimu highlighted the land pressure facing the majority of farmers in Southern Africa. Countries such as South Africa, Zimbabwe and Namibia are still trying to undo the colonial legacy of unequal distribution of land. In the other countries, smallholder farmers who form the majority of the farmers, grow small parcels of land held under insecure tenure arrangements confining them to perpetual poverty traps. Countries in the region have not managed to refocus research organisations to better serve the majority smallholder farmers. Most technologies produced by the research institutions are suited to high cash input users to the detriment of the resource poor smallholders. These have been compounded by financial constraints facing the smallholder farmers. The major financial institutions have also failed to find innovative ways of financing the resource poor farmers and few grassroots organisations have been created to fill this gap.

The majority of the farmers have also suffered from lack of or poor access to input and output markets. This has been mainly due to governments' failure to invest in roads and communication infrastructure in the rural areas. As a result, farmers incur excessive costs to get inputs to the farms and receive uneconomic returns from selling their produce. Generally, the poor organisation among the many smallholders has meant that farmers have not been very effective in effectively lobbying the government for more responsive service institutions in the areas they reside and farm.

The traditional role of places of final retirement played by rural areas of Southern Africa has also meant that they have felt the blunt of the HIV/AIDS scorge ravaging the region. More directly, the disease has affected productivity of the farmers. Indirectly it has reduced farmers of remittances from migrant worker family members, a traditional source of finance for farm operations. All the above challenges encountered by the Southern African farmers are compounded by the phenomena of globalization. Informational advantages enjoyed by the large-scale commercial and corporate farming units have enabled them to link up with agrobusiness entities worldwide boosting their returns. High transactions costs of organising economic volumes of produce and ensuring quality from the scattered smallholders has effectively excluded them from participating in the lucrative international market.

5. POLICY MAKING PROCESSES IN EAST AND SOUTHERN AFRICA
Five papers describing how agricultural and trade policies are formulated in Uganda, Malawi, Zimbabwe, South Africa and Tanzania were presented. The study on Uganda gave an in-depth analysis, based on interviews of companies and individuals affected by trade policies, of the institutions, their roles and importance in the policy making process. The paper on Malawi
looked at the changing roles of different stakeholders in agricultural policy making in the context of changes in political and economic environment experienced by Malawi in the past twenty years. The Zimbabwe paper also followed the same approach in examining how agricultural policies have evolved in the past twenty years. The South Africa paper evaluated the policy making process on the basis of the degree to which it responds to the views of the different stakeholders and regions that make up the country. The Tanzania paper reviewed in detail the development of the Tanzania Livestock Policy.

A number of common observations that came up in all papers and subsequent discussion included:

- Poor representation of smallholder farmers.
- The tendency of dominance of the country’s presidency in policy making process.
- Despite the general move towards democratic governance in the region, this has not been effectively reflected in the policy making process. Stakeholder consultative processes have proved very costly, have tended to favour the interests of donors and have tended to be shallow with consultation usually being conducted during the formulation stage and not agenda setting stages.
- There was a feeling that countries had formulated reasonably good policies on paper following inclusive processes but little attention had been paid to implementation and review of policies.
- The participants also blamed the policy analysts for the poor in-depth research supporting policy formulation in the region. Even though there was an abundance of well trained analysts, they lacked ‘intellectual confidence’ to offer their opinions on policy issues to gain confidence of policy makers. Policy networks such as FANRPAN would go a long way towards building this kind of confidence through raising of the profiles of local analysts so as to enable them entrance into the policy process.
- Participants also felt that most analysts in the region are highly qualified to conduct academic type research but poorly equipped to conduct action-oriented research that effectively feeds into the policy making process.

6. REPORTS ON STAKEHOLDER DIALOGUE MEETINGS
The FANRPAN network during the year 2000, supported stakeholder dialogue meetings. The objective of these was to discuss issues of concern with the impending regional integration initiatives as well as domestic agricultural policies and regulation. Co-ordinators of country nodes presented summary reports of dialogue meetings they had facilitated emphasising issues affecting regional trade.

A number of cross-cutting issues affecting regional trade emerged from the discussion of the country reports including the need to:

- Conduct cost-benefit analysis type of studies on the implications of existing and pending regional and international trade agreements on individual countries;
- Identify and analyze existence of Non-tariff and technical barriers to trade between countries;
7. COMMUNICATION STRATEGIES
Since communication is one of the most important aspects of a network such as FANRPAN, the workshop devoted a significant time to issues affecting it. The in-coming communications specialist for the FANRPAN Regional Coordinating Unit, Mrs Mabel Hungwe, introduced the discussion. Mrs Hungwe gave an overview of existing communications mechanisms as well as her vision of what the network needed to set up. In particular, the two major external communications vehicles needed to be strengthened - the website and newsletter. The presentation and subsequent discussion raised a number of issues and recommendations including the need to:-

- Regularly update the website;
- Widen the reach of the newsletters through distribution in an e-mail format.
- Translate newsletter into Portuguese to accommodate readers in Mozambique and Angola;
- Use other forms of media to disseminate information e.g policy briefs, books, journals, etc
- Elaborate collaboratively a regional communication strategy for FANRPAN
- Foster regional ownership to entice analysts in all participating countries to contribute to the generation of information for the communications instruments

8. FANRPAN-SADC HUB Linkages
As a regional policy network, FANRPAN has always sought ways of improving its impact on regional policy making. The prime regional policy making body in Southern Africa is SADC. Informally FANRPAN has been exploring ways of effectively linking with SADC without losing focus of its mandate. Dr Natasha Mukherjee, Sector Economist with the SADC Food Security and Rural Development Multi-Donor Hub gave an overview of the relationship which FANRPAN and her organisation have been building over the past two years and areas in which the two institutions could immediately collaborate. She highlighted the broad range of synergy that existed between the two institutions which had culminated in them agreeing to co-locate and collaborate. Dr Mukherjee emphasised the paramount need for FANRPAN to maintain its autonomy. Whereas the emphasis of FANRPAN is articulating the concerns and needs and building consensus among primary stakeholders in member countries, that of the HUB was in facilitating implementation through raising of resources and needed support expertise of development. There exists possibilities of complementarities among the two organizations.

At present the HUB was facilitating regional information exchange and capacity building in the fields of grades and standards, sanitary and phyto-sanitary measures as well as interpreting WTO issues. Since these same issues were identified at FANRPAN’s country stakeholder meetings as critical, and affecting regional trade, there exist opportunities for the two organisations to collaborate in this exercise.
9. IN-COMING REGIONAL COORDINATOR’S VIEWS ON THE WAY FORWARD

The workshop participants had the opportunity to hear the vision for FANRPAN by the new Network Co-ordinator, Mr Howard K. Sigwele. Mr Sigwele stressed the need for FANRPAN to be an effective interface between government technocrats, rural stakeholders, agribusiness and regional SADC organs. It was therefore paramount that the network be owned and recognized by all these stakeholders. To enhance credibility it was important for FANRPAN to have credible and consistent data. The network was challenged to approach policy analysis in its totality.

One of the important cross-cutting policy issues facing SADC was the global trade regime repositioning. Currently the SADC position on the WTO negotiations were being addressed. FANRPAN was tasked to take this opportunity to support this process. A host of issues that need research included those pertaining to access to markets, export subsidies, definition of so-called ‘green box’ provisions, natural resources conventions on bio-diversity, bio-technology, and the issue of genetically modified organisms (GMO’s). The SADC negotiators also needed guidance on issues governing trade and competition as well as labour standards.

Mr Sigwele also gave a broad overview on how he perceives as the future for FANRPAN to be. He felt that the FANRPAN strategy should take into account the current restructuring taking place in SADC in order to maximise its regional impact. For FANRPAN to be effective, there was need for it to collaborate with other institutions such as IFPRI, among others, to assist in areas where FANRPAN may not have a comparative advantage. In the short-term, Mr Sigwele planned to address Sectoral Ministers of Agriculture & Natural Resources in the region on how FANRPAN could assist in policy analysis. Mr Sigwele promised to engage the country representative nodes to assess needs.

10. THE WAY FORWARD

Institutional

There was need to finalise the constitution of FANRPAN. The regional office would put together information from nodes in the form of a draft constitution, which would then be discussed by a team of country participants. Recommendations of this meeting would be incorporated in the final draft, which would be presented for ratification by the regional stakeholder meeting planned for the first quarter of 2002. In the interim, the current steering committee would remain in place. Currently the financial and legal management of the network was being managed through the Department of Agricultural Economics and Extension at the University of Zimbabwe.

Communication and Networking

FANRPAN should facilitate the putting together of a communications strategy covering both internal and external communications. The existing communications tools such as the newsletter and website needed to be improved and their distribution widened. The communications tools should also ensure maximum contributions from country nodes.
**Policy Research**

There was need to engage country programmes on policy research as a matter of urgency. Nodes were tasked to:

- Create databases of expertise and capacity in countries
- Finalise research agendas for the individual countries
- Raise financial resources for the country programmes from bilateral and multilateral sources
- Prepare proposals on in-country activities.
- Co-opt themselves into ongoing already funded research such as the USAID on grades and standards, and market development. Nodes should prepare proposals to utilise the funds from USAID/SPAAR.

**Operational Issues**

To help improve the effectiveness of the network and its structures there was need to:

- Raise funds to cover some of the operating costs of nodes
- Develop standard research policy guidelines to ensure quality output
- Finalise the establishment of the regional scientific committee to act as a quality assurance body supporting research activities of the network.

**Conclusion**

This report represents the summary of the regional stakeholder meeting, the sharing of research results and ideas on how the network would like to move forward. The speed of implementation of the agenda that was set out in this report will undoubtedly be greatly improved with the help of the full-time staff the network now employs. This could not have been done without the generosity of the USAID-RCSA office that provided the resources to cover administrative costs of the regional office. During the past formative years of FANRPAN, the network has managed to register its presence largely through the support from the CTA-EU (ACP) who through the tireless work of Dr Jose Filipe Fonseca, have helped with finance and ideas to enable FANRPAN to hold the last two stakeholder learning and exchange meetings as well as development of the network newsletter and website. It is hoped the enthusiasm shown at all regional stakeholders including our regional partners, will be rewarded by the development of a vibrant and responsive policy analysis network which will be the pride of Southern Africa.
A. OPENING REMARKS

Professor Ostin. A. Chivinge, Dean of the Faculty of Agriculture

On behalf of the Faculty of Agriculture and the University of Zimbabwe, we welcome you to Zimbabwe and to this second Stakeholder Dialogue Meeting of the FANRPAN network of Southern Africa. I would like to specially recognize the presence of collaborating partners- the USAID and the CTA - who have provided support to this budding network of ours. I would like also to recognize the presence of representatives from government institutions from the SADC region, representatives from SADC Co-ordinating bodies, who have found the time within their demanding schedules in order to participate in discussions on issues affecting our region. This shows the importance of the programme. A special welcome to leaders of industry and research institutions from the SADC region who have found it worthwhile to share their experience on issues affecting our economies. Indeed the diversity of the participants assembled here, indicates that agricultural policy is too important to leave it to government alone. Everyone has to participate to create effective policies.

In your 1997 planning meeting in Harare that launched this network, we at the Faculty of Agriculture were humbled by your trust in us to help spearhead the network. We have done the best we can with the limited resources at our disposal and in this process we learned a lot. We are happy though to announce that one of the objectives we set out to achieve in 1997 of an independent autonomous co-ordinating unit will soon be achieved. For the first time, the network will have full time staff to coordinate our dialogue processes. To ensure that our activities contribute to regional policy making, the new regional coordinating unit will strategically be linked to the SADC Food, Agriculture and Natural Resources Sector Development Unit (FANR). For that we should be thankful of the tireless work of Dr Joseph Rusike (who has since left the University for ICRISAT), Mr Reginald Mugwara (SADC) and Dr Chris Sukume, who worked tirelessly to ensure the success of the programme.

Our task at the University of Zimbabwe was to help build the network structures. We are almost there and what is left is for all the stakeholders to network to achieve the goals of our network, which are: promoting appropriate policies in order to reduce poverty, increase food security, increase income and enhance sustainable agricultural development in Southern Africa. There is need to put in place strategies to ensure that our policy recommendations are implemented for our benefit in the region especially those related to inputs and outputs.

I wish you all a pleasant stay in Harare and fruitful three days of dialogue.
Mr Reginald Mugwara, Director SADC - FANR

Before we can go further in the network, it is important to recall the past. We have had good interactions but now we hope that this meeting is a turning point for the FANRPAN network. One of the issues affecting our region today is trade liberalisation. Key questions that come to mind are: Where are all the people to advise us? Where is the policy advise in the region? We thus need to look at the Food, Agriculture and Natural Resources responsibilities given to FANRPAN to establish a network. In 1997, we felt that the University of Zimbabwe should take the lead in providing an interim home for the network. We have come a long way and now are happy to report that we are now at a stage where full time staff will be on board. This I feel should be the take-off point for the network.

We at FANR believe that the network must be independent and autonomous. We will give it as much support as is possible from the policy-makers side and hopefully, USAID will continue with its support as it has since the beginning.

Dr Scott Allen, Policy Expert USAID-RCSA

The USAID has been associated with the network since inception. We would like to express our appreciation to the network and the visionaries namely Mandi Rukuni, Joseph Rusike, and Chris Sukume at University of Zimbabwe, for doing so well with the network despite limited resources.

The network is important to the region’s strategic trade both in the micro level and agriculture trade level. The network is being driven by Southern Africans and is independent and so its success or failure is entirely with its members. The idea of a network has taken a long time to run but the process has been worthwhile and a true learning experience. Putting in place the institutional structure is rather complex because there are many conflicting interests in regional integration processes. We feel that agriculture has been short changed especially in the area of trade and phyto-sanitary and thus we feel that it is important for the network to contribute to policy processes. We see network as a vital organ to the process of regional integration in Southern Africa. We also believe that farmers in the region have a key stake in regional integration issues.

It is important to note that there are many great expectations in the region concerning this network. The wisdom and expertise is tremendous. USAID will remain committed to this network on the basis that the network performs as expected.

Dr Rudy Polson, Director SADC HUB (Food Security & Rural Development)

This conference is an important milestone for the network. The FANRPAN Network has a very long history which has been based on collaboration, tenacity and cooperation. The future therefore of this network is based on continuing to have a critical mass of intellectuals most of whom have nurtured the network. It is important for all stakeholders to work with the network. It is also
important for us who are in the network to learn from others such as our colleagues in East and West Africa. We need to develop a critical mass of indigenous policy makers because this is sustainable. We need to utilize the existing capacity such as academia, etc. Since more than 70% of the region's population is in the rural areas, we need to develop strong policies.

The independence of the Network is critical both financially and administratively. We have to move towards a network that has a diversified support base from private sector. The challenge therefore is for the network to broaden the financial and human resource base.

We at the Hub are available to work and brainstorm with members of the Network to develop a strategic framework for FANRPAN. It is important that we build a critical mass of indigenous policy analysts and we believe that we are in the right direction. We congratulate you for getting to this position and wish you the best deliberations.

Professor Mandi Rukuni, FANRPAN Steering Committee Chairperson, Programme Director, WK Kellogg Foundation

In FANRPAN, focus needs to be placed on certain key aspects to help the network take off. In 1997 a key Stakeholder Meeting was held to this extent. It was resolved that the region needed to maintain the momentum generated by the highly successful Food Security in Southern Africa Initiative. The meeting discussed the mechanisms for establishing a stakeholder process and how to get sufficient support from the donor community to establish a strong governance mechanism. Key issues identified for the network were to:

- Undertake proper refereed research
- Train people
- Engage in policy reform process
- Disseminate information as research results come out
- Decentralise operations - establish country nodes, which would form country networks.

However, getting donors to support our ambitious programme and desired governance structure proved a problem. The fact that we have much greater funding from the USAID will mean that the network is strengthened. However we must ensure that funding is sustainable.

Also having a lot of the funding from the USAID could create a perception that the network was donor-driven. It is however important to realise that we need two wings to fly i.e. funds and a credible programme. To assure that the donor-driven perception does not sustain itself, there is need to have a stakeholder driven process to spearhead the research agenda. For this to happen we have to strengthen the country nodes and country networks. We also need quickly address how we should set up a governance mechanism to ensure accountability and produce quality work.

I hope that you have successful deliberations.

**DISCUSSION:**

FANRPAN has the brains of the region in policy analysis and has great potential. It is important that we take heed of what Professor Rukuni, one of the engines of the network has mentioned. We have to strive to get this network moving. The network lost speed and we need to bring back the brains who started it in the first place. We must ensure all members of our network are involved. A lot of effort is needed to bring back people we lost as a network during the past few years so as to get FANRPAN back on its feet.
KEY POLICY ISSUES FACING SOUTHERN AFRICA

Agricultural Economics Policy Analysis, Research and Training in SADC: Current Issues and Challenges in an Environment of Globalisation

By Mr Godfrey D. Mudimu
Department of Agricultural Economics and Extension, University of Zimbabwe

INTRODUCTION

This paper gives an outline of current issues and challenges facing SADC's and indeed Africa's agriculture in an environment of globalization of markets, new production and communication technologies. The paper reviews recent literature on the current state of agriculture and farmers in Africa. Trends determining direction and future of SADC's and African agriculture and farmers in the new millennium are outlined. These are used to assess the opportunities and threats for regional and continental agriculture and farmers. On the basis of these, the paper proposes strategies and activities that could be adopted to enhance the future of agriculture. The paper advocates that these are the current issues and challenges for agricultural policy analysis, research, training and advocacy in SADC. Agricultural economists should assume the drivers' seat to influence the future of agriculture at the farm, national, regional as well as international levels.

Current State of SADC's and African Agriculture

Recently, a number of international scholars have written on the state and the future of Africa's agriculture and its farmers in the new millennium (Eicher, 1998; Pinstrup-Andersen et al. 2000; Global Coalition for Africa, 1999; Von Braun, 1999). Increase in production in the past three decades has been largely from expansion in area rather than increase in land and labour productivity. Crop yields remain low compared to Asia and Latin America for similar crops. Land productivity is on the decline as a result of loss of soil fertility due to over utilisation of the land. Fertilizer use is on the decline due to increased prices.

Population growth is exerting pressure on the environmental and natural resources, arable, grazing and woodlands under the stewardship of farmers. Thus environmental problems such as soil erosion, overgrazing and deforestation associated with agriculture are contributing to unsustainable land use practices. The combined effect is loss in land productivity and inability to withstand major disturbances caused by droughts and war.

Between 1980-1995, Sub-Saharan Africa recorded a negative growth (-1.0% percent per year) in per capita food production against a population growth of 3.0 percent per year. Due to this chronic food gap, Africa has been a net food importer since the early 1980s. A sizeable proportion of the population faces chronic food insecurity due to food shortages, high food prices, distribution bottlenecks in the rural and urban food markets. It is estimated that 31-40% of children under five are under-nourished.
Africa is not gaining and even continues to lose its market share in traditional exports such as cocoa, tea, cassava, coffee, etc. There is not much gain in market share of non-traditional exports such as horticulture, soyabean, etc. Agricultural value-added growth rates are the lowest in comparison to other regions of the world.

As agriculture is heavily dependent on rain-fed production, arable agriculture is very much at risk. Farm output and incomes are thus very risky. The cost of production per unit of output is still high. Low productivity and high production costs limit competitiveness in local and export markets.

At the farm level, there are diversified cropping patterns with food and cash crop production on the same farm. Subsistence production is dominant. Land operations are labour intensive with labour from a nuclear family. As most able-bodied men work off the farm or are in urban areas looking for work, women are the core producers of food and cash crops. Their workloads are high and too labour intensive due to failure to come-up with appropriate labour saving mechanical technologies.

Farm production and marketing of cash and surplus food crops does not generate enough cash income. Household expenditure is generally greater than income generated from farm or rural economic activities. As a result, cash earning from non-farm sources is important for family sustenance and farm viability. Cash from off farm income and remittances is used to purchase farm inputs such as fertilisers, improved seed and chemicals.

The SADC region is home to 3 - 6 million people living with HIV/AIDS. Southern Africa is one of the worst affected regions in the world in terms of HIV. Close to 1 million people have so far died of HIV/AIDS. The full economic and social costs of HIV/AIDS in SADC have yet to be measured. The epidemic has decimated the productive population in urban and rural areas resulting in reduced remittance for investment in agriculture and heavy losses in agricultural labour. Rural family structure is changing as young adults and young parents have died leaving the elderly to look after children. Child-headed households have also mushroomed as a result of the AIDS pandemic.

Notwithstanding the above, there is ample evidence that smallholder farmers are efficient and hard working, especially the women who comprise the majority of the farmers. They are innovative and responsive to new technologies and a conducive policy environment. Their performance and potential to increase output and productivity is limited by a number of chronic and transitory constraints at the farm and sector levels. These include inappropriate policies that are biased against agriculture, bureaucratic bottlenecks and corruption among others. Low farm productivity and low farm income is the result of many complex factors impacting upon the small farmer and rural communities. These problems can be categorized as (1) environmental, (2) technological, (3) financial and economic, (4) infrastructure and marketing, (5) institutional and organizational constraints.
Environmental Constraints
Agriculture in SADC, as in the rest of Sub-Saharan Africa, is subject to many factors that circumscribe the production environment and affects the ability to manipulate the enterprises of the farm. The soils are inherently low in physical productivity. The soils are generally shallow and of low fertility. Fertilizer application on a continual basis is necessary for optimal economic production of most crops. Investment in soil fertility is low due to financial constraints. Inadequate investment in soil fertility is leading to degradation of land currently in agricultural use.

In most of the countries, land suited to arable production is already under cultivation. As household numbers increase due to population growth, farmers are encroaching on woodlands and less favourable lands. The expansion into woodlands and less favourable lands has high economic and environmental cost in terms of loss in forests, wildlife habitants, and biological diversity, increased erosion and downstream silting of river systems.

Technological Constraints
Improved crop varieties and crop production management practices are available for adoption by the small farmers. But rates of adoption are low and slow. Rate of technology adoption is influenced by cash investment requirements, labour availability, education, risk-bearing ability and attitudes. The majority of the farmers are not able to adapt the technology for their use as most has been developed for high-input and high managerial levels. Small-scale farmers, who control limited quantities of land, capital, and skilled labour are often not able to take advantage of improved technology, new managerial practices, and adopt the use of more profitable enterprise combinations. Having adequate labour and not many opportunities for off-farm employment, the farmers are not likely to adopt labour saving technologies. Machinery technology has not been adequately scaled down to meet the needs of the small farmers. The available machinery requires substantial capital outlay.

Financial Constraints
The majority of the farmers are not able to exploit their resource base for higher income because of capital constraints. Generally, the majority of small scale farmers have difficulties sourcing credit as they are considered high risk and because of their low equity positions. Without adequate credit, the farmers cannot invest in productivity augmenting technologies such as fertilizers, chemicals for pest control and machinery needed to improve crop productivity. A substantial proportion of available income is invested in non-production activities such as education and household consumption. Education in the form of school fees, textbooks and uniforms, is the largest investment expenditure. There is, therefore, little cash income to meet adequately the investment required in agricultural production. Financial relief for smallholder/farmers comes through self-organized micro-finance schemes.
Infrastructure and Marketing Constraints
Smallholder farmers face considerable problems in accessing input and output marketing services. This is because the farming areas are generally poorly served by external transportation systems due to poor and in most cases, non-existent roads, long distances, mountain ranges and impassible rivers. As a result, the majority of the farmers have difficulties in procuring improved seed, fertilizers and other chemicals. For outputs to markets, transport services coming in the form of delapidated old trucks. These often break down resulting in lost of quality and time and delays in marketing of produce.

Poor communication systems and infrastructure contribute to lack of competition and transparency in agricultural output markets. Due to a relatively low volume of marketed output and the poor road infrastructure, the farmers are limited in bargaining strength. They are restricted to being "price takers". Consequently, farmers receive only a fraction of the prices of the commodities they sell. They are also not in position to benefit directly from higher product prices and expanding markets. There is limited potential to gain access to contract marketing on an individual basis due to relatively low output volumes and bargaining power. The new marketing arrangements are thus bypassing most smallholder farmers.

Production of non-food and non-traditional products is not a solution. The farmers do not have the capital base for diversification. They also have no capacity or the means to develop their own markets for the non-traditional products. Direct marketing requires time and effort to develop it.

Marketing information is vital to sound farm management. The ability of the farmers to receive and utilize market information is limited by low education levels, poor road networks, underdeveloped electricity infrastructure for radio and television informational systems. Similarly, access to market information is poor due to non-existent or poorly functioning postal services (telephone, mail delivery). As observed by Delgado (1998), poor, non-functioning, unreliable input and output markets and information create high transaction costs for the farmers.

In contrast, large-scale farms have access to substantial up-to-date information. They are well informed about government programmes, trends in local and global markets and options available to them as well as relating specifically to one’s farming operation. As a result, large-scale commercial farms can easily adapt their production strategies to changes in farm policies and commodity markets.

Institutional and Organizational Constraints
In general, smallholder farmers have limited economic power and political influence to be able to mobilize government’s attention and support to their situation in the agricultural sector. Social capital for public policy advocacy is under developed. The evidence is the absence or limited number of interest groups or organizations that represent the different interests of the smallholder farmers.
This is different with large-scale farmers who have viable commodity associations in addition to farmers' unions. These interest groups act as lobby organizations and exert additional pressure on the policy formulation process. Some of the organizations employ production executives who provide extension advisory and informational services on membership fee or payment basis. The information services include costs and returns models. These services provide farmers with essential information for farm planning and decision making. The farmers are kept abreast on the latest market and price developments, and other factors that influence farm viability. The large farmers also have access to information on international markets through the internet and overseas magazines.

**Contributing Factors**

Several factors are attributed to the state of Africa's agricultural performance in the past 20 years. These include policy, market and institutional failures, decay in institutions servicing the farmers due to corruption, exploitative economic policies, government mismanagement and under-investment in technical capacities at universities, research and extension organizations.

Idachaba (2000) states that actors in the agricultural establishment in most countries, despite their nominal membership of some inter-ministerial committees, have exerted little influence in the formulation and design of macro-economic and other sector policies originating outside the agricultural sector. The most important policies in terms of their consequences for agriculture are (a) foreign exchange rate policy that sets the average levels and variances of foreign exchange rates with consequences for foreign and domestic prices of exports and imports of agricultural commodities, (b) monetary policies and their inflationary impacts for the domestic terms of trade between the agricultural and non-agricultural sectors, the terms-structures of interest rates and the supply and demand for loanable funds in agriculture, (c) fiscal policy (taxes, tariffs, inflationary deficit financing incomes policies) and (d) balance of payments policy. All these have tended to work against agriculture.

Eicher (1998) argues that the state of the African agriculture can be attributed to the decay and failure of institutions to service the needs of the African farmers. Re-emergency of civil wars and ethnic conflicts worsened the situation leading to degradation in human capital and scientific capacity due to a net brain drain of professional and scientific staff as a result of deterioration of political and economic conditions. This reduced the threshold of scientific capacity of African countries thereby reducing capacity to benefit from scientific advancement in biotechnology and information. HIV/AIDS has exacerbated the death of professional and skilled persons in public and private service organizations.

Von Braun et al (1998) are of the view that the development paradigm of the 1960s and 1970 put emphasis on industrial development and little on institutional development. This led to African governments with donors' support adopting strategies for industrializing their economies. In most cases, this led to macro-economic policies that over taxed agriculture.

The Global Coalition for Africa (1999), in examining the performance of agriculture in the different regions of Africa, argues that lack of long-term public investment and capacity development led
to decrease in productivity and competitiveness of Africa's agriculture. Growth in publicly funded agricultural research slowed from 2.5 percent in the 1970s to 0.8 percent per year in the 1980s (Alston, Pardey and Roseboom, 1997).

Delgado (1998) blames the lack of investment in social and economic infrastructure in rural and farming areas over the past three decades on poor, non-functioning, unreliable input and output markets. These create high transaction costs that limit the farmers' ability to respond to price and market liberalisation.

The 1990's were characterised by recovery and upturn in agricultural growth. This is attributed to economic reforms, particularly price and market liberalisation, and removal of inappropriate macro-economic policies such as over-valued exchange rates, foreign exchange controls and pan territorial pricing. But rate of growth is still low and its sustainability is not yet clear. As observed by Collier (1997), US$60 billion of donor funding for policy reforms has achieved disappointing results.

Future Challenges and Forces for Change
SADC's agriculture is being confronted by change. The forces behind the winds of change are (a) the current unsustainable state of agriculture given its importance and potential of its farmers, (b) changes in local and global demand factors, (c) globalization and new world trade arrangements (d) advances in information and communication technologies (e), and advances in production technologies. These forces demand that Africa's agriculture be regenerated.

Importance of farmers in SADC
A number of characteristics make agriculture important to the future of most SADC and African countries. Close to 70 percent of the population lives in rural areas and is largely dependent on subsistence farming. The urban population is directly dependent on the farming sector for its food security. Notwithstanding the impact of HIV/AIDS, SADC's population is expected to grow to 250 million by 2020. With these growth estimates, Africa's agriculture has to grow by 40% to meet the growing demand for food. But, the projections point to Africa's remaining a net food importer for the period up to 2020. As a result, high rates of food and malnutrition are expected to continue and even increase due to the estimated increase in population. These negative trends need to be de-accelerated.

High rural population growth on limited and fragile lands has exerted pressure on land based resources. Without increase in productivity and technologies for intensifying production, the population growth pressure may exacerbate soil erosion, deforestation, loss in soil fertility and cause further loss of the commons and marginal lands.

Agriculture has been and remains a prime mover for economic growth and mainstay of the economy. It accounts directly for up to 15 percent of the Gross Domestic Product. It generates direct and indirect spin-offs in rural and urban communities such as employment in the service sector. Growth in agriculture will stimulate growth in the non-agricultural sector and non-agricultural GDP. There is vast physical agricultural potential to produce food, cash and export crops for
neighbouring countries, regions, and international markets. Agriculture will continue to be important in the economy because of its contribution to rural and urban employment, social welfare, national and household food security and political stability.

**Local and global change in demand factors**

Changes at global and local levels are providing both opportunities and threats for the SADC's farmers. These are threats because without changing Africa's agriculture, farmers will face an oblique future. There are also opportunities because they create demand for Africa's agricultural products and therefore the opportunities for farm and national income growth.

**PROJECTIONS UP TO 2020**

<table>
<thead>
<tr>
<th>Growth in World Population</th>
<th>Growth in Income</th>
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<tbody>
<tr>
<td>- World population to grow by 32% to reach 7.5 billion</td>
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<tr>
<td>- Africa's population to grow by 70%</td>
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<tr>
<td>- Urban population in developing world to increase from 32% to 52%</td>
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- Between 1995 and 2020, total income to grow by average of 4.3% annually.
- Per capita income will more than double to US$2,200
- Majority of Africans will have per capita income of US$1.00 per day

<table>
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<tr>
<th>Global Demand for Food</th>
<th>Shift in Diets</th>
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<tr>
<td>- Global demand for cereals is projected to increase by 690 million tonnes to 2,466 million tonnes an increase of 35-40%. 80% of the increase to come from developing countries.</td>
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<tr>
<td>- Demand for meat to increase by 58% to 313 million tonnes. Demand from developing countries to increase by 160 million tonnes an increase of 80%.</td>
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<tr>
<td>- Demand for roots and tubers to increase by 37% to 864 million tonnes.</td>
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<tr>
<td>- In developing countries demand for meat and cereals will grow at rates of 2.8% per annum and 1.8% per annum, respectively.</td>
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- There will be shift in diets from coarse grains (maize, sorghum, millets) to rice, and wheat
- There will be increased consumption of livestock products, fruits, vegetables and processed food.
- In developing countries, 27% of the cereal demand will go to livestock compared to 70% in developed world.
- Demand for livestock feed will be greater than demand for food.

The projected growth in world population will lead to increase in demand for food. Increase in incomes and urban population will lead to changes in life styles and preferences for meat, dairy, horticultural and processed cereal products. Farmers, the world over, have to produce 40% more cereals, meat, and processed products to feed a bigger world with a bigger appetite. To meet the projected demand, 20% of the increase has to come from expansion in arable lands of about 51 million hectares and 80% from increase in yields. In the long run, the increase in demand has to be met from increased productivity.
Globalization and SADC’s Agriculture

The trend in the new millennium is toward the integration of national agriculture into the world economy through globalization of input and product markets. This coupled with a more liberal international agricultural trade regime has resulted in new challenges, opportunities and new risk structures for SADC agriculture. Globalization of markets and trade liberalization generates new opportunities for countries that are internationally competitive. SADC farmers can compete directly for consumers of finished or processed products in the international markets. The new risk structures are due to the fact that national agriculture is no longer just dependent on domestic market conditions, domestic agricultural policy, local weather conditions and crop and animal diseases. World market conditions would be critical to performance of domestic agriculture. The governments have to undertake structural adjustments to create farms that are internationally competitive.

The challenge for government and farmers through partnership is to take advantage of new opportunities in the context of anticipated growth in demand for food and processed products as a result of the increase in population and incomes. As the world economy changes, SADC’s farmers will need to access markets in high growth areas for products that SADC’s farmers can produce. This requires the integration and focusing of agricultural production, value-added production and agribusiness marketing to global and growth markets and such opportunities created by developments relating to the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), and regional trade and economic blocks such as COMESA, SADC, EU, EU-ACP, ECOWAS, etc.

Agricultural diversification and added value to agricultural output should focus on those crops and products for which the farmers have a competitive advantage. Given the large labour base, African farmers can produce high value crops at competitive costs. The use of this competitive advantage represents the greatest opportunity for value added production in SADC’s agriculture. The farmers have the capacity to efficiently produce high value crops such as:

- oilseeds production and processing,
- use of feed grains in intensive livestock operations, including: pig production,
- game farming and exotic animal production,
- the increased production of supply managed products such as poultry and dairy,
- specialty products such as indigenous vegetable, medicines, honey and fruits.

The competition in the world economy for these markets is tough. To do sustainable business in the new more open economy requires (a) skilled international marketing and negotiating expertise, (b) effective use of agribusiness organizations and (c) new arrangements to share risks, acquire credit and service markets. Pro-action would be required to examine and influence policy changes at the global level, such as WTO, to meet the needs of the farmers. More importantly, SADC’s governments have to undertake domestic policy reforms to remove distortions so as to give incentives to farmers and facilitate access to markets in growth areas and countries.
Throughout the world, consumers are increasingly concerned about the conditions under which food is produced and processed. Part of this concern has to do with human health and food safety, whilst the other concerns focus on animal health and welfare. There is pressure for increased assurances over food health and safety. These developments demand changes in the quantity and qualities of input use and products in agriculture. To complete effectively, SADC's farmers have to meet international quality grades and food safety standards. This calls for investment in improved sanitary and phyto-sanitary standards and facilities.

**Advances in information and communication technologies**

Globalization and the rapid rate of change in knowledge base, information and communication technologies are offering both significant opportunities and challenges for the way farmers have to do business and how agricultural research and extension are organized and institutionalized. The new information and communication technologies (internet, cellular phones, etc.) enable farmers to interact directly with consumers in international markets. As a result, farmers across the world now compete directly for global consumers. The internet is a cost-effective marketing tool for farmers with access to computers. Farmers can also directly access comprehensive input and product information as well as advisory services. These enhance customized production, marketing and advisory services leading to improved productivity and lowering transaction costs for farmers and agribusiness. Africa has to invest in these technologies if the farmers are to compete effectively in the global markets.

**New Production technologies**

New technologies are emerging that improve international competitiveness of agriculture thereby offering new opportunities for agriculture. These include plant and animal genomic mapping; genetic engineering; precision agriculture; value-added technologies for harvested products; and applications of computing and electronic communications in agriculture. The world over, these new technologies will profoundly affect the agricultural sector. The primary effects will be (a) to improve farm level productivity and reduce production risks associated with droughts and pests and (b) to de-emphasize the production of raw commodities and promote generation of high value products and processing as well as a strong knowledge-based industry. Currently, Africa is under-invested in these technologies.

**Professional and Human Resource Investment Needs**

Due to the rapid rate of change in knowledge base, information and communication technologies, the agriculture sector is becoming very sophisticated. The result is that extension and technology transfer must become elevated to higher levels. This requires constant upgrading of skills and knowledge of farmers. A good number of the farm owners or operators do not have the training to effectively utilize available new production and information technologies. Working on the premises that the principal factor is under-investment in human capital, education of both operators and labour would be essential to improve capacity and skills for better management and decision making to capitalize on the income and employment opportunities arising from expanding world markets.
High-technology agriculture is capital and human capital intensive. These production factors are scarce and expensive. Significant increase in investment in agricultural research, extension and education will be required.

**Approaches for Regenerating Agriculture to Meet Local and Global Change Factors**

SADC has the land resources and the potential to meet the projected world demand. In order to take advantage of these global trends, agriculture in SADC has to be organized at the local, national and regional levels. This calls for the regeneration of agriculture from the decay of the last three decades. Getting agriculture moving again calls for:

- Allowing liberalized price and marking systems to fully determine output and input prices,
- Reforming and investing in new institutional arrangements support and approaches for stimulating growth and development.
- Increasing farm income, employment and food security.
- Integrating the rural and industrial economies to accelerate economic growth, taking into account international pressures and trends in demand and marketing of agricultural commodities and food.
- Accounting for the new agricultural production and information technologies.
- Investing in social infrastructure and capital.

As observed by Rukuni (1992), market forces, institutions and technologies are the prime movers of agriculture. These are also pre-requisites for making the farmers responsive to global changes. Wiggins (2000, p. 638) asserts that without market opportunities, farmers are not able to develop their farming in ways that enhances income and contribute significantly to national development goals. Market opportunities facilitate farmers to seek the requisite technologies that increase productivity. Improved institutions, such as credit, extension, research, favourable regulations and marketing arrangements (such as contracting farming) play a facilitating role in improved production. Improved roads and availability of appropriate and time information reduce transaction costs.

It is on these bases that multilateral and bilateral development funding agencies and partners are calling governments to draw up a new and focussing strategy for rural and agricultural development based on improving services and investment in the agricultural sector to improve agricultural productivity, incomes and rural employment. This entails downsizing bloated and non-functioning public sector service organizations, namely extension, research, veterinary service, rural finance and marketing information systems. Both multilateral and bilateral development funding agencies are providing funding through Agricultural Sector Investment Programmes (ASIPS) for these organizations to be refocused and refinanced so that they offer demand driven, cost effective, accountable and sustainable services. Governments have to shade off non-public good activities that can be provided by the private sector. Sustainability of services entails farmers' contributing to the costs of services in a variety of forms. Public and private sector provision with farmers' contribution is co-production. This entails stakeholder participation in determining priorities and resource allocation. Stakeholder participation allows taking into account the different needs and characteristics of the farming community so as to target interventions.
In addition to downsizing, governments are working on decentralizing services to the lowest levels possible. This would allow participatory and accountable government. Accountability promotes good governance.

An institutional approach would focus on re-orientation of existing agricultural service organizations and creating more innovative institutional arrangements with innovative approaches to attend to the needs of the farmers (Mabeza-Chimedza, 2000). An initial step would be to acquaint the farmers with available services. In order to be focussed, the government’s approaches of incentives will have to be altered to deal with the unique technological and socio-economic needs of the specific farmer types. In other words, the services should be provided based on farmer’s problems rather than offering blanket services, as has been the case hitherto.

**Improving Productivity and Incomes of Farmers in the Context of Global Changes**

The challenge is to stimulate and capture surplus production capacity on farms so as to further improve the welfare of the farm households and contribute to general economic development. This requires that agricultural programmes and policy incentives be more targeted and focussed. Both local and global trends should be taken into account in getting agriculture moving and improving farmers' incomes.

Farm income could be increased by changing the enterprise mix and/or the farm's resource mix. An optimal combination of land, labour, capital and management is needed to achieve maximum economic returns. As land is either relatively fixed or is not optimally utilized, increased farm income could occur only if labour, capital and management are adjusted. Increased economic returns will come from producing new commodities with demand in the international markets. In addition, farmers will reap more benefits through adding value to raw agricultural production. There is potential for agricultural and rural economy diversification and value-addition processing at farm community and national levels.

**Rural Economy Diversification**

Persistent rural poverty suggests that increases in farm income and general agricultural growth alone are not enough to uplift the living standards of farmers and the rural population. There is need to find additional types of economic activity suitable for rural areas which can provide employment for rural dwellers, farmers and non-farmers to absorb surplus labour and to foster development of alternative income generating activities. This calls for rural economy diversification from primary production of raw commodities to on-farm processing and value-addition within areas of production. Increase in agriculture-based value added activities will stimulate manufacturing and non-agricultural production must be pursued. If the target would be products that use the abundant labour, farm families would provide a reliable labour supply. Job opportunities could also attract able-bodied people and young persons and investment to rural areas. This will stimulate rural economy diversification. Farm diversification should be part of the overall economic development strategy.
The production of specialty crops is an important form of diversification and provides opportunities for value added activities at rural economy levels. The agriculture strategy should promote more opportunities for farmers to grow higher valued specialty crops and further process these products. The strategy must aid farmers in expanding these industries as changes occur in the market environment.

It is apparent that operating capital remains the most limiting factor on productivity. As most income is spent on family living expenses, little is left for capital investment. A programme needs to be developed to provide low risk finance to farmers. This could involve a targeted credit scheme. For farmers not willing to seek credit, there would be need to provide opportunities to market their labour for cash. For farmers to avail themselves to credit, any change in production methods or enterprise should include immediate cash returns. Adoption of innovations will be slow if short-term losses must occur before long-term profits are realized.

**Partnership for Co-production of Services**

Governments are seeking alternatives as a response to the pressures for change. The trend is generally toward reduced government role and less intervention in agriculture. In most countries in Africa, institutional reforms are underway that will usher changes in the structure and process of service delivery to farmers. Traditionally, the role of government in any sector is to do things the private sector is unable to perform efficiently in the interests of the community. Often, the private sector cannot handle the risks associated with development costs where it cannot capture the benefits through the market place. Government invests in public infrastructure that improves profitability for the private sector. Roads are paid for by public funds and a good road system aids commerce. Government research expenditures are often aimed at those activities for which the private sector cannot charge through the market or, which the private sector is unwilling to undertake because the risk is too great.

The farmers are expected to take an increasing role in determining service provision by public sector agencies. The private sector is expected to play a greater role in service delivery as government withdraws. This calls for new ways of thinking and doing business by the farmers, public and private sector agencies.

Effective partnership between producers, government, agribusiness service providers and researchers is imperative to link diversification, value addition and market development to the new growth markets. Agribusiness research and development, for new production and processing technologies and products, will be a major element in diversification and value-added activities. Market research will identify new products and new markets for existing and new products. Research and development in processing will lead to new value added commercial enterprises based on existing primary products. Integrating market development with new production and processing technologies form the basis for developing more new specialty crops. This can be achieved through partnership between producers, government and researchers focussing on expansion and growth industries.
Farmers' Role for Their Future

The strategy for directing the future of SADC's agriculture must be focused on the family farm. This is because the family farm is the centre of production, the place where people live and make their income. Viability, self-reliance and environmental sustainability are elements that help maintain the family farm as the basic unit of production. Farm families should be able to look forward to a suitable standard of living and the promise of a healthy future by surviving the changes in the local and international market, manage risk and maximize market opportunities.

The farmers must make an effective contribution to the management of change confronting agriculture whether from the local community or the global marketplace. Managing change in agriculture is the key to ensuring that the agricultural industry realizes a strong and prosperous future. Farmers should assume significant control over their own destiny. Farmers should participate in government at local, regional and national levels. They should organize for their members or families (sons, daughters, spouses, and even grand children), to seek elected positions in organizations or institutions that have influence and decision making powers in public policy, and specially resource allocation that has bearing on the farmers' well being. The decay in agriculture in the past decades suggests that this cannot be left to rent seeking politicians.

Conclusion

The importance of agriculture to the social and economic well being of the SADC countries and the people is indisputable. The future of agriculture will depend upon conducive domestic policies consistent with opportunities created by global demographic changes, international markets and new technological advances. To benefit from these changes, SADC's agriculture will need to be regenerated through efficient input and output markets, effective institutions servicing specific needs of the farmers, investment in technologies and social infrastructure. The decay of the last three decades has to be arrested. The strategy should be to build partnerships that involve the agriculture industry at all levels - private sector, farm organizations, academia and research communities, rural communities, government and most importantly, farm families. The focus of the strategy is to assist the farmers in managing the current transition and in the process develop a stronger industry for the future and to take advantage of new opportunities emerging in the changing environment of the 2000s. It will be to the interest of the farmers to put themselves in effective positions to influence public policy and investment.

As observed by Bongie Njobe (2000), the challenge is to re-position the agricultural sector and negotiate that position in terms of global trends, as Africa cannot afford to be passive as a continent. African agriculture needs to establish, define and negotiate for a niche as part of the global system of land, natural resources use and food systems. Regional agriculture needs to apply appropriate technology that facilitates economic growth by raising yield and incomes and at the same time satisfies food security at the household level without compromising the sustainability of its biodiversity or trade that exists for its unique products. SADC has the capacity from its people and resources and farmers need a conducive environment (inputs, technologies, and information) to sustainably exploit the natural resources.
References


STRATEGIC INDUSTRY & TRADE POLICY MAKING PROCESS IN UGANDA

By Dr Tenkir Bonger Chief Expert, Agrarian Economy Ethiopian Development Research Institute [EDRI]

General Context
With the exception of a few countries, the post-independence development experience of sub-Saharan Africa has been very disappointing. In most countries, the growth of national income has barely kept abreast with population growth. In others, GDP and per capita income growth rates have been negative. When the international economy is on a rapid march towards globalization, making the world an integrated workshop for production and a unified market for consumption, Africa is still on the throes of subsistence agriculture. It has missed the fast moving boat of development, which it needs to catch before it is too late.

In many parts of rural Africa, an almost free land, the hoe and part-time woman labour are still the main factors of production. A combination of high population and urban growth rates before industrialization have resulted in massive underemployment and unemployment in the urban areas. And more recently, a large portion of the unemployed are the educated youth with high propensity and capacity to demand their share of the national cake.

On the other hand, the reproduction of abject poverty has relegated the survival of society and governments to the goodwill and pity of donors. Paradoxically, this malady has enabled those located on strategic position in the dispensation of aid and other resources to enjoy a First World living standard while pushing the poor to a very precarious corner endangering political stability.

The causes for and possible corrective measures for the sorry state of affairs on the continent are contentious but they are numerous and interdependent. In all cases, however, the woes could be traced, arguably, to the unseating by imperialism nationalist, pragmatic and accountable governments, inappropriate institution building measures [including political] copied without adaptations from competing ideological camps, anti-growth economic policies which turned the terms of trade against agriculture and implementation failures arising from mismatch between policies and institutions.

At independence, African regimes propelled into power by the national liberation agenda came from a variety of ideological and professional backgrounds. Some were truly nationalist and evenpan-Africanist and soon found themselves at loggerheads with the machinations of imperialism. Aspiring to build nations in the mould of European nation states, they ignored at their perils some of the legitimate demands of their populace arising from ethnicity and regionalism.
If it was not their social policy, their statist economic management, as evidenced from the long experience of Tanzania, turned out to be inefficient and anti-growth. Except for very few, most met their demise through military coups which brought brutal military dictatorships into power. The problems of the second generation radical regimes such as Guinea Bissau, Mozambique, Angola or Ethiopia were not very different.

For African countries to be on a sustainable path of development with forward and backward linkages of national economies, a strategy of manufacturing exports, backed by a rehabilitated agriculture serving as home market for part of the export industries, is essential. The specific modality of this strategy will vary with the starting positions and resource endowments of particular countries.

In such large countries as Nigeria, Congo and Ethiopia, given the size of their home market and land based resources, import substitution in the early stage of industrialization can complement export promotion. Industries on their learning curve can benefit from domestic demand while perfecting their products and techniques to capture foreign markets.

Albeit at varying degrees, the recent trend towards democratization and the institution of more accountable governance systems have opened up a social space for such reforms. In such a historical conjecture, it is essential that the construction of novel/reformed systems make the social, cultural and economic specificities of their respective stakeholders as points of departure.

Premising African development on the social trajectories of other societies and planting them without adaptation on African soils have so far been fraught with many problems and disasters. To make better inputs in the realm of adaptive institutions, policies and policy making, it is imperative to examine the political economy of each country in the light of the historical record in policy making as a benchmark for future actions and to draw lessons. It is in this context that this study will explore in some detail the experience of Uganda.

The Case of Uganda
When Uganda attained independence in 1962, in a number of ways, it was one of the most promising ex-British colonies. To start with, it had acquired a sizable skilled man-power. Secondly, a well-managed and serviced agricultural sector enabled it to become one of the leading producers of robusta coffee in the world. Tea, mainly cultivated in the western part, with coffee in the Centre, ushered in regional equity of incomes. The northern and eastern regions too were beginning to benefit substantially from increasing levels of commercial cotton and cattle production.

Backed by sound macro-economic policies, between 1964 and the ascent to power by Idi Amin in 1971, the economy registered an annual growth rate of over 5% [GoU:1998 p 84]. Its flourishing smallholder agriculture had backward and forward linkages with industry including manufacturing, laying the foundations for a home market on the path towards industrialization. This is vital even in the context of export promoting strategy of development. A concomitant vibrant service sector was expanding rapidly. As a foreign exchange earner, tourism ranked third only to coffee and cotton.
Unlike in Latin America and Asia, most of the growth in agricultural output came from small holders with access to own land rather than from plantations or tenanted peasantry. The industrial and the commercial sectors, however, were dominated mostly by Asians and to some extent by Europeans. As is well known, in the years that followed, this provided the fuel for economic chaos when Amin seized Asian properties and expelled most of them.

In terms of resource endowment, sectoral components of the economy, per capita income levels and the profile of exports, at independence, Uganda favourably compared with Malaysia. However, whereas Malaysia transited to become one of the late coming so-called Asian Tigers, the Ugandan polity degenerated into a quagmire of political turmoil and economic chaos which led to massive violence unleashed by state and quasi-state armed groups. Today, at US$3,890, Malaysia enjoys a per capita income level 16 times that of Uganda.

By contrast in the conflict period of 1965-1986, Uganda registered an annual GDP increase of 0.8% which was only a quarter of the rate of population growth. Even this very modest growth was the result of the expansion of area under food crops to cater to the increasing population. The rapacious direct and indirect taxes from the hitherto tradeable cash crops such as coffee, tea and cotton led to their massive decline with the first two perennial crops being up-rooted in many areas.

Hence, for over 20 years, with population growing at 3% per year, per capita incomes declined by 2.2%, a fate shared with only two countries - Zaire, like Uganda blessed by the bounty of nature but unrivalled in the mismanagement of its economy and polity and Niger in the middle of the Sahel. The economic consequence of the period was an unmitigated disaster for industry, the firm base of which was laid in the pre and immediate post independent period. Manufacturing output declined by 3.7% and 0.3% in 1965-1980 and 1980-86 respectively decimating its nascent industries.

Since 1987, Uganda has been undertaking many bold economic reform measures including those aiming at the stabilization of its macro-economy and structural adjustment to lay the foundations for sustained growth and development. The management of demand via fiscal & monetary policies and the floating of the exchange rates have to a large extent restored equilibrium and have brought down the level of inflation. Macro-economic stabilization has, to a certain degree, reduced the fiscal deficit to a manageable size.

Via eliciting a supply response in agriculture, the now widely acclaimed macro-economic stabilization programme has also acted as a catalyst on the structural adjustment component of the reform programme. By changing the terms of trade in favour of trade-able goods, it has shifted the structure of production through stimulation of the agricultural sector and its links with the rest of the economy. Trade and foreign exchange liberalizations, prudent fiscal and monetary reforms, improved incentives to domestically produced goods, reform of the regulatory framework and the development of human capital through improving health and education services have once again put the economy on the path to growth and development.
Since agriculture affects about 80% of the population, generates about half of the gross national product and over 75% of the value of exports, the package of reforms which addressed measures to improve the performance of the sector have direct implications for the dynamics of rural poverty. Agricultural pricing and incentives, trade liberalization and promotion, restructuring of the marketing boards, rationalization of crop processing capacity, improvement in infrastructure, financial stabilization of cooperative unions and the strengthening of agricultural research have made a major contribution towards the attainment of a sustained 4-5% annual growth of agricultural output.

Based on field work undertaken in 1999, this paper reports on the policy making process in the planning and implementation of SAP in the aforementioned period. Following this introduction, section 2 describes the data collection method and the social characteristics of the firms in the study.

Sections 3 & 4 report on the survey results of the actual policy making and the choices and evaluation of the respondents respectively. Based on the survey results reported in sections 3 & 4, Section 5 schematizes the parameters of the current policy making process and infers the opportunities and constraints for the Ugandan economy now and in the future. The final section provides conclusions and some implications for policy.

**DATA COLLECTION & SOCIAL CHARACTERISTICS OF FIRMS IN THE STUDY**

**Primary Data Collection**

In order to gauge the findings of qualitative data about the policy making process on solid empirical grounding, assess the impact and attitudes to the on-going SAP, questionnaires were prepared to interview sampled groups of respondents. These were industrialists, traders, industry and trade professional associations and past and current policy makers. To capture scale and a variety of commodities, firms in the first two group were further sub-divided by size and type of commodity. A sample of 21 industrialists, 25 traders, 21 trade and industry associations and 18 policy makers were interviewed.

The sampled industrial firms included dairy, leather, food, textile, battery, engine and metal works, roofing and hotel industries. Traders engaged in large and small scale grain, flowers, electrical, feed, crafts, design, computer etc were interviewed. Virtually all the professional associations dealing directly with trade and industry participated in the study. They included Women Financial Trust Association, Coffee Traders Federation, Cooperative Alliance, Clearing and Forwarding Agencies, Brokers, Florists, Securities Exchange, Federation of Employers, Bankers Association etc.
Among the interviewed policy makers were the Honourable Mr. Bidandi Sali, MP, who has been a member of the Cabinet of all Ugandan Governments since independence. Others include Ministers and high ranking officials who served in one or more of the regimes since independence but excluding those in the two short interludes prior to Obote II and Museveni I. A brain-storming seminar with the selected few respondents included a Minister in the Presidency, the Chairman of the Uganda Peoples Congress and a vocal and articulate critique of the NRM Government.

The questionnaire was divided into seven sections. The first two sections about Business/Association/Personal Particulars, and Firm Capacity and Linkages [Industrialists & Traders]/Establishment Size [Professional Associations]/The Policy Making Process [Policy Makers] were tailored to the specificity of the respondents. The remaining four major sections vis. Pre & Post SAP Comparisons/Conditions, Participation in the Policy Making Process, Evaluation and Choices, Planned Upgrading/Development and Comments/Suggestions were identical to all groups making them amenable to statistical comparisons.

Since this was a process study involving degree of participation, preference, comparison, evaluation/valuation etc, most of the questions were set in terms of scores measuring "the relative degree, level" in the order of assigning 3 for very high(ly), 2 for high(ly), 1 for low and 0 for none. While most of the tables report on by aggregating very high(ly) and high(ly) as levels of importance, some report these separately and others present all the 4 categories.

In order to evaluate the degree of positional differences between the four groups under study, simple descriptive statistics in the form of frequency distribution was completed by Chi Square and Correlation Coefficient Tests. The latter in the light of ordering the respondents as industrialist, traders, associations and policy makers which to some extent exhibits a descending order in the affection, involvement and relevance of the questions in the survey.

Social Characteristics of the Firms in the Study
Over 80% of the industry and trading firms were limited companies. Nearly 2/3 and their associations came into being during the period of the National Resistant Movement [1986-todate] Government. While a trading firm and an association pre-date independence [1962], 8%, 6% and 17% became operational during Obote I, Amin and Obote II regimes respectively. There is no significant difference in entry into business between the interviewee groups. Half of the policy makers are in the age group of 50-60 years with the remaining quarter above the age of 60. 51% of all the four groups have membership of at least one association. Only one trading firm and five policy makers reported as belonging to no professional association.

Value of business turnover and size of employment were used as proxy for size. Just under 1/3 of the industry [44%] and trade [30%] firms employ more than 50 persons each. On the other side of the scale, reflecting the wide spectrum of the sample, about 1/4, more accounted for by the trading firms, employ 10 persons or less. A fairly high proportion of the management and work force is educated. Thus 21% of the managers in the skilled category are degree holders. Another 20% have earned diplomas. There is no significant difference in qualification between management in industry and trade on the one hand and between Ugandan and expatriate run firms on the other.
While 28% of the firms [35% of industries and 24% of traders] have annual turnovers of over US$35 million, the small firms with less than US$350,000 per year account for 22% of the total. Industries compared to traders and foreign owned firms tend to have statistically significant higher business turnovers. Only 40% of the industrialists and 35% of traders disclosed that their capital is of local origin. Europe and other undisclosed destinations supply about half of the total capital. The rest originate from Africa, a significant 13% [mainly from Kenya] and the Far East. Given the high cost of domestic capital on the one hand and the convertibility of the Ugandan shilling on the other, it appears that Uganda’s post SAP growth is fueled by foreign merchant capital.

Given that foreign owned firms have higher turnover and that in foreign capital in trade supersedes industrial capital, Ugandan economy is entangled with the flow of merchant capital with far reaching consequences for domestic accumulation, the formation of a national capitalist class and the bases of transition from agrarian to industrial economy.

Apart from capital, even at this very rudimentary stage of industrialization, a bulk of the raw materials are also imported. This is part of the pervasiveness of the flow of foreign merchant capital into the nexus of the economy. Part of the reason why raw materials appear with traders is the fact that in addition to earning incomes from exchange, they also undertake processing. There is no statistically significant difference between industry and trade in either accessing foreign capital or raw materials.

Unlike capital and raw materials, while Europe accounts for nearly a quarter, most technical innovations are reported to be domestic. Almost in equal proportions between the two sectors, 2/3 of all the surveyed firms reported increase in the trend of output in the last 5 years. Another 1/4 reported decrease while about 5% in both categories reported no change. The majority of the firms are in tandem with the macro-economic trends. Given the variety of firms in the survey, the minority may reflect differential rates of growth between sectors and sub-sectors with those on the decrease and constant on their way to exit.

Although a bulk of the trading and marketing of industrial products is destined to the domestic market, 1/4 of the industrial firms cited Europe and other African countries as their main markets. The same are important for 13% of the trading firms. With substantial foreign merchant capital, industrial production and trading appear to have outward orientation which require further extension and deepening in the course of development. While foreign merchant capital may have many potential adverse consequences for industrialization, its orienting production and trade to the global economy are its positive facets which may need enhancement by policy. Another interesting result is the high interest to expand market for the products into Africa from the current 7% of the firms to 50%.
The Process by Policy Makers Themselves

According to 67% of the current and past policy makers, the engagement of economists and economic consultants in the policy making process is high and very high. None think that there is no participation by economists. More than half also consider that the private sector [53%] and bureaucrats [54%] participate systematically in the framing of policies. Since such major policies have to be enacted by Parliament, all cite its role highly and very highly. 45% consider that some policies are enacted by Presidential fiat.

Since the policy makers group consisted of highly educated and strategically positioned individuals in the policy making process, three related questions were posed to probe about the critical interest groups in the making of trade and industry policy. Summing up high and very high considerations together with donor preference is the most important factor in policy choice [89%] followed by political exigencies [81%], power of individuals with vested interest [80%], and merit of policy [67%].

Table 1 Degree of Participation in the Policy Process

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<td>No</td>
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<td>13</td>
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<td>1</td>
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<tr>
<td>Low</td>
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<td>33</td>
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<td>5</td>
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<td>5</td>
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<tr>
<td>High</td>
<td>3</td>
<td>20</td>
<td>7</td>
<td>64</td>
<td>2</td>
<td>18</td>
<td>4</td>
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<tr>
<td>V. High</td>
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<td>33</td>
<td>4</td>
<td>36</td>
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<td>36</td>
<td>4</td>
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<tr>
<td>Total</td>
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<td>99</td>
<td>11</td>
<td>100</td>
<td>11</td>
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<td>15</td>
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</tbody>
</table>

At 60% each, closeness to the Presidency and the personal character of the top bureaucrat in the policy making Ministry are also important factors. Hence according to current and past policy makers, the preference of donors enmeshed with political exigencies & support by powerful individuals play a vital role in the making of policy.

The above also emerges in a somewhat differently framed question as to who are the most persistent and powerful interest groups in the making of policy. After the Presidency [91%], foreign interest groups in the form of transnational corporations [87%] and the Brettonwood institutions [75%] are the most pervasive groups. At 63%, the Uganda Manufacturing Association is a distant third. Individual firms as a whole but even to a lesser extent indigenous ones exert some influence. Trade unions and state firms have no or very little input.
Table 2 Important Factors in Policy Formulation [%]

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<th>Low</th>
<th>High</th>
<th>V. High</th>
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</thead>
<tbody>
<tr>
<td>1. Merit of Policy</td>
<td>6</td>
<td>28</td>
<td>6</td>
<td>61</td>
<td>101</td>
</tr>
<tr>
<td>2. Donor Preference</td>
<td>-</td>
<td>11</td>
<td>33</td>
<td>56</td>
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<td>3. Close to Pres</td>
<td>27</td>
<td>13</td>
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<td>4. Pers Char of Bur</td>
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<td>5. Polit exigencies</td>
<td>-</td>
<td>19</td>
<td>56</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>6. Power of Indiv</td>
<td>13</td>
<td>7</td>
<td>60</td>
<td>20</td>
<td>100</td>
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<tr>
<td>Mean</td>
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<td>15</td>
<td>31</td>
<td>43</td>
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</tbody>
</table>

Table 3 The Most Persistent & Powerful Interest Groups [%]

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<th>None</th>
<th>Low</th>
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<th>V. High</th>
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<tbody>
<tr>
<td>1. Presidency</td>
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<td>7</td>
<td>36</td>
<td>57</td>
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<tr>
<td>2. Trans Corpor</td>
<td>13</td>
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<td>20</td>
<td>67</td>
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<td>3. BW Institutions</td>
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<td>25</td>
<td>25</td>
<td>50</td>
<td>100</td>
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<td>4. Uganda Man Ass</td>
<td>33</td>
<td>-</td>
<td>44</td>
<td>23</td>
<td>100</td>
</tr>
<tr>
<td>5. Individual Firms</td>
<td>25</td>
<td>37</td>
<td>25</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>6. Trade Unions</td>
<td>50</td>
<td>33</td>
<td>-</td>
<td>17</td>
<td>100</td>
</tr>
<tr>
<td>7. State Firms</td>
<td>37</td>
<td>37</td>
<td>26</td>
<td>-</td>
<td>100</td>
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<tr>
<td>8. Priv Indig Firms</td>
<td>28</td>
<td>58</td>
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<td>Mean</td>
<td>20</td>
<td>2</td>
<td>23</td>
<td>32</td>
<td>100</td>
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</table>

Donors, Brettonwood institutions and transnational corporations are not only cited among the top influencing and most pervasive and powerful interest groups in economic policy making. 86% of the policy makers also rank them at the “top problems” in policy design. Inappropriate policy [76%], influence of interest groups [72%], lack of capacity [70%] and good leadership [62%] are the other perceived problems in the design of trade and industry policy. The first two of these could partly also be related to the first.

At the level of implementation, the most dire problem is corruption [87%], followed by lack of resources [82%], poor incentives [75%], overlapping responsibilities of Ministries [67%], non-commitment of the bureaucracy [62%], frustration of implementation by disgruntled interest groups [61%] of lack of training of staff. Overall, on average, with a low variance, 74% of the policy makers perceive the problems as high and very high. Policy makers recognize that the private sector has a vital role to play in the policy making process provided that its potential is enhanced through training and practical positive experience. Only 6% said that it is incapable.
Most policy makers are aware of programmes of privatization, commercialization, training and special credit availed to the private sector. The most important rationale for the reformed tariff and trade policy regimes are said to be compliance with the demands of Brettonwood institutions [87%] and to ease processing.

Table 4 Major Problems in Industrial and Trade Policy Implementation

<table>
<thead>
<tr>
<th>Problem</th>
<th>None</th>
<th>Low</th>
<th>High</th>
<th>V.High</th>
<th>Total</th>
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</thead>
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<tr>
<td>1. Corruption</td>
<td>-</td>
<td>13</td>
<td>40</td>
<td>47</td>
<td>100</td>
</tr>
<tr>
<td>2. Lack of Resources</td>
<td>12</td>
<td>6</td>
<td>43</td>
<td>39</td>
<td>100</td>
</tr>
<tr>
<td>3. Poor Incentive Structure</td>
<td>-</td>
<td>25</td>
<td>31</td>
<td>44</td>
<td>100</td>
</tr>
<tr>
<td>4. Overlap of Min Functions</td>
<td>-</td>
<td>33</td>
<td>25</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>5. Non-Committed Bureaucrats</td>
<td>15</td>
<td>23</td>
<td>47</td>
<td>15</td>
<td>100</td>
</tr>
<tr>
<td>6. Frustration By Interest Group</td>
<td>8</td>
<td>31</td>
<td>46</td>
<td>15</td>
<td>99</td>
</tr>
<tr>
<td>7. Lack of Training</td>
<td>13</td>
<td>33</td>
<td>40</td>
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<tr>
<td>Mean</td>
<td>7</td>
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</tbody>
</table>

Policy Making Process as Perceived by All Four Groups

The above responses were the result of interview with policy makers. The ones below are also results of similar enquiries to all groups partly verifying those by policy makers only reported above. With only slight difference between the study groups, 85% of the respondents report to lobby for policy either requesting change in the existing policies or the creation of new ones. More than 3/4 of the policy makers also reported to lobby. By far the most important issue of lobbying was tax especially of value added tax which was introduced in 1997.

Lengthy import and export procedures, tight regulations and denationalization have been the other minor issues for lobbying. In this case, traders and industrialists, to some extent trade associations were the main lobby groups. Understandably, nearly half of the policy makers failed to disclose the subject of their lobbying the effort. 36% each report that lobbying made a difference and for 43% it made no change. For 10% of the traders, lobbying resulted in a worsened situation. More improved change is also reported by traders and associations while the no change scenario is more among industrialists. The most important medium of lobbying, especially by
the industrialists, are the newly established associations followed by personal contact. Powerful persons, religious and ethnic associations are not important venues of lobbying. While the latter responses may appear somewhat unrealistic particularly in terms of their significance as extra venues, formal associations appear to take the stage in articulating & lobbying for interest of members.

Consultations about policies with Government mostly takes place via the associations, where 81% of them said so. 57% of the industrial and 48% of the trade firms are also directly consulted about anticipated policy changes. 61% of the policy makers are also consulted. With many of the trade firms being small, more than half are not directly consulted.

The variation in the degree of consultation is statistically significant. As in lobbying, the single most important area of consultation has been about VAT and to a much lesser extent foreign exchange, import export procedures and denationalization. 39% reported that consultation had led to change in the policy while 1/5 said there was no change. A significant 42% gave no reply either way. Almost equally spread among the respondents, 85% reported to have lodged complaint to Government at one time or another. Only 11% said they did not do so. As in the areas of lobbying and consultations, the most important point of complaint had been about taxes and by far more by traders as it refers to VAT.

### Table 3.8 Outcomes of Lobbying

<table>
<thead>
<tr>
<th></th>
<th>Indust</th>
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<tr>
<td></td>
<td>No %</td>
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<td>No %</td>
</tr>
<tr>
<td>1. No Change</td>
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<td>6  24</td>
<td>8  38</td>
<td>7  44</td>
<td>30  36</td>
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<tr>
<td>2. Improved</td>
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<td>10  47</td>
<td>2  15</td>
<td>30  36</td>
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<td>3. Worsened</td>
<td>- -</td>
<td>3  12</td>
<td>2  10</td>
<td>1  6</td>
<td>6  7</td>
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<td>4. Other</td>
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<td>5. Total</td>
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<td>21 100</td>
<td>16 100</td>
<td>87 100</td>
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### Table 3.10 Consultation About Policy Change

<table>
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<td>1. Yes</td>
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<td>21 100</td>
<td>25 100</td>
<td>21 100</td>
<td>18 100</td>
<td>85 100</td>
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</table>
Industrialists also complained about export and import procedures. The main media of complaint were associations, letters and personal contacts. At least one each among each of the four categories also used/employed lobbyists. While 40 - 50% of the complaints resulted in positive changes, those via the associations did so more significantly. Nearly 1/3 reported no change in policy as a result of their complaints. Judged from lobbying, consultations and complaints, there has been an extensive formal and informal interaction between traders, industrialists and their associations on the one hand and policy makers on the other.

As evidenced from the channeling of complaints, formal institutions in the form of associations are becoming more and more important as a media of communication. Despite the numerous trade associations, lack of regular forum is cited as the most important obstacle to improved communication.

The bureaucracy is castigated by as many as 83% of the traders and 60% of the industrialists. Understandably, only 15% of the policy makers cited government as a major obstacle to effective communication between government and business. The very low citation of lack of organization as an obstacle to communication brings to the fore the role of the formal business association in the process of policy consultation with government. 29% of traders are so small that they do not seek direct communication on their own. In all cases, the difference in the importance of the different variables are statistically significant.

The respondents were requested to rank the different regimes which presided over the governance of Uganda with respect to vision, transparency, sensitivity and accessible mode of operation. When it is observed that the currently vilified Obote in his first term scores as high as Museveni, the result of the responses to some extent reflect the high level of openness and consultative process prevailing in the policy making process in the country. This was also observed in the "Brainstorming Session" of the study held on 18 June 1999 while processing field data.

Starting from the worst, with respect to all the four positive attributes necessary for successful policy making, only the regime of Idi Amin is worse than the colonial period. The case of Amin is indicative of its massive negative intervention with no major policies informed by vision for the development of the country. In terms of vision, at 81% & 86%, Obote I and Museveni I are almost at par. The second phase of both regimes however decline significantly. While it is nearly halved in the case of Obote, Museveni II loses 13 percentage points.
Table 3.18 Regime Preference With Respect to Vision, Transparency, Sensitivity,
& Accessible Mode of Operation

<table>
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<tr>
<th></th>
<th>N</th>
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<th>Transp</th>
<th>Sensitivity</th>
<th>Access</th>
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<td>1. Pre-indep</td>
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<td>40</td>
<td>10</td>
<td>40</td>
<td>40</td>
<td>33</td>
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<td>2. Obote I</td>
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<td>81</td>
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<td>3. Amin</td>
<td>17</td>
<td>6</td>
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<td>-</td>
<td>19</td>
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<td>4. Obote II</td>
<td>30</td>
<td>43</td>
<td>53</td>
<td>53</td>
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<tr>
<td>5. Museveni I</td>
<td>62</td>
<td>80</td>
<td>90</td>
<td>89</td>
<td>84</td>
<td>86</td>
</tr>
<tr>
<td>6. Museveni II</td>
<td>67</td>
<td>67</td>
<td>66</td>
<td>66</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

Again Obote I and both periods of Museveni are commended by their transparency in the case of Museveni I even exceeding its visionary attributes perhaps a reflection of the high marginal value of the coming out from the abyss of the period of Obote II. Like its visionary score, the latter’s transparency evaluation nose dived from 81% in its first phase [1962-71] to 53% in the second phase [1980-85]. (See table)

POLICY CHOICES & EVALUATION: SURVEY RESULT II
This section attempts to capture choices, evaluations of the substance and the process of policy making.

Except for associations, about 2/5 of the all the respondents from all sectors would like more intervention by government. On the other hand, more than 1/3 spearheaded by associations opt for less intervention. Of those who favour intervention in the realm of credit, 71% want a high level of intervention which is understandable given the high margins between borrowing and lending. This issue is articulated more by the policy makers and to a lesser extent by industrialists. The foreign component both trading and industrial firms access cheap foreign capital and their desire for less government intervention. However, the overall difference between the categories in their assessment of the need for credit intervention is not statistically significant. With regard to investment, spearheaded by the traders, for 2/3 of all the respondents, the regulation of foreign investment should be high. Another 1/4 consider that the regulation should not be very strict. Only 11% report support the abolition of any regulation of foreign investment. Although not statistically significant, there is some statistical difference with less of policy makers and industrialists calling for regulation.

With no statistically significant differing position, 90% of the respondents call for a high intervention in the form of incentives to strategic industries. More than the actual potential beneficiaries, traders and industrialists, this is called for by all policy makers. The high desire for government intervention in the control of foreign investment, provision of credit and incentives for strategic industries is further confirmed by the low rate of support for the limitation of government intervention to infrastructure and setting the scene for competitive environment. While only 1/4 of the respondents highly support only skeletal involvement of government in trade and industry policy formulation and implementation.
Political instability and inflation, the major key source and manifestation of its outcome respectively of the past appear to still haunt the business community. The on-going low government intervention in general and the liberalization of the labour and money markets in particular have placed them as the bottom 4 ranking obstacles for industrialization and the promotion of an export drive strategy.
SCHEMATIZATION OF THE CURRENT POLICY MAKING PROCESS

In the post-NRM period, going below the theorization of the reconstructed state and society, the following schematized diagram emerging from the survey results problematizes the policy making process and its implications for development in general, trade and industry in particular. The matrix begins with a vision operationalized in the NRM's 10 point programme which has been revised when liberalization and the accompanying SAP have been adopted. As the founder of the NRA & NRM, the Presidency is the fountain of policy and inspiration. This takes place within the broad policy making social space. (See Annex 1)

These are growth, high level of foreign aid, liberalization of the economy, socio-political innovations in governance, the current institutionalization of democracy, open society and free press, local insurgency and high level of corruption. According to the field survey results juxtaposed on the operating environment are the major interest groups exerting heavy influence in policy making. These are foreign organizations - donors, Brettonwood institutions, multi-national companies and to a lesser extent Uganda Manufacturers Associations and individual interest groups. Labour unions have almost no influence at all.

The policy makers in the Presidency and the Cabinet interact with the major interest groups [on the left] hand of the diagram and the policy analysts on the right. Given the three structures of the policy making process spelt out above, the outcome and executions will to a large extent depend on the objectives and capacity of these two groups, their influence on the policy makers manifested in their agenda setting, issue focus and implementation [policy execution].

It is hypothesized that the outcomes of the policy making process to attain sustainable human development will in turn depend on the degree of national commitment by the policy makers on the one hand and intellectual confidence, technical competence, political autonomy and access to political power by the policy analysts. If agenda setting and focus is heavily tilted towards interest groups and/or weak autonomy is exerted by national policy makers and analysts, the design and execution of policy may not attain medium and long term objectives of development.

The following sections briefly comment on each. In the last 10 years or so, the Ugandan economy has been growing at an average rate of about 6.5% per annum. This is a high rate even by world standard. However, most of it is accounted for by the reconstitution of factories and farms which were rendered out of production. Uganda has still to reach the pre-independence zenith per capita income level. Growth has been aid driven. As a percentage of GDP, the country is the largest recipient of foreign aid in the world. Most government development and recurrent expenditure originate from foreign sources. This obviously reduces its autonomy to manage the economy and develop policy independent of donors and other international interest groups.

Rather than through the absorption of technology, most growth in agriculture has been through a lateral expansion of land and labour inputs. Being a high cost country, as yet, there is very little manufactured exports. From the current pattern of growth, at best the national economy could
advance to the level of the likes of Côte D’Ivoire - marked growth in agriculture and accompanying service industry but without sustained structural change in the economy towards industrialization & subsequent ‘graduation’ upwards.

Uganda has a free press by any standard. National and local policy issues are openly discussed which confers a considerable leverage on civil society to air out grievances and direction of policy. This is predicated on innovations of political and social structures [Movement system of governance, decentralization, representation of women, youth, the disabled, the army etc] on the road towards the institutionalization of democracy broadly defined. The outcome of these has been the increasing power of Parliament vis-a-vis the Executive and the dispersion of power regionally.

Liberalization is taken almost as a gospel truth. It appears that the governing class has made a complete swing from Orthodox Marxism to unbridled market economy probably under the influence of the major interest groups indicated on the right hand of the box. On the more explicit negative side, as reported in the survey result, corruption is perceived as the most pervasive obstacle to industrialization and trade. The growth of the economy has not embraced the insurgent ridden two districts in the North for over 10 years and another two to three in the West since the last two years. Apart from diverting resources for the military, this can have negative impact in the continued attraction of foreign capital.

Among the negative macro operating constraints, the mitigation of corruption and the best way of ending insurgency are being openly discussed with inputs from all sectors of society. The sustainability of foreign aid driven strategy and its possible impact on reducing national autonomy to steer industrialization does not figure in popular discussions.

Foreign capital is merchant in nature engaged in the export of primary production, import of raw materials and manufactured goods or import substitution in light manufacturing. For example, operating under multi-national oligopolistic structure, given the open economy and the convertibility of the Ugandan shilling, the propensity for the repatriation of possible supernormal profits by multi-national firms from coffee trade is very high. Bilateral and multi-lateral donors began to pour aid following the acceptance by the NRM the prescriptions of the Brettonwood Institutions [Minister Rugunda: Seminar; June 1999; Mugenyeni:1990]. They have considerable influence in funding personnel both in the public and private sector organizations engaged in business and industry.

There is intra and inter consultation by foreign institutions and with state agencies as to what is ideal for the Ugandan economy in the light of their own interests and experiences. Although the Ugandan Manufacturers Association has some influence, the Ugandan nationals component is very tiny, mostly comprador shorn of entreprenual, risk taking and sustained saving attributes. By the wholesale expulsion of Asian traders and industrialists, the much dreaded Amin Regime left a positive legacy of a national merchant class, albeit at lower echelon. In a state directed process of industrialization, perhaps more than Kenya, this can be a base for further development.
The weaknesses of the national bourgeoisie in the process of accumulation as implied above could be countered by the state class in the mould of Latin America and East Asia in their early stage of industrialization. Given the above scenario, the most critical issue in the development of an industrial strategy is the interaction between the major interest groups and their direct and indirect influence on agenda setting, policy making and execution by senior politicians and civil servants.

Although the World Bank has somewhat changed its position on the very minimalist role of the state in economic management and development, [World Bank:1997], given its primary objective function of profit maximization and retrieving them in the shortest time possible, together with the IMF, they espouse minimal intervention and appear to have short term visions. When these become doctrines reinforced by education and the flow of material resources at public, institutional and personal levels, they get dressed up as 'world orthodoxy'.

The opening up of this orthodoxy, examining its specificity to a particular country, region and sector in a given time and adapting it in process requires intellectual confidence, technical competence, national commitment, political autonomy and access to political power. This will be critical in making long term, strategic and short term decisions regarding the choice between dependence on foreign resources [accompanying loss of autonomy in decision making] versus generating domestic resources, the role of foreign and domestic capital and their implications for auto-centred accumulation.

Given the potentially positive and negative attributes of the components in the policy making matrix, whether the growth of the Ugandan economy will be sustainable and transit to industrialization via the development of home market and manufactured exports will depend on the extent to which it is endowed with and builds on the attributes listed in the very left corner of the diagram -national commitment by the policy makers on the one hand and intellectual confidence, technical competence, political autonomy and access to political power by senior level policy analysts and advisors.

CONCLUSIONS & POLICY IMPLICATIONS

At independence in 1962, Uganda enjoyed a sound macro-economic base vis.- respectable growth rate, low inflation, healthy balance of payment and low fiscal deficit. It had a thriving peasant economy ranking it as one of the major producers of robusta coffee in the world. It also produced significant outputs of cotton, tea and sugar complemented by copper from the mining sector. Its nascent industry, dominated by colonial subjects of Indian origin, had a dynamic home market from among the peasantry. Given a stable polity and realistic development strategy, it had the potential for the making of a post-colonial African economic 'miracle'.

However, constructed as in many other places for stability and exploitation by the colonial regime, its political strictures were fraught with many potential explosive conditions. These were to be manipulated by British imperialism following independence. In the well trodden 'Divide and Rule' tradition of British colonialism, in the political and economic hub of the country, Buganda, the
Protestant aristocracy enjoyed more power in the colonial administration spreading out into other parts of the country. This was deeply resented by others who became double layered colonial subjects - of the British and their most loyal functionaries, the Baganda aristocracy.

The colonial government presided over the rivalry of Protestants and Catholics in some ways reminiscent of Ireland. Implicit and explicit support was accorded to the former. The Moslems formed a religious minority as colonial subjects not professing the religion of the colonial master.

Although the combined multi-ethnic and multi-religious anti-colonial sentiment and struggle ousted British colonialism, following independence, the Protestant based alliance between the Kabaka [King of Buganda] and the UPC Government fractured soon culminating in the narrow escape from death and exile of the King [the Kabaka] in 1966. Subsequently, when the Obote government went beyond day to day governing becoming a visionary as manifested in the "The Common Man's Charter" in the middle of Cold War, the regime became anathema to world imperialism. Obote met the fate of Nkrumah, Lumumba and other visionary African popular nationalist leaders.

The machination of imperialism in the form of the intervention of Idi Amin brought to the fore many of the potential sources of conflict which British colonialism sowed and nurtured to control post-independent Uganda for its own national interest. Following the overthrow of Amin, tinkering with the political, social, economic and moral ruins left by Amin, the highly rated Obote in his 1962-1971 phase scored very low in terms of vision, transparency, openness and sensitivity.

The working out of the governance system enmeshed the Ugandan state and society into protracted conflict. Some of the direct and indirect impacts are still reverberating to this day. From 1971 until the coming to power of the NRM government in 1986, the Ugandan polity was reduced to "an example of poor initial conditions i.e. lack of appropriate socio-political environment for the flourishing of private enterprise and growth" [Soludo:1999, p 32]. In the typology of Collier et al [1996], the promising Uganda at independence was reduced to the current position of Angola, Sierra Leone, Burundi, Liberia, Somalia etc. In some measure, it lacked all the three conditions necessary for growth which pre-suppose some form of trade and industry policy making - a minimum degree of social stability, macro-economic balance and allocative efficiency. Lacking stability, cohesion and endurance, the state atrophied with its legitimacy and authority in the realms of the economy, politics, moral and security severely diminished or non-existing altogether. These functions were fragmented and re-located into the household, localities and other pre-mordial institutions - a situation still posing serious problems in the capacity and capability of public service. Unlike Cote D'Ivoire, Kenya and others for the period 1971-1985, there is little systematic, serious and continuous strategic trade and selected industrial policy to review and evaluate.

Coming to the post-SAP period, it appears that growth is fueled by foreign merchant capital with far reaching consequences for domestic accumulation, the formation of a national capitalist class and the bases of transition from agrarian to industrial economy. Apart from capital, even at this very rudimentary stage of industrialization, a bulk of the raw materials are also imported. This
is part of the pervasiveness of the flow of foreign merchant capital into the nexus of the economy. On the other hand, given a concerted policy direction to indigenise it, this outward orientation will have the potential to garner enterprise, foreign direct investment, skills, product development and markets.

To this end, the continued reversal of the downward trend in economic and social development set in motion during the era of Idi Amin, and set forth a sound policy and process will hinge on the proliferation of policy makers with national commitment, policy analysts with intellectual confidence, technical competence, political autonomy and access to those with political power. It is when such capabilities are internalized to take advantage of the opportunities and tactically and strategically ameliorate the constraints posed by the policy making social space that the current growth can be sustainable and nationally owned.

REFERENCES


**A.3 Sources of Capital**
ANNEX 1: DIAGRAMMATIC SCHEMATIZATION OF THE CURRENT TRADE & INDUSTRY POLICY MAKING PROCESS IN UGANDA

VISION - [NRM 10 Points Programme]

MAJOR INTEREST GROUPS
- Donors
- Brettonwood Institutions
- Multi-national Firms
- Uganda Manufacturer’s Association
- Other Individual Interest Groups
- Labour

POLICY MAKING SOCIAL SPACE
- Growth
- High Foreign Aid
- Free Press
- Socio-Political Innovations
- Institutionalisation of Democracy (Parliament)
- Open Society
- Liberalisation
- Corruption
- Local Insurgency

POLICY ANALYSIS & EXECUTION
- National Commitment
- Intellectual Confidence
- Technical Competence
- Political Autonomy
- Access to Political Power

FINE TUNING/CHANGE OF POLICY

PRESIDENT/CABINET
THE REVIEW OF AGRICULTURAL AND LIVESTOCK POLICY INITIATIVES IN TANZANIA

By Semboja Haji Hatibu Haji, Rweyemamu Dennis, Leyaro Vincent, and Monica Kimaro

INTRODUCTION

1.1 Background
Over the last decades, Tanzania has been constantly carrying out and implementing agricultural policy initiatives in autarky from the global and regional initiatives that are similarly addressing agricultural sector constraints. However, its impact and the performance of agricultural sector have been unsatisfactory and quite often diminishing in terms of the overall output.

Internal Policy Initiatives
Internally, such policy initiatives are widely documented in Food and Agriculture 2025’s vision, Agricultural and Livestock Policy of 1997 coupled with institutional reforms, which are currently undergoing in the government ministries. Together with all these, there has also been a series of initiatives by his Excellency, the President of the United Republic of Tanzania on finding ways and means that are definitive, realistic and practical in solving agricultural sector problems in Tanzania.

External Policy Initiatives
Externally, such policy initiatives build on numerous institutional networks, which are rigorously addressing agrarian problems in the African continent as a whole. The institutional policy networks that fall under this category include: - International Food Policy Research Institute (IFPRI) and its 2020 vision, East and Central Africa Programme for Agricultural Policy Analysis (ECAPAPA) assisted by ASARECA, FAO, WFP and The Food, Agriculture and Natural Resource Policy Analysis Network for Southern Africa Development Community Region (FANRPAN-SADC).

Broad-based and Poverty Reduction policy initiatives
Apart from the above internal and external efforts, currently exist broad-based policy initiatives by the Highly Indebted Poor Countries (HIPC), the Tanzania Assistance Strategy (TAS), the Multilateral Debt Relief Fund (MDF) and Poverty Reduction Strategy Paper (PRSP). TAS, HIPC and PRSP policy initiatives provide the country an opportunity to develop strategies to utilize the debt service relief funds in their agricultural development objectives. Under these initiatives the sector development objective of the government in Tanzania is to have food security achieved through increased food production and incomes by the year 2005. To achieve its objective the government has identified six key areas for poverty reduction strategy, which are agricultural inputs, irrigation, research, extension, cooperatives and livestock.

The TAS policy initiatives are expected to address inadequacies in local counterpart funding versus donor funding which include adherence to donor conditions, the un-recording of donor support leading to an imbalance in agricultural development between regions, and poor coordination between donors and the government on the levels and modes of funds disbursement (PER, 2000).
On the other hand Multilateral Debt Relief Fund (MDF) has been established so as to bring relief both to the budget and the balance of payments. The relief expected in terms of foreign resources would be used to service debt owed to multilateral financial institutions. The Tanzania Government wishes to use the MDF as a bridging fund to reduce the fiscal burden of external debt so as to contain the debt problem of the Highly Indebted Poor Countries (HIPC), (ESRF, 1999).

**Broad-based government policy initiatives**

The broad-based government policy initiatives include government policy statement through the Vice Presidents office namely the National Poverty Eradication Strategy, (NPES) which was followed up in 1999 with a Poverty and Welfare Monitoring Indicators exercise. The NPES spells out areas in poverty eradication and mechanisms for monitoring implementation of poverty eradication programmes.

The overall goal of the National Poverty Eradication Strategy is to provide a framework to guide poverty eradication initiatives in order to reduce absolute poverty by 50% by the year 2010 and eradicate absolute poverty by the year 2025. And in order to measure progress achieved in eradicating poverty, some specific goals are indicated which will focus on improved economic growth and people's income as a basis for poverty eradication, provision of education, water, health, housing, infrastructure and employment by the year 2010 (URT, 1998).

**1.2 Objective of the Paper**

The objective of this paper is to provide a general review of agriculture policy initiatives in Tanzania as a contribution to an understanding and exchange of information in the agricultural policy formulation and processes among member states. In furthering its overall objective of promoting appropriate agricultural policy in order to reduce poverty, increase food security and enhance sustainable agricultural development in the SADC region, the FANRPAN holds its Second Stakeholders Dialogue Meeting in Harare May 2001, with objectives of facilitating harmonization of policies trade in agricultural inputs and outputs and further build capacity for agricultural policy formulation.

For a systematic discussion, the following Section Two provides an overview of the performance, limitations, and challenges of the agricultural sector in Tanzania. Section Three provides an explanation and justification for the government review of the Agriculture and Livestock Policy of 1983, (APL-1983), which was conducted in 1996-1997. In Section Four, we attempt to expose main tenants of the current the Agriculture and Livestock Policy of 1997, (APL-1997). Section Five outlines major agriculture policy issues, concerns and performance of the agriculture sector as per year 2000/2001. In the light of current regional, global and broad based policy efforts and the failure of the current agriculture system, Section Six provides justification for the need for the review of the Agriculture and Livestock Policy of 1997, (APL-1997). In Section Seven, the paper outlines current broad-based government policy efforts and instruments that aim at improving the performance of agriculture sector.
2.0 PERFORMANCE AND CHALLENGES OF AGRICULTURE SECTOR

Tanzania has enormous agricultural potential in terms of land resources and range of climatic conditions. The performance of the agricultural sector however, is still poor with some parts of the country experiencing food shortages and malnutrition. Consequently the government has had to import food from outside or get food aid, worse still the agricultural development budget is still donor dependent (PMO, 1999).

2.1 Performance of Agriculture Sector

The performance of the agricultural sector over the last 15 years has also been the subject of concern particularly the reform era. During the Economic Recovery Programme (ERP, 1987-89), a rate of growth of 3.03% were achieved - a rate lower than the rate of growth of the industrial and service sectors but enough to output the rate of growth in population. During the regime of the Economic and Social Adjustment Programme (ESAP, 1990-93), the agricultural sector performed relatively well. In fact with growth of 3.34%, it outperformed both the industrial and services sectors and maintained a small but steady growth in per capita agricultural output (income). A growth rate of about 3.2% has been maintained since the mid-1990s. Although the agricultural led economic reforms have reversed these trends, the gains have not benefited the majority of Tanzanians. A number of studies carried out in recent years, revealed that there have been remarkable improvements in the macro-economic aggregates indicating economic stability and growth. The national balance payments, Government budget and revenue collections have improved. Production and productivity of some of the divested public enterprises have also improved significantly. Unfortunately, the evidenced economic growth and macro-economic stability have not adequately benefited the poor rural and urban communities. The distribution and use of economic gains and increase in Government revenue collections have not alleviated social-economic problems of the majority of the people (PMO, Vol. III).

On the other hand the studies (PMO, Vol. III), done by Advisory Committee on Agricultural Development in Tanzania indicates that various measures that have been taken by the government during the reform period have not shown any significant improvement in the agriculture sector (refer Table 2.1 below). These studies shows that the growth rate rose between 1988-1990 before dropping to a minimum of 1.2% in 1991 and then rising to the maximum of 5.8% in 1995. Since 1995 agriculture growth has been declining implying also that its contribution to Gross Domestic product is also declining. And this is due to the fact that much of the agricultural production has been contributed by smallscale farmers who own land holdings of less than two hectares on average, and cultivate about one hectare per household. The miagre increase in production which has been registered, has been due to an increase in area under cultivation, rather than due to increased productivity. Among the factors mentioned to contribute to this situation is the domestic policies that are implemented.

The recent study done by ESRF (PER 1999), and Quarterly Economic Review (2000) again indicate, that the performance of agricultural sector is still unfavourable as the year 1999 which began with a severe food shortage due to poor rains in 13 out of country's 20 regions, was likely
Due to that the Ministry of Agriculture estimated that the production of maize, the country’s staple food is expected to fall by at least 30% in the 1999/2000 crop season. This trend combined with the decline in the international prices of traditional export crops. It is further indicated that agriculture commodity prices in the world market continued to experience a significant decline from the last quarter of 1999. During the period, the situation deteriorated for almost all crops except cashewnuts mainly due to weak demand and increase supply. (Ref to Table 2.2 below).

### Table 2.1: Real Growth - Agriculture and GDP

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### Table 2.2: Traditional Export (Millions of USD)

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<th>Tobacco</th>
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### 2.2 LIMITATIONS AND CHALLENGES OF AGRICULTURE SECTOR

Although Tanzania regards agriculture as the engine for the country's economic growth, dominating all other economic outputs, paradoxically, there is a relatively low investment in this sector as reflected in development expenditure allocations. As a result, growth in the sector lags behind the demands and needs imposed by a rapidly growing population. Due to lack of clearly stated strategies, Tanzania is still a net food importer and a recipient of food aid (PER, 1999). Several impediments to accelerated agricultural development have been identified and these includes the following:

- Technology development and transfer:
  - Poor crop and animal husbandry practices,
  - Continued use of hand tools in farming by the majority of producers,
  - Continued dependence on rainfed agriculture,
  - High cost of modern packages and low diffusion rates,
  - Lack of upgraded breed for high productivity.
- Infrastructure:
  - A poor transport infrastructure,
  - Poor management faced by institutions involved in the development of agriculture,
  - Inadequate financial and rural credit services.

- Gender aspects:
  - Gender imbalance in the whole production process where women carry out up to 70 percent of the actual work on the farm but have relatively low access to land credit, education and gender-friendly, labour-saving technology.

- The environment:
  - A high level of environment degradation which results in water shortage, land degradation, soil erosion, seasonal salinization, deforestation, drought and flood hazards.

- Agricultural marketing and pricing:
  - Constraints are related to flow of information, products and inputs, institutional arrangements, marketing services, and output transformation issues,
  - Inconsistency in the implementation of liberalized output marketing, especially of food grain, resulting in farmer dis-incentives to produce more food,
  - High post harvest losses about 30%.

- Macro-economic policies:
  - Many policies are made by diverse and un-coordinated units in the government and the basis upon which agricultural policies are formulated is rather weak,
  - The poor management and coordination of the projects launched,
  - Inadequate capacity to perform various functions in the MAC, Associations, NGOs and Cooperatives,
  - Frequent institutional changes,
  - Taxes and levies collected from agricultural produce are high, many and are not plunged back to the sector.

- Agricultural research and extension services:
  - Inadequate funding,
  - Weak research-extension-farmer-input supplier linkages,
  - Lack or inadequate logistical support,
  - Low staff motivation,
  - Poor management and coordination.

- Policy inconsistency and none coordination:
  - The lack of market for the agricultural produce in the country results from poor transportation network and market liberalisation policies, which have encouraged the importation of cheap subsidized agricultural products at the expense of locally, produced crops and livestock,
  - Inconsistencies also flourish in the sense that for example, farmers in boarder regions (e.g. in Rukwa and Kilimanjaro region) and livestock keepers in Arusha are barred by government decree from exporting their surplus produce to neighbouring countries (M. Mbiliyi and T. Nyoni, 2000). Due to that most of the post harvest crops in such regions are left without proper storage and get destroyed as a result of policy inconsistency and lack of market.
3.0 REVIEW OF AGRICULTURAL AND LIVESTOCK POLICY OF 1983

In 1997 the Government saw the need to review the agricultural and livestock policies of 1983 with intention of coming up with the new policy. The major reasons for the review were four and are as follows:

Policy Consolidation.
First was the need to merge and consolidate into one document the two separate policy documents for crops and livestock. Before the review Agriculture and Livestock where under two separate Ministries. Both areas of the agricultural sector were placed under one Ministry - "Ministry of Agriculture and Cooperatives (MAC)" (Agriculture standing for crops and Livestock).

Economic Changes.
Secondly was due to the drastic changes in the economic scene of the country, which occurred in the last decade (since 1986). This included macroeconomic reforms and structural adjustment programmes, which engendered both positive and negative effect on the agricultural sector.

Positive aspect of these programmes included the opening up of the sector for private investment in production and processing, inputs importation and distribution and agricultural marketing. Farmers were free to sell their crops to cooperatives or private traders and as a result of competition nominal producer prices of both food and export crops increased significantly. Efficiency of the marketing systems for some crops in some places increased which made farmers to dispose of their crops much faster than it was in the past. Similarly, farmers were no longer confined to a single source for fertilizers and other essential inputs; they had several channels through which they obtain them.

However, the withdraw of government and its parastatals from the provision of agricultural services to farmers did not give pase with the growth of private sector participation in terms of its ability to effectively take over these services. The economic reform programmes adversely affected cooperatives unions. Debts and stringent financial conditions driven most of them either into liquidation or reorganization into new forms in which their ability to provide agricultural services to farmers were severely curtailed. Thus the agricultural sector were left in somewhat a hostile territory in which farmers saw fertilizers and other inputs but lack of credit facilities blocked their access to these inputs. Producer quality control was seen to disappear thus threatening farmers' returns, consumer's interest and Tanzania's position on the world markets. The livestock sub-sector was not fairing well either. Animal health services were falling behind demand, as the supply of veterinary drugs and other essential inputs was weak. Pastoralist therefore felt short-changed in the provision of services under the new environment.

Increased Concerns on Cross-Sectoral Policy Issues
Thirdly was due to the cross-sectoral issues, which were the New National Land Policy, Environmental issues and Women in Agriculture.
**The New Land National Policy.**

The formation of new national land policy created a fear that, farmers could not continue to use land for crops and livestock the way they used to do. This is due to the fact that without land resource, there is no agriculture and when the use was this basic resource change, those of agriculture must follow suit. The overall aim of the new National Land Policy was to promote and ensure a secure land tenure system, encourage the optimal use of land resource, and to facilitate broad-based social and economic development without upsetting or endangering the ecological balance of the environment. The major theme of the policy was the conversion of land into an economic asset to which all citizens should have equal access.

The implication of this philosophy was that vast economic possibilities were going to be opened to the masses of the rural sector as there was enough land for every citizen capable of managing and deploying it to productive use. Within the framework of the land policy detailed rules and regulations were provided for the use of this valuable resource and most of them were directed to the agricultural sector as well as those who depended on it for their livelihood. To enable peasants and herdsmen to use land as an economic base, new rules, guidelines and instruments for carrying out agricultural activities ought to be provided to match the new spirit and content of the new national land policy. In other words, the agricultural policy ought to be revised to meet the demands of the new land policy and to assist peasants and herdsmen to make optimal use of land through agriculture.

**Environmental Issues.**

On the environmental issues it was stated that agriculture is critically dependent on environmental resources such as land, water, forest, air etc. However, the use of these resources can affect directly or indirectly, other natural resources, through dynamic and complex interrelationships existing in the natural systems. This implied that wrong use of land, water and forest in the production of crops and livestock could have a far-reaching effects on the environmental integrity. To avoid such consequences, it was suggested that agricultural sector policies fit in the overall environmental policy which is critical in providing guidance for the proper and balanced use of natural resources and in defining sectoral responsibilities for the environmental management.

It was further argued that both the National Agricultural and Livestock Policies of the early 1980s recognized the importance of the environment and proposed several measures to arrest degradation of natural resources. But in the intervening years, technology for understanding the impact of human activities on environment made significant strides, which clearly show that sectoral approach to environmental management is of limited effectiveness. Agricultural policies, besides being internally consistent it was suggested to provide a mechanism for linking themselves with those of other sectors in the noble mission of protecting and enhancing environment. For instance the expansion of agricultural production in the best rangelands (due to population and food demand) resulted in large numbers of livestock to be concentrated on marginal lands with low carrying capacity. This caused overgrazing and gradual environmental destruction.
Furthermore it was argued that frequent and uncontrolled bush fires designed to cause generation of pastures and the use of chemicals to control tsetse have also increased the danger of environmental degradation. Urban centres too were threatened with environmental disaster arising from increased livestock keeping. These activities were seen to endanger environment as pollution could easily arise from this unregulated livestock production activities. All these problems called for concerted action involving a through understanding of the nature and scope of the problems and a comprehensive and sustainable programme to combat them. Present agricultural policies were not exactly amenable to such cross-sectoral linkage in this respect, hence the need for a new policy.

**Female Gender Issues.**

On the issue of women in agriculture it was argued that the estimated ratio of males to females in the agricultural sector was 1:1.5. It was further argued that women in Tanzania produce about 70% of the food crops and also bear substantial responsibilities for many aspects of export crops and livestock production. However, their access to productive resources (land, water etc.), supportive services (marketing services, credit and labour-serving facilities etc) and income arising from agricultural production were severely limited by social and traditional factors. This in turn hampered their capability and efficiency in the agricultural sector.

While social and legal measures were being taken elsewhere in the government machinery, the Ministry of Agriculture endeavored to target its extension, research, training and advocate credit services to rural women in order to enable them to contribute effectively to agricultural production. The strategy was to strengthen labour serving technologies by encouraging cooperation among women and by supporting their participation in planning and management of development programme.

Finally, was the fact that agriculture operates in a delicate natural environment, which requires time-to-time management and protection.

### 4.0 A GENERAL OVERVIEW OF THE AGRICULTURE AND LIVESTOCK POLICY, 1997

It is not an exaggeration that the SAP programmes during 1985/86 - 1989/90 were not guided by any sustainable policy or development vision (PER, 1999 and 2001/2002). Significant changes have taken place in the 1990s, which called for an improvement of the agricultural policy framework. The government approved the Agricultural and Livestock Policy in 1997, policy that aimed at promoting and facilitating environmentally sustainable growth and the development of agricultural sector. The following is the summary of the APL-1997 policy.

#### 4.1 General Policy Goals

The ultimate goal of this policy was the improvement of the well being of the people whose principal occupation and way of life is based on agriculture. Most of who are smallholder and
livestock keepers, who do not produce surplus. Therefore the focus of this policy was to commercialize agriculture so as to increase income levels.

4.2 Objectives
The objectives of this policy were as follows:

(a) To ensure basic food security for the nation, and to improve national standards of nutrition by increasing output, quality and availability of food commodities. In order to achieve this objective, production growth rates of food crops and livestock products were targeted to be at least 4% and 5% per annum respectively, with food crops production to be increased through productivity and area expansion and livestock growth through encouraging the private sector based initiatives in the industry.

(b) To improve standards of living in the rural areas through increased income generation from agricultural and livestock production, processing and marketing.

(c) To increase foreign exchange earnings for the nation by encouraging the production and increased exportation of cash crops, livestock products other agricultural surpluses, including food crops, by-products and residues.

(d) To produce and supply raw materials, including industrial crops, livestock, by-products and residues for local industries, while also expanding the role of the sector as a market for industrial outputs through the application of improved production, marketing and processing technologies.

(e) To develop and introduce new technologies which increase the productivity of labour and land.

(f) To promote integrated and sustainable use and management of natural resources such as land, soil, water and vegetation in order to conserve the environment.

(g) To develop human resources within the sector in order to increase the productivity of labour and to improve ability, awareness and morale.

(h) To provide support services to the agricultural sector, which cannot be provided efficiently by the private sector.

(i) To promote specifically the access of women and youth to land, credit, education and information.

4.3 Policy Instruments
By committing itself to market-based economy, Government choice of these instruments was limited and confined to framework of that policy. The appropriate instruments were the following:
(i) Agricultural research, extension and training.

(ii) Monitoring and evaluation of agricultural development and identification of new opportunities (products, technologies, markets, etc.) and promotion of new production processes.

(iii) Collection and dissemination of market information in order to integrate the domestic markets and make foreign markets accessible.

(iv) Facilitate the provision of good infrastructure especially transport and storage.

(v) Control of quality, hygienic and sanitary standards.

(vi) Control of vermin, epidemic pests and diseases.

(vii) Providing an adequate legal and regulatory framework.

(viii) Natural resources management.

(ix) Promotion of institutional structures in the agricultural sector.

(x) Taxes and subsidies.

4.4 Government Core Functions

In overseeing policy implementation the government confined itself to performing the core functions of public sector, essentially to support sector in promoting growth and commercialization in the agriculture sector. These functions were agriculture extension services, agricultural research, training, regulatory services and technical services.

The mission of the government is to formulate sound policies, provide informed regulatory and support services as well as technical backstopping to farmers and other relevant institutions in order to promote and sustain an enabling environment for growth in agricultural productivity and trade. Currently, there are many and clear agriculture sector policy objectives. Also, the government has come out with several policy statements or strategies that aim at achieving the stated objectives. There is no fundamental disagreement on these policy objectives between the government and donors. The government has now to formulate comprehensive and consistent set of implementation strategies, lines of actions and resource framework.

The ongoing restructuring of the central and local government has been in conformity with the ongoing macro policy reforms, which requires the government to leave commercial oriented activities and concentrate in providing basic support and economic infrastructure services. Considering the continuous problem of availability of resources at all (central, regional and district) levels, the ministry requires more government funding that will enable the government to create an enabling environment for the private sector to participate in agricultural production, processing and trade.
Since 1994 the government through the five-year Agricultural Sector Management Project (ASMP), started pursuing in-house institutional reforms. The overall objective of ASMP is to strengthen the government institutional capacity to formulate and implement government agricultural development policies, strategies and programs. Through ASMP, core functions of the Ministry have been redefined and the new the government organizational structure has been approved by the Government in January 1998 and implementation started.

5.0 PERFORMANCE OF THE AGRICULTURAL AND LIVESTOCK POLICY 1997

The intention of the Agricultural and Livestock Policy of 1997 is as good as summarized above, however the policy has failed to reach the intended goal due to lack of Comprehensive Strategic Action Plan for the implementation of this policy especially with priority areas of action, guidelines, resource allocation and identified actors for each action (PMO, Vol. III and PER 2000/2001), and these can be seen in the following areas:

* The withdraw of Government from non-core activities and subsidy has resulted in a reduction of public investment in the agricultural sector. Two factors have considerably constrained the sector's capacity for growth. Firstly, adequate funding of the core government functions relating to the creation of an enabling environment has not been realised. Secondly, and perhaps as a consequence, the anticipated private sector response has not emerged. The vacuum created as a result of Government confinement to core activities is also yet to be filled.

* Liberalisation of the seed industry in 1990 has left the Government out of seed production, distribution and marketing functions, which are now left entirely to the private sector. Core functions for the government with respect to the seed industry have been confined to research, quality control, certification, training and promotion. Production of improved seed appears to deteriorate, as private sector has continued to focus on high value, hybrid seeds of narrow range. The impact is farmers' lack of confidence in the new varieties they consider uneconomical. Production of foundation and certified seed is fundamental for productivity and ultimately for boosting output. This cannot be a non-core function for the Government, particularly since large-scale seed production is not yet an attractive commercial proposition.

* Land use planning is rarely undertaken and implemented at the village level, and land for agricultural use is never demarcated and set aside. The land policy requires land use planning to be undertaken in participatory manner, involving beneficiaries on the basis of determined existing land tenure, land use patterns and land capability. Such planning must save as a tool to guide extension package relating to agriculture, livestock, wildlife, forestry, fisheries and an environmental conservation. It is the basis for designating land for various uses, surveying tenurial consideration within village and elsewhere. Involvement of beneficiaries at the village level critical because it binds the members of a community to actions they themselves they have determined necessary. Once prepared, land use plans
then become binding upon all persons including those outside the village community.

- Liberalisation of trade is beneficial for agricultural growth, food supply, and price stability. However, internal marketing is hampered by poor infrastructure and market information, goods do not move timely from surplus to deficit districts. As improvement is pursued in this area, the farmer must be encouraged to produce for any market of his/her choice, and must not be denied opportunity of access to profitable exports markets and cross-boarder trade.

- Unpredictable weather conditions have adversely affected agricultural performance. Irrigation and water harvesting seem to hold the key in stabilizing agricultural and animal production.

- Yields are still extremely low in most cases. A renewed emphasis on use of improved agricultural technologies is required. Farming techniques can be improved by promoting rural financial services.

- The private sector involvement in agribusiness is still minimal. It needs to be encouraged to invest in agri-businesses and agricultural services so as to fill the gap in financing priority activities due to limited government resources.

- Post-harvest losses are still high (30%). There is need to design strategies that will gradually reduce wastage through improving post-harvest technology. Appropriate, low-cost technologies are most desirable. Farmers can produce large surpluses but have been hit several times in the last few years by the sudden imposition by regional authorities of arbitrary movement bans across neighbouring countries' borders.

- Regular shipments of food aid since 1994, though essential for addressing temporary shortages and hunger, have helped temper food prices that would otherwise possibly have risen in real terms. Food aid sends discouraging signal to farmers and traders. Food aid has, however, relieved the pressure on the government to deal with an agricultural problem in the food sector that is getting worse every year. Input use on food crops is not profitable in many situations and it has fallen substantially in food areas.

- Most cooperative unions lack own capital/credit facilities and are not credit worthy. Their poor economic base forces them to hire employees who are without the relevant skills or professional qualifications. Management of most cooperatives lacks vision and the institutions are mismanaged. Most members are uninformed about their responsibilities, obligations and rights. Thefts and frauds are rampant.
6.0 REVIEW OF AGRICULTURAL AND LIVESTOCK POLICY OF 1997

There were suggestions (PER 1999/2000 PMO, 1999, Mbilinyi M and Nyoni T, 2000) for the need to review Agricultural and Livestock Policy lies on the fact that as we enters the 21st Century Tanzania would like to have an agriculture sector that ensures food security and eradicates malnutrition, protects the environment, is remunerative and thus alleviate poverty, reduces wastage by improving the transportation, storage and processing of agricultural products, and one that stimulates and respond to demand. This is envisioned by the "Tanzanian National 2025 Vision on Food Agriculture and the Environment" which is in line with "IFPRI 2020 Initiative" on the same.

To realize this vision among other things the government needs to identify and fill the gaps left by the old policies by formulating a new policy that is definitive, realistic and practical in solving agricultural sector problems in Tanzania. There are three major reasons that compel to review Agricultural and Livestock policy, 1997.

(1) Lack of a Comprehensive Strategic Action Plan for Policy Implementation
The need to review the Agricultural and Livestock Policy is due to lack of comprehensive strategic action plans for policy implementation under this policy which is a critical constraints to agriculture sector development, and the fact that such a key policy in the country has been left for three years on paper, without a detailed plan of action so as to guide implementation and monitor progress (PMO, 1999, Mbilinyi M and Nyoni T, 2000).

(2) Poor Coordination of the Formulated Policies
The fact that the policy lack coordination with related policies on land, trade, transportation, cooperatives, environment and others has also made to review this policy. For example, when the policies in the Agricultural and Livestock Policy are encouraging surplus production for sale there are not supported with other policies dealing with neither transportation network that will lower costs and thus make locally produced crops and livestock products cheaper and more competitive than the corresponding imports nor improved processing and storage facilities to add value to the products and take advantage of food shortage for increased markets and prices (Mbilinyi M and Nyoni T, 2000).

(3) Inconsistency in this policy
The need also for the review of Agricultural and Livestock Policy, 1997 is due to policy inconsistency under this policy, and lack of market for most of the post harvest crops in border regions which have been left without proper storage and get destroyed as farmers are barred by government decree from exporting their surplus produce to neighbouring countries (Mbilinyi M and Nyoni T, 2000).
Instead of reviewing the ALP-1997, the Government of Tanzania, (GOT) in collaboration with development partners is busy preparing sector specific and broad-based national policies, implementing and strategic plans aiming at reducing poverty through improvement of the agriculture sector performance. These current policy initiatives include, Agriculture Sector Development Strategy, (ASDS), Rural Development Policy, (RDP), Rural Development Strategy, (RDS), Tanzania Assistance Strategy, (TAS), Poverty Reduction Strategy Paper, (PRSP), Medium Term Expenditure Framework, (MTEF) and Public Expenditure Reviews for the Agriculture Sector, (PER). Whereas ASDS, RDP and RDS are sector specific policy initiatives, the rest are broad-based policy implementation instruments or plans. TAS and PRSP are major policy coordinating policy instruments and MTEF and PER are strategic implantation, monitoring and evaluation policy tools. The following is a brief exposition of these current agriculture sector policy initiatives.

7.1 Agricultural Sector Development Strategy
The Government of Tanzania, (GOT) is currently preparing the Agricultural Sector Development Strategy (ASDS) document. The ASDS is a Comprehensive Strategic Action Plan for the implementation of the ALP-1997 policy especially with priority areas of action, guidelines, and resource allocation and identified actors for each action. The ASDS envisions a significantly developed agricultural sector by year 2025 whose forward and backward linkages will form the engine of growth of Tanzanian economy. It identifies five major obstacles, entailing problems that hinder the sector to achieve the vision 2025. Fifteen major causes of the obstacles have been identified. Corresponding solutions to the problems in form of activities are outlined. The strategy stipulates who is responsible for what activity, resources required and estimated budgetary components. Effective implementation of the strategy as a principle guide to the development of the sector is a key to success. In view of this, the strategy identifies monitoring indicators, sustainability conditions and anticipated risks. Overall the ASDS has a low risk rating; it takes into account environmental aspects, fits well within the considerations being made in the national development policies. The strategy has been designed to be the principal guide for the government to develop the agricultural sector.

7.2 Rural Development Policy
The government of Tanzania has prepared a draft Rural Development Policy that was out early this year (2001). The rationale behind the formulation of the rural development policy centered on five areas. The first central area was historical in nature and related to past polices and strategies. In the past, several government policies and strategies had failed to build up the necessary capacity that is capable of bringing about sustainable rural development. Under "Ujamaa" policies, attempts were made to focus on agriculture and people centered development. However, past policies and strategies lacked coherent sector and sub-sectoral targets, detailed sub-sectoral policies and institutional support necessary for effective implementation, monitoring and evaluating performance in rural development.
The implementation of various rural development strategies depended on the government. For the period 1961 to late 1970s the government was able to expand and strengthen basic social services such as health and education. Hence during that period Tanzania made rapid socio-economic development and the country registered high social development indicators in primary enrolments, literacy rates, health services, safe and clean water. However by mid 1980s the Government realized that these achievements could not be sustained, partly due to its heavy reliance on government budgetary resources, and partly due to external shocks and inability of government policies to cope with such shocks.

Secondly the formulation of rural development policy relates to the fundamental structural reforms that have taken place since 1986. The broad objective of these reforms was to ensure macroeconomic stability and improve market efficiency. In addition, the public sector has, by and large, been reformed. As a result of these reforms, Tanzania has progressed significantly in re-establishing macro-economic stability. However these macro economic achievements have not benefited the majority of Tanzanians, particularly those in the rural areas. For macro-economic achievements to have significant impact on rural development there is need to have fundamental policy changes in the rural sector. Only when rural development policy and strategies are brought in line with the macroeconomic reforms will there be any impact on rural development.

Thirdly the formulation of the rural development policy results from the unsatisfactory performance of the agricultural sector, the main sector in rural areas. A wide range of policies and institutional reforms at the macro and sectoral level since the 1980s have contributed to an increase in the growth rate of agricultural production; from 2.1 percent in early 1980s to about 4 percent by the end of 1990s. However, this level of growth is still too low to have any significant impact on poverty reduction. The minimum growth rate required to reduce poverty is 6 percent. In addition, the performance of most food crops has remained poor mainly due to extreme rainfall patterns and low technology used. As a result the food security situation has remained one of the major problems in the rural areas.

The RDP envisage the need to increase agricultural productivity and growth through appropriate technology. Among other things, there have been various efforts that were undertaken to promote appropriate technology. However, use of science and technology is still limited. Even in cases where some progress was made in the use of appropriate technology (such as the use of fertilizer) such progress is declining rapidly, meaning that the rural society has failed to sustain progress attained previously. Among the contributing factors to this include over-dependence on government and donors; neglect to include perceptions of the rural people on their own development, and failure to address the dependency on weather. A rural development policy was needed in this regard.

The absence of a comprehensive rural development policy was the fourth rationale for the formulation of the policy. There were separate sectoral policies that address rural development issues. There were close interrelationships among the various rural actors, which needed to be linked in a coordinated manner so as to enable the government to implement rural development policy that encompasses well-linked sectoral policies.
Lastly, Tanzania has proclaimed her long-term development perspective known as "The Tanzania Development Vision 2025". The main objective of the vision is to sustain human development through attuning the society with development qualities envisaged to prevail in the world of the 21st Century. Accordingly advanced technological capacity, high productivity, modern and efficient social and economic infrastructure and, above all, a highly skilled manpower with initiatives and creativity will be the focus in this century. The overall rural development policy objectives as far as the agricultural sector is concerned are:

- Developing a coherent institutional framework for supporting the transformation of agriculture.
- Improving overall agricultural incentive framework.
- Promoting improved farming technologies, new high value agricultural products and marketing systems in order to improve productivity.

7.3 Rural Development Strategy
The Government of Tanzania decided to take purposive actions to address issues, which are currently constraining rural development with the aim of transforming the rural economy to generate sustainable growth and eradicate poverty taking into account the challenges of globalization, liberalization and decentralization. In order to achieve this goal the Government is currently in the process of preparing a comprehensive Rural Development Strategy (RDS), which will provide guidance and identify priority areas for interventions to stimulate rural development.

The overall objective is to develop a feasible holistic development approach that will stimulate sustainable rural economic growth and enable wider sharing of growth benefits to enhance the welfare and well being of the rural communities. This broader objective is in line with the National Development Vision 2025 which has its long-term specific goal of maintaining an overall growth rate of 7% with agriculture growing at about 5% and halve the proportion of Tanzanians living under abject poverty by year 2010. In the medium term, the Poverty Reduction Strategy Paper (PRSP) is targeting an overall growth rate of 5% - 6%, reducing the proportion of the poor by 7.5% and food poor by 3.5% in the next three years.

The need for a Rural Development Strategy arises from the fact that effective eradication of poverty in rural areas ought to be approached in an integrated and holistic manner. Harmonization and integration of sector policies into strategies for rural development is vital to fight poverty, ignorance and diseases, including HIV/AIDS, threats of globalization, unemployment, rural-urban migration, environmental degradation and food insecurity in a cohesive approach. The key among sector policies with significant impact on Rural Development includes agriculture, roads, water, education, health and local government reforms.

The Rural Development Strategy will help to co-ordinate the Operationalization of the Rural Development Policy and enhance the realization of the Poverty Reduction Strategy. It is envisaged to stimulate socio-economic growth of the rural economy by taking advantage of the gains
achieved at macro level and thus strengthening the links between micro level and macro level policies and reforms, the local Government reforms which transfer planning and implementation powers to the local authorities are the key instruments for the implementation the Rural Development Strategy.

Since Tanzania aspires to become a middle income earning country by the year 2025, it is imperative that radical steps are taken to transform the economy and improve the welfare and well being of the rural population. Therefore, the Government has decided to take concerted efforts towards transformation and modernization of the rural communities.

As far as the agricultural sector is concerned, the Rural Development Strategy while taking direction from the Rural Development Policy, will provide guidance and framework for co-ordinating the preparation and implementation of action programmes in order:

- To improve and sustain food security by enhancing the availability of and accessibility to improved appropriate technologies, such as irrigation, disease and pest management, mechanisation, storage and distribution systems;
- To increase the availability of and accessibility to rural financial services;
- To develop and strengthen existing input/output markets and ensure access to these through improved rural transportation;
- To promote and strengthen community-based associations and voluntary cooperatives for both farm and non-farm activities;
- To improve the output and the quality of agricultural raw materials for processing industries;
- To facilitate and promote competitive domestic, regional and international agricultural trade through removing barriers to trade and reigning monopolies in marketing, improved access to market information and better communication services.

7.4 Tanzania Assistance Strategy

The Tanzania Assistance Strategy, (TAS), is a Government initiative aimed at restoring local ownership, as well as promoting partnership in designing and executing development programmes. It is also about good governance, transparency, accountability and capacity building and effectiveness of aid. TAS is not a program or a project; it is about a process for change. The TAS initiatives dates back to the mid 1990’s when Tanzania/donor relations were stained mainly due to serious slippage in revenue collection and rising corruption. The formulation of TAS took cognizance of appropriate ongoing and pipeline initiatives.

Specifically they include:

- Vision 2025 (1998)
- National Poverty Eradication Strategy (1997)
- Sector Wide Approach (ongoing)
- Public Expenditure Review (ongoing)
● Poverty Reduction Strategy Paper (ongoing)
● Tokyo International Conference on Africa Development (TICAD II), Agenda for Action (1998)
● Stockholm workshop on Marketing Partnerships Work on the Ground (1999)

TAS provides a five-year strategic national framework articulating: Policy Framework; National Development Agenda; Priority Actions; Basic elements for promoting local ownership and leadership; and building partnership. The framework will be reviewed every five years. The preparation of TAS took place with that of PRSP thereby sharing a number of common themes. However, whereas the TAS provides a broad strategic national framework within which PRSP operates, the PRSP details out the characteristics of poverty and monitorable benchmarks and actions for poverty reduction in the medium and long term.

Other priority areas in TAS include Infrastructure - Roads; Education; Health; Rural Water Supply; Environmental and Natural Resource Management; and Employment and Cross-Cutting issues Land; HIV/AIDS; Human and Institutional Capacity; Gender equity and Community Development; Disaster and Relief Management; and Data, Information and Communication. The Government also recognizes the pivotal role of the agriculture sector both in terms of economic growth and poverty reduction.

7.5 Poverty Reduction Strategy Paper
The Poverty Reduction Strategy Paper, (PRSP), is a medium-term strategy of poverty reduction, developed through broad consultation with national and international stakeholders, in the context of the enhanced Highly Indebted Poor Countries (HIPC) Initiative. The focus is mainly on poverty reduction, subject to a relatively hard (central Government) budget constraint, starting in FY 2000/2001. Nevertheless, the PRSP encompasses poverty-oriented extra-budgetary activities, and various non-financial considerations that have an important bearing on poverty reduction.

The Government in PRSP recognizes the problems in agriculture, in response to the concerns, the Government will endeavor to ensure that the poor and the private sector in general, take the lead in developing durable mechanisms and schemes that are effective and, as far as possible, market-oriented. In particular it is expected that:

● Credit will be provided by crop buyers, banks, and cooperatives rather than the Government;
● Farmers will be encouraged to organize themselves in groups or cooperatives, with a view to improving their prospects for obtaining credit from financial institutions, as well as carrying out crop-specific research and other initiatives, to bolster output and raise the quality of their products;
● Private crop buyers or traders will be encouraged to continue to experiment with voucher schemes and other mechanisms to facilitate the purchase of fertilizers and insecticides;
● Local communities will play a more active role in rehabilitating and maintaining rural roads;
● Communities will also be encouraged (as far as possible with the support of the Government) to develop irrigated farming.
For its part, the Government will confine its own interventions mainly to the elaboration of sound policies, and also support the rural sector through:

- Training primary societies or cooperatives on organizational and financial management aspects;
- Providing demand-driven research, and crop extension services;

- Working with international partners in providing training and other forms of support to local communities in the repair and maintenance of rural roads;
- Supporting labour-intensive, agro-processing (notably of cashew nuts, cotton, coffee and other crops);
- Putting into effect the new Land Act and ensuring that related regulations facilitate the use of land as collateral for purposes of commercial transactions;
- Rationalizing physical controls that constrain crop movements within the country and across international borders;
- Particular attention to the most deprived regions, including through priority allocation of budgetary resources; and
- Encouraging the on-going efforts by NGOs and local banks to provide credit, training, and other forms of support to the informal sector, as well as small-and medium-scale enterprises.

A forward-looking dimension of the poverty reduction strategy will include concerted efforts to increase traditional and new export products and, to the extent possible, non-agricultural products of small- and medium-scale enterprise. The above-noted efforts to raise the quantity and quality of marketed agricultural products will be key. Additionally, the Government will, where appropriate, provide extension, training, "best practices" workshops, and other forms of support to entrepreneurs seeking to produce or export new products. Most of the above-listed interventions are already in the process of implementation. The Government will continue to review their effectiveness, and examine other ways of strengthening its intervention in support of the development of the rural sector. The outcome of these efforts will be incorporated in an agriculture sector strategy that is under preparation, as well as in a broadened strategy for the development of the rural sector.

7.6 Medium Term Expenditure Framework

The Medium Term Expenditure Framework (MTEF) in Tanzania is the result of June 1998 PER consultative meetings, which emphasized the need of linking policy, planning and budgeting in a medium term framework so as to improve budgeting outcomes at the macro, strategic and operational levels and do away with short term planning for annual budgets which frequently have led to accumulated over-commitments and inefficiencies at operational level. This is an instrument that can help create enough certainty so that line ministries and agencies like the agriculture sector can plan ahead, have the incentives to do so and have better information on which to base strategic and operational decisions. In essence therefore, a medium term framework indicates the main spending programs and how the overall budget will be financed. It also includes alternative future scenarios and takes account of debt servicing and the possible impact of rescheduling and debt reduction.
The agriculture sector MTEF aims at fulfilling these, and like other recent initiatives in the agriculture sector, intends at improving the performance of the sector by ensuring sustainability by providing the linking framework and facilitates the management of the tension between policy and budget realities to reduce pressure throughout the whole budget cycle.

MTEF process involve preparing estimates of the overall resource availability, reviewing financing mechanisms and preparing prioritized sector's spending plans in a process that is iterative in nature and that takes into account changes in the sectoral needs and priorities and changes in the overall resource envelope on a continuous, period basis. Developing MTEF thus involves five important issues. Like the sector PER exercise, this year agriculture sector MTEF is the third one base on the same objective as pointed above. PER therefore provides input in formulating MTEF.

7.7 The Agricultural Sector PER Exercise

The Agricultural Sector PER exercise is an exercise which has been carried out under the collaborative initiative of the Ministry of Finance, the World Bank, and The Ministry of Agriculture together with a Consultant through the assistance of the Royal Government of Denmark for the three years consequentially, beginning 1998/1999 FY. The overall objective of agriculture sector PER for the last five years have remained nearly the same but with a slight difference in-term of the focus in each year. The overall objective has been to provide inputs into the preparation of the budget guidelines, respective year budget and sector Medium Term Expenditure Framework for two years ahead.

The previous Financial Year’s focus, 2000/2001 was in the relation between budget allocations to the sector to poverty alleviation and food security (as outlined in the TAS), however, the major thrust of this year, 2001/2002 PER is on Poverty Reduction, focusing on the sectoral issues raised in the Poverty Reduction Strategy Paper (PRSP). It is thus aiming at providing the basis for formulating, planning and analyzing agricultural expenditure framework for utilizing meager resources to achieve specific targets as outlined in the PRSP, the draft Agricultural Sector Development Strategy (ASDS) and the ministry's Medium Term Strategic Plan (2000-2005). The specific objective have been to review and update the previous PER of the respective past year basing on both the current and future plans and strategies. Notwithstanding this, these objectives fit and feed in the National PER objective of strengthening budget management in Tanzania and thus macroeconomic stability and economic growth.
SELECTED REFERENCES


AGRICULTURAL POLICY ANALYSIS PROCESS IN SOUTH AFRICA

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INTRODUCTION

There is no single definition of policy which is accepted by all economists. However, economists seem to agree that policy entails action or decision by government to achieve a particular goal(s). Singh (1999) defines policy as "a course of action or intended course of action conceived of as deliberately adopted after a review of possible alternatives and pursued, or oriented to be pursued."

Ellis (1992) describes policy as "the course of action chosen by government towards an aspect of the economy, including the goals the government seeks to achieve, and the choice of methods to pursue those goals."

A distinction is usually made between sectoral and macroeconomic policies. Sectoral policies refer to those policies that are aimed at affecting a particular sector of the economy such as agriculture although their effect may be felt beyond agriculture. Macroeconomic policies affect the entire economy of a country and these include exchange rate, monetary and fiscal policies.

While economists agree that agricultural policy is a sectoral policy, there is no common definition of agricultural policy. Bates (1998) defines agricultural policy as "the set of decisions taken by governments that influence the prices farmers confront in the markets which determine their incomes." This is a narrow definition of agricultural policy as it focuses on only one aspect of policy, namely, price policy. Agricultural policy may be described as the actions taken by the government on agricultural matters in pursuit of certain objectives (e.g. agricultural development objectives). Ellis (1992) subdivides agricultural policy into price, marketing, input, credit, mechanisation, land reform, research and irrigation policies. Agricultural policy may also be subdivided into price policy (policies affecting price levels and trends for farm outputs and inputs), institutional policy (policies affecting the marketing of products or delivery of inputs or technology) and technology policy (policies affecting the creation and transmission of technology).

The agricultural policy process entails the formulation, promulgation and application of the courses of action by government aimed at the agricultural sector. Thus, the process involves the design and implementation of agricultural policies. Traditionally, the study of the process of policy formulation and implementation has been neglected by economists as they considered this to fall outside their field (Kitromilides, 1985). Thus, economists have approached policy questions within the framework of a given agricultural policy process. To recommend policies that are intended to enable society to achieve its goals, economists have assumed that they only needed to understand how the economic system operates but not the process leading to the establishment of the goals, design and implementation of policies. Some economists now appreciate the need to comprehend the agricultural policy process in order to do a proper policy analysis and make useful policy recommendations. The purpose of this paper is to describe and analyse the agricultural policy process in South Africa. The first part of the paper reviews literature on policy and the agricultural policy process. The remainder of the paper is the actual description and analysis of the agricultural policy process in South Africa.
WHY (AGRICULTURAL) POLICY?

The existence of agricultural policies (government intervention) is justified mainly in terms of market failure. Markets are known to function poorly to meet societal needs in situations where social costs (benefits) differ from private costs (benefits). Government intervention, it is often argued, is necessary to maximise social welfare. However, economists have pointed out that “public intervention is frequently a bigger failure than the market failure it was designed to correct” (Tweeten, 1989). Although governments develop agricultural policies supposedly to help farmers, Bates (1999) notes that research throughout the developing world suggests that these policies tend to be antithetical to interests of most farmers. Government policies tend to weaken production incentives for farmers.

Policies are sometimes regarded as the outcome of political competition among organised groups. The need to retain political powers is another reason often given for the existence of agricultural policies. Scrimgeour and Pasour (1996) observe that “the demand for legislation arises as interest groups attempt to obtain benefits for their members, while the supply of legislation results from legislators and bureaucrats attempting to maximize their chances of re-election and promotion. In equilibrium, there is no incentive to change the mix of policies or to lobby for further changes in these policies.”

The following are usually presented as reasons for the existence of agricultural policy in developing countries:

- Fluctuations in agricultural production, prices and incomes
  Fluctuations in agricultural production and product prices leading to fluctuations in income are common in agriculture. These fluctuations may have severe consequences for farmers and, therefore, it is argued that they need protection from government in the form of price support, credit policies and insurance.

- Rural poverty and income inequality
  Income is not only uneven between rural areas and urban areas but also between smallholder farmers and large-scale commercial farmers. Hence, the need for the government to intervene through anti-poverty programmes and land redistribution.

- Small, scattered and unorganised farmers/farms
  Smallholder farmers are often scattered and unorganised resulting in limited or no bargaining power when it comes to buying inputs or selling their products. Thus, smallholder farmers are sometimes exploited on both fronts and, therefore, policies aimed at strengthening their bargaining power and restraining the powerful from exploiting the weak become necessary.

- Poor access to agri-support services
  Most smallholder farmers have poor access to agri-support services such as extension services, credit and research. Improving access to these services is crucial for the development of smallholder agriculture. Access to these services will remain poor unless the government adopts and implements appropriate policies, particularly in the early stages of development.
3. LINKING AGRICULTURAL AND MACROECONOMIC POLICIES

Agricultural policy today is carried out in a completely different environment to that which prevailed some decades ago. While sectoral approaches were appropriate in the past, the agricultural sector today can be understood only in the context of national and international economies.

The link between macroeconomic and agricultural developments has long been recognised by economists. Schultz (1945) was one of the first economists to analyse the relationship between agriculture and the business cycle and postulated that an unstable nonagricultural sector giving rise to business cycles translated these problems to agriculture. Agriculture's performance is influenced by macroeconomic policies. In particular, trade-related macroeconomic policies have a significant bearing on agriculture's performance. Macroeconomic policy interacts with agriculture largely through its effects on inflation, the real exchange rate, and incentives to export and import (Thomas, 1985). In turn, macroeconomic developments are influenced by developments in the agricultural sector, particularly the latter's external performance. However, Tweeten (1989) notes that the agricultural economy increasingly is exogenous in that it is influenced by the national economy while not influencing it.

Timmer (1998) argues that the agricultural sector cannot grow rapidly and efficiently unless a set of macroeconomic policies is in place to stimulate rapid and efficient growth in the rest of the economy. On the other hand, a growing agricultural sector can contribute significantly to the speed and equity with which the nonagricultural sector grows.

Due to globalisation, a country's macroeconomic policies are no longer insulated but are affected by changes on the international front. Thus, the agricultural policy process is influenced not only by what is happening within the agricultural sector but also by developments in the national and international arena. Macroeconomic linkages are considered to be a primary source of increasing difficulty in agricultural policy management (Andrews and Rausser, 1986). Greater openness and integration of world financial capital and trade markets makes a country's economy and its agricultural sector more sensitive to economic developments internationally. Schuh (1991) makes two observations about economies as they become more open. First, some part of economic policy-making moves upward to the international level. Second, another part of economic policy-making moves downward to the state and local levels. The downward shift can make policy become more efficient in attaining its goals as it will be more closely adapted to local conditions. However, this can also lead to serious equity problems as more well-endowed regions can do more for their citizens than the less-endowed.

4. EVOLUTION OF AGRICULTURAL POLICY IN SOUTH AFRICA

Until the early 1980s, the agricultural sector in South Africa was characterised by strong government intervention (support) which entailed inter alia government subsidies, grants and other aid for fencing, dams, houses, veterinary and horticultural advice, subsidised rail rates, special credit facilities and tax relief (Ministry for Agriculture and Land Affairs, 1998). The main aim of agricultural policy was to achieve self-sufficiency in the supply of food, fibre and beverages...
and to supply raw materials to local industries at reasonable prices (RSA, 1984; Land and Agricultural Policy Centre, 1993; National Department of Agriculture, 1996). Agricultural policy was geared towards addressing the needs of white commercial farmers and little attention was given to meeting the needs of smallholder farmers.

The agricultural policy process was top-down and driven by bureaucrats without the participation of civil society other than white commercial farmers. Thus, smallholder farmers did not participate in the agricultural policy process even though they were important stakeholders. Policy design and implementation are often ineffective when the top-down approach is adopted (FAO in Sithole, 1996).

During the mid-1980s, the agricultural sector experienced increasing deregulation and market liberalisation (Vink et al., 1998). Some of the shifts in agricultural policy included (a) reduction in budgetary allocations for white farmers; (b) change in the tax treatment of agriculture; (c) removal of quantitative protection and the introduction of tariffs for farm commodities; (d) decline in the real producer prices of commodities marketed through fixed price schemes; (e) application of certain labour legislation to the agricultural sector; and (f) scrapping of the Land Act and discriminatory legislation that denied access to land for blacks.

In 1996, a new Marketing Act (Marketing of Agricultural Products Act (Act No. 47 of 1996)) which provided for certain limited interventions in the marketing of agricultural products was passed. The Act also made provision for the government to perform the roles of providing market information, fostering competition, collecting levies in exceptional cases, managing the import tariff regime and enhancing the viability of the agricultural sector (Ministry of Agriculture and Land Affairs, 1998; Bayley, 2000). Kirsten and Vink (1999) conclude that deregulation has resulted in a net welfare gain to the commercial agricultural sector and to the South African economy as a whole.

5. THE (AGRICULTURAL) POLICY PROCESS

5.1 Alternative Explanations of the Policy Process

As explained above, economists have neglected the study of the agricultural policy process. However, there has been an attempt in the early 1970s to use economic theory to explain the policy process (Kitromilides, 1985). Breton (in Kitromilides, 1985) uses the 'economic theory of democracy' and the 'economic theory of bureaucracy' to provide a positive explanation of the behaviour of the state in the policy process. According to this explanation, the various agents in the policy process are assumed to be engaged in optimising or maximising behaviour. That is, politicians aim to maximise their probability of re-election while bureaucrats want to maximise the size of their bureaucracy. One of the criticisms of this approach is that it is unrealistic to expect the various agents to engage in optimising behavior. Rather, agents in the policy process seek to reach a 'satisfactory' or 'acceptable' outcome. This is the notion of 'satisficing' introduced by Simon (1976) in his work on organisational behaviour. That is, decision-makers in the policy process consider a number of alternatives until a satisfactory or adequate one is found and the search ends there, even though a superior alternative may exist.
Political scientists view the policy process as democratic and pluralist (Kitromilides, 1985). The policy process is democratic in that political power is widely dispersed (i.e. any person with a vote can participate in the policy process by exercising his/her vote) and it is pluralist in the sense that a variety of competing interests have access to and influence on policy. Thus, policies result from and reflect the compromise and bargaining necessary to resolve conflicting interests. The pluralist nature of the policy process makes it possible for individuals and institutions to influence policy even though the formal authority to make policy is vested in a small group of politicians and administrators. Some organisations spend considerable amounts of money to influence the policy process. This is called rent-seeking and refers to the costs in time and money expended to increase wealth through the use of state power (Scimgeour and Pasour, 1996). These costs are considered to be wasteful because valuable resources are diverted from the production and marketing of goods and services to lobbying, etc.

5.2 The Agricultural Policy Process in South Africa

In order to describe the agricultural policy process in South Africa, it is necessary to identify the role players and their roles in the process. This requires that we identify those involved in all the steps in the agricultural policy process starting from the formulation of the policies up to their implementation. These role players include those that have formal authority to make policies and those that have influence on the policy process but do not have formal authority.

The agricultural policy process in South Africa occurs at both provincial and national levels. Bayley (2000) notes that there was decentralisation of responsibilities from the National Department of Agriculture to the provincial departments of agriculture during the period following the 1994 general elections. Therefore, it is necessary to identify the role players and their roles at both provincial and national levels.

At the national level, the ‘formal’ role players are the National Assembly (Parliament), National Council of Provinces, and the executive arm of government (including the National Department of Agriculture). The ‘formal’ role players at the provincial level are the Provincial Legislature and the Provincial Executives (including provincial departments of Agriculture). At both levels there are ‘informal’ role players such as farmer organisations, universities, policy centres, etc.

5.2. National Assembly

In terms of the Constitution of the Republic of South Africa (1996), the National Assembly may "consider, pass, amend or reject any legislation ... and initiate or prepare legislation..." The National Assembly makes laws that establish national policies including agricultural policies. The National Assembly is the supreme policy-making institution in the country and consists of a maximum of 400 members. In performing its functions, the National Assembly constitutes portfolio committees one of which is the Portfolio Committee on Agriculture. Draft legislation on agriculture matters will normally be considered by the Portfolio Committee on Agriculture before finalisation by the National Assembly.
5.2.2 National Council of Provinces
The National Council of Provinces may "consider, pass, amend, propose amendments to or reject any legislation before the Council... and initiate or prepare legislation within a functional area listed in schedule 4 or other legislation referred to in section 76(3)...." (The Constitution of the Republic of South Africa, 1996). Bills affecting provinces must be referred to the National Council of Provinces after being passed by the National Assembly. If the Bill is passed by the National Council of Provinces without amendments, it is submitted to the President for assent. Otherwise, it must be referred back to the National Assembly. The National Council of Provinces is comprised of one delegation of ten persons from each province (i.e. a total membership of 90).

5.2.3 The National Executive
The National Executive is headed by the President in whom the executive authority of the country is vested. The President together with members of the cabinet constitute the National Executive. The National Executive is responsible for (a) developing and implementing national policy; (b) preparing and initiating legislation; and (c) co-ordinating the functions of state departments and administrations. In the case of national agricultural policy, the member of cabinet responsible for agriculture (i.e. the Minister of Agriculture) is responsible for developing and implementing agricultural policy. This is done through the National Department of Agriculture.

5.2.4 Provincial Legislature
South Africa is comprised of nine provinces with each province having its own legislature. A provincial legislature consists of a maximum of 80 members and has the power to pass legislation for its province. In terms of the Constitution of the Republic of South Africa (1996), a provincial legislature may "consider, pass, amend or reject any Bill ... and initiate or prepare legislation, except money Bills." A provincial legislature passes laws that establish provincial policies. Like the National Assembly, a provincial legislature constitutes portfolio committees to deal with specific matters such as agriculture.

5.2.5 The Provincial Executive
The Provincial Executive is headed by a Premier who exercises the executive authority together with the other members of the Executive Council (provincial cabinet). The Provincial Executive is responsible for inter alia (a) implementing provincial legislation in a province; (b) developing and implementing provincial policy; and (b) co-ordinating the functions of provincial administration and its departments. The Provincial Executive may also implement national legislation as required by the constitution. The member of the Provincial Executive responsible for agriculture is responsible for developing and implementing provincial agricultural policies and this is done through the Provincial Department of Agriculture.

5.2.6 'Informal' Participants in the Policy Process
The agricultural policy process is influenced by individuals and organisations without formal authority in policy-making. Some of the organisations that influence the agricultural policy process in South Africa include farmers' unions such as the National African Farmers' Union and the South African Agricultural Union. The South African Agricultural Union which represents white
commercial farmers has been successful in influencing policy-making especially in the apartheid era. This was possible because the organisation was well resourced, professional and had affiliates throughout the country. In contrast, the National African Farmers Union, a black farmers’ organisation, is thinly resourced and has affiliates in only a few of the provinces (Carney and van Rooyen, 1998). These problems limit the capacity of the National African Farmers’ Union to effectively utilise its collective action to influence policy and derive benefits for its members.

5.2.7 Examples Illustrating the Agricultural Policy Process

To illustrate the agricultural policy process in South Africa, two examples will be used. These are the processes which led to (1) the passing of the Marketing of Agricultural Products Act of 1996; and (2) the development of the food security policy. These two examples illustrate the agricultural policy process at the national level. The description of the processes leading to the development of the Marketing of Agricultural Products Act of 1996 and food security policy is based on the work of Bayley (2000) and Makhura (1998), respectively.

**The Marketing of Agricultural Products Act**

The process which led to the passing of the Marketing of Agricultural Products Act of 1996 was triggered by the investigation into the food chain by the Board on Tariffs and Trade in 1992. The investigation arose from the concern that food prices were increasing at a faster rate than inflation. The Board on Tariffs and Trade noted that there was concentration in the food chain which was associated with the existence of statutory controls. Consequently, the board recommended that deregulation should occur and that the statutory powers of control boards be terminated.

The Minister of Agriculture responded by appointing a Committee of Inquiry into the Marketing Act (Kassier Committee) in 1992. The Kassier Committee was dominated by academics who were known for their strong criticisms of statutory controls in the marketing of agricultural products. The South African Agricultural Union became concerned about the likely outcome of the investigation. To address the concern, the Minister of Agriculture appointed another committee (Agricultural Marketing Policy Evaluation Committee (AMPEC)) whose main task was to evaluate the practical application of the recommendations of the Kassier Committee. The appointment of AMPEC occurred even before the Kassier Committee could present its report.

The Kassier Committee made far reaching recommendations to deregulate the marketing of agricultural products. The Land and Agricultural Policy Centre (LAPC) published a report which was supportive of the recommendations of the Kassier Committee. This happened while AMPEC was preparing its two reports published in January and April of 1994. Basically, AMPEC accepted that reform had to take place but wanted statutory involvement in the marketing of certain products to continue. The Kassier Committee and the LAPC reports were used by the African National Congress in drawing up its Agricultural Policy document.

The Minister of Agriculture decided that a Bill would be prepared based on the AMPEC report and he appointed a technical working group to revise the Marketing Act of 1968. A draft Bill was eventually published in the Government Gazette for comment and tabled in Parliament despite
opposition from the ANC. The ANC prepared a 'guidelines document' as a response to the Minister's draft Bill and it was tabled in the Senate's Standing Committee. Because of the differences between the ANC's 'guidelines document' and the draft Bill, the Senate's Standing Committee decided that the differences should be resolved before the Bill is finalised. The differences were essentially between the African National Congress and the National Party. Subsequently, the National Party withdrew from the government and a new ANC Minister of Agriculture was appointed. Discussions were held with the South African Agricultural Union and the National African Farmers Union to break the impasse at the Senate Standing Committee. The Bill finally progressed through the Parliamentary process and came into effect on 5 January 1997.

**Food Security Policy**

The process of developing a food security policy in South Africa started with the preparation of a country position paper for the World Food Summit in Rome held in 1996. The National Department of Agriculture invited a small group of experts to make an input into the paper. The discussion on food security policy continued after the country position paper was presented in Rome with the support of the Ministry of Agriculture. The outcome of this exercise was intended to form part of the agricultural policy review process which was underway.

The process of developing a food security policy was to be implemented in two phases. The first phase would entail bringing together experts from different fields and sectors who would generate technical information to prepare a discussion document. Phase two would entail developing a Green Paper which would be circulated for comment. This would culminate in a White Paper to be presented to Parliament. There was an understanding right from the beginning that the entire process would (a) involve local people; and (b) be consultative by involving all stakeholders.

The Minister constituted a Food Security Working Group whose mandate was to manage and coordinate the process leading to the development of a Discussion Document on Food Security. The group was chaired by an official from the National Department of Health but dominated by members of the National Department of Agriculture. Other members of the group came from the Gauteng Department of Agriculture, National Department of Trade and Industry, Northern Province Department of Agriculture, two universities in Gauteng Province, private consultant, Development Bank of Southern Africa and the Council for Scientific and Industrial Research. The Discussion Document on Food Security would serve as an input into the development of the Green Paper on Food Security which would be a section of the Green Paper on Agriculture.

An important task of the Food Security Working Group was to commission studies on various topics and organise workshops. The group organised two workshops. The first workshop's focus was on developing a common understanding of the operational food security concept after which technical papers were commissioned. The technical papers were used to prepare a draft Discussion Document of Food Security. The draft was discussed at the second workshop held in October 1997. Other agricultural policy working groups also made their presentations at the workshop. A Discussion Document on Food Security was produced after the workshop and this became a section of the Discussion Document on Agricultural Policy which was published in 1998.
6. AN ANALYSIS OF THE AGRICULTURAL POLICY PROCESS IN SOUTH AFRICA

In analysing the agricultural policy process, the following questions are relevant:

- Does the policy process include all the relevant stakeholders?
- Do the stakeholders make a real impact on the policy process?
- Are the interests of farmers, especially smallholder farmers, taken into consideration?
- Are the steps followed in the policy process likely to produce rational policies?
- Does the policy process take advantage of the available information and expertise in the country?

As indicated earlier, prior to 1994 the agricultural policy process was top-down in nature. Important stakeholders such as smallholder farmers did not participate in the process which resulted in policies that affected them. The current approach is to involve all relevant stakeholders in the agricultural policy process. This is in terms of the Constitution of the country which requires public involvement and transparency in the policy process. Ensuring participation of relevant stakeholders in the policy process is one of the strengths of the agricultural policy process in South Africa. However, there appears to be a tendency to draw inputs mainly from one particular province, namely Gauteng, and institutions located in the province. This is particularly true in the initial stages of policy development.

Participation of stakeholders in the policy process is meaningful if it influences the outcome of the process. The dualistic nature of 'organised agriculture' in South Africa means that white commercial farmers and black smallholder farmers are not united. This division has probably limited the impact of farmers on the agricultural policy process. Furthermore, the weak collective action within the National African Farmers' Union resulting from limited resources and representation of smallholder farmers limits the effectiveness of smallholder farmers on the agricultural policy process.

There is no doubt that the current government is committed to the development of smallholder agriculture. However, for smallholder agriculture to develop, it is important for the interests of smallholder farmers to be taken into consideration in the policy process. Smallholder farmers themselves need to articulate their interests and ensure that their needs are addressed. The weak collective action among smallholder farmers has probably affected their effectiveness in articulating their interests in the policy process. Therefore, there is no basis to conclude that smallholder farmers' interests have been properly considered in the policy process.

A rational policy follows five basic steps suggested by Carley (in Kitromilides, 1985). Any policy can then be judged according to the extent to which it approximates this ideal. The steps are:

a) identification of a problem requiring action and classification and organisation of related goals, values and objectives;

b) important possible ways of solving the problem of achieving goals and objectives are listed -- these are alternative strategies or policies;
c) key consequences of each strategy are predicted and the probability of their occurrence is estimated;
d) consequences are compared to the goals and objectives; and
e) a policy or strategy is selected in which consequences most closely match goals and objectives.

In the two examples used above to illustrate the agricultural policy process, there is no evidence that the development of agricultural policy in South Africa followed the steps above. In particular, there is no indication that alternative policies are considered and their key consequences predicted in order to choose the one that closely matches the goals and objectives. Therefore, the selected policies may not be rational in the sense that they do not approximate the ideal above.

Universities and other institutions can play a significant role in analysing the probable consequences of policy alternatives and providing useful information for policy-making. Indications are that the existing expertise and information in these institutions are underutilised. There has been a tendency to rely on experts from developed countries for advice on policy.

7. KEY POLICY ISSUES FACING THE COUNTRY

Some of the key policy issues facing South Africa are as follows:

7.1 Marketing, Price and Trade Policy Issues
Although the majority of smallholder farmers do not produce surpluses for the market, there is a small number of these farmers who have either emerged from subsistence production or are about to do so in the near future. These farmers are finding it difficult to sell their products or sell them at good prices. Difficulties are also encountered in obtaining inputs at reasonable prices. Smallholder farmers are also finding it difficult to gain access to the international market as white commercial farmers continue to dominate this market. However, it should be noted that white commercial farmers also find it difficult to compete with farmers from developed countries due to subsidies the latter receive from their governments. The subsidies enable the farmers to sell their products in South Africa at lower prices. To facilitate the emergence of more smallholder farmers and to assist those who have already emerged to become more successful, appropriate marketing and price policies are needed. Appropriate trade policy measures need to be taken to ensure that local farmers are not at a disadvantage when it comes to competing with farmers from developed countries.

7.2 Credit Policy Issues
As indicated in previous sections, white commercial farmers have received government support in the form of grants and subsidies in the past. These grants which made it possible for farmers to obtain cheap credit have been withdrawn. The question smallholder farmers are asking is "If white commercial farmers were assisted by the government in the past to obtain cheap credit and their success was partly attributable to this assistance, why should smallholder farmers not be assisted in a similar manner so that they too can become successful commercial farmers?"
Access to credit for smallholder farmers is poor and policy measures are needed to ensure that farming activities are not constrained by lack of access to credit.
7.3 Mechanisation Policy Issues
Previous policies have encouraged farmers to mechanise their farming activities at the expense of employing labour. These policies were inappropriate for a developing country such as South Africa with an abundance of labour. As more smallholder farmers emerge from subsistence to produce for the market, they may want to imitate white commercial farmers and engage in capital-intensive farming which exacerbates the problem of unemployment. This is likely to occur because some smallholder farmers believe that mechanisation and success in farming are inseparable. Appropriate policies are needed to ensure that the increase in the number of smallholder farmers entering the market is accompanied by an increase in the number of people employed. This is necessary to reduce the high rate of employment particularly in the rural areas.

7.4 Land Reform Policy Issues
Although the government has introduced some policies to address the land ownership question, the distribution of land in South Africa remains one of the most skewed in the world. Some rural communities are becoming impatient with what they perceive as slow progress in addressing the land ownership question and threaten to occupy land illegally. Existing land distribution policies need to be examined for their effectiveness and modified or replaced, if necessary.

7.5 Research Policy issues
South Africa has some of the best agricultural research institutions in Africa. However, (a) the research activities of these institutions are not well co-ordinated; and (b) the bulk of the research conducted by these institutions has little relevance to the needs of smallholder farmers. Lack of co-ordination of research activities results in unnecessary duplication and waste of valuable resources. The failure of research institutions to adequately address the needs of smallholder farmers means that progress towards achieving food security and increasing the number of smallholder farmers producing for the market will be slow. Therefore, policies are needed to ensure that research by the various institutions is co-ordinated and the research needs of smallholder farmers are adequately addressed.

7.6 Irrigation Policy Issues
A large number of irrigation schemes which were established by the government in the former homelands are either dysfunctional or the infrastructure is in such a poor state that farmers cannot irrigate their crops properly. Furthermore, certain services which were previously offered to farmers free of charge must now be paid for. The challenge is to ensure that the infrastructure is rehabilitated and farmers look after it. Farmers must also be assisted to ensure that they have access to the services which they have to pay for.

7.7 Policies to Strengthen Farm/nonfarm Linkages
An important policy issue which often does not receive adequate attention is that of ensuring that the linkage between the farm sector and nonfarm sector is strengthened. Strengthening the linkage between the two sectors can make a significant contribution towards employment and income generation in the rural areas. Appropriate policies to strengthen farm/nonfarm linkages need to be developed.
8. CONCLUSION
The quality and relevance of agricultural policies are dependent on the quality of the process leading to the development of the policies. The consultative nature of the agricultural policy process is a positive aspect of the policy process in South Africa. However, the consultation needs to be as broad as possible especially in the early stages of policy development. The tendency to involve only a few individuals and organisations in the early stages of the agricultural policy process runs the risk of the process being dominated by the views of those individuals and organisations. Farmers are important stakeholders in the process and their views need to be solicited as early as possible in the policy process. However, for farmers, particularly smallholder farmers, to make a meaningful contribution, they need to be capacitated to articulate their views clearly. One way to do this is to strengthen organisations such as the National African Farmers’ Union.

The agricultural policy process needs to take full advantage of the expertise and information on policy available in South Africa. Expertise and information from developed countries are useful in as far as these complement and not substitute for what is already available in the country. Where local capacity is inadequate, steps need to be taken to strengthen the capacity. Such capacity strengthening should be extended to include bureaucrats and politicians with formal authority in policy-making. A regional policy network can be a useful vehicle for improving the capacity of existing institutions to contribute to the policy process. Furthermore, the network can also serve to promote interaction between South Africa and other Southern African countries on matters of agricultural policy. This interaction is important for all countries involved to learn from one another especially if trade among these countries is to be enhanced.
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<th>STRENGTHS</th>
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<td>Participation of stakeholders.</td>
<td>Domination by one province.</td>
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<td>Decentralised policy process.</td>
<td>Limited use of available expertise and information.</td>
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<td>Commitment to address needs of smallholder farmers.</td>
<td>Weak collective action by farmers.</td>
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<td>Available local expertise.</td>
<td>Poor analysis of possible policy consequences.</td>
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<td>Improve policy process by empowering smallholder farmers.</td>
<td>Domination of policy process by global interests.</td>
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<td>Improve policy process by utilising available expertise and information.</td>
<td>Loss of control of policy agenda by agricultural establishment.</td>
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A REVIEW OF AGRICULTURAL POLICY REFORMS IN MALAWI
IMPLICATIONS ON PRODUCTIVITY

By Dr C Mataya, Bunda College of Agriculture, University of Malawi

1. INTRODUCTION
Agriculture contributes 36 per cent to Malawi's GDP and employs more than 80 per cent of the total labour force. Almost three and half decades after independence Malawi's predominantly agricultural economy still, remains fragile, highly subsistent and uncompetitive. Apart from suffering from negative balance of payments due to poor trade performance, the country is faced with a heavy debt burden as indicated by a rise in the debt service ratio from 14.7 per cent in 1994 to 20.6 per cent in 1998. Declining agricultural productivity has resulted in increased importation of maize in recent years (except in 1999 and 2000), the country's major staple.

Since 1979, Malawi's economic growth has not reached an all time high of 6 per cent registered soon after independence (1964-1979). In 1997, the economy registered a real Gross Domestic Product (GDP) growth of 5.2 per cent. Although this rate appears impressive, it was a result of growth in distribution sector, estimated at 12.4 per cent. Growth coming from a broader base like this signifies that the economy may on one hand be diversifying, and on the other hand it signifies that the economic activities in Malawi in 1997 concentrated on trading and distribution rather than manufacturing or producing goods and services, (Economic Report, 1998). The increase in private trader participation and vending due to market liberalization has also contributed to the growth in the distribution sector.

The agriculture sector slowed down to a growth of 3.9 per cent in 1997 compared to a growth of 35 per cent in 1996. This growth was primarily driven by a good performance in the large scale (estate) sector, estimated at 11.3 per cent. The smallscale sector grew by a moderate 1.6 per cent in 1997 compared to a record 45.4 per cent in 1996. The slowdown in 1997 reflects the impact of drought, particularly in Karonga Agricultural Development Division and floods, mainly in the lower shire Valley. The adverse weather conditions resulted in reduced crop output in the smallscale agricultural subsector during the 1996/97 growing season. In particular, the volume of maize production, accounting for a bulk of the smallscale output, declined by about 31.6 per cent.

For Malawi, poor growth in the agricultural sector translates into a decline in export earnings. For example in the first three quarters of 1998, export earnings fell significantly particularly because the leading foreign currency earner, tobacco, generated about $80million less than expected owing to low international prices. As indicated by commodity shares in Table 1, tobacco still remains the major foreign exchange earner accounting for approximately 60 per cent of the total export earnings, despite efforts of diversifying into non-traditional exports.
Table 1. Domestic Exports by Main Commodities 1994-1998

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<tr>
<td>Tobacco</td>
<td>62.1</td>
<td>65.3</td>
<td>64.1</td>
<td>59.8</td>
<td>57.8</td>
</tr>
<tr>
<td>Tea</td>
<td>9.6</td>
<td>6.9</td>
<td>5.5</td>
<td>12.5</td>
<td>11.8</td>
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<tr>
<td>Sugar</td>
<td>8.2</td>
<td>6.8</td>
<td>7.3</td>
<td>5.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Cotton</td>
<td>0.6</td>
<td>1.0</td>
<td>3.2</td>
<td>5.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Rice</td>
<td>0.7</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Coffee</td>
<td>4.7</td>
<td>4.0</td>
<td>2.3</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Pulses</td>
<td>0.9</td>
<td>1.9</td>
<td>2.6</td>
<td>1.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Maize</td>
<td>0.6</td>
<td>1.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other exports</td>
<td>12.6</td>
<td>12.4</td>
<td>14.8</td>
<td>13.3</td>
<td>14.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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*Preliminary projections.

Although the government has implemented several economic reform initiatives since the late 1970s including the short to medium term plans contained in the “Statement of Development Policies, DEVPOL” and the World Bank and IMF-supported Structural Adjustment Program (SAP), the country has never realised a sustained 6 per cent economic growth rate of the 1960s and late 1970s. As observed by the World Bank, the economy has to grow at the rate of 6 per cent in order to prevent an increase in the number of people living in poverty which is currently estimated at 60 per cent.

The decline in economic performance has translated into the deterioration in people’s welfare most of whom (85 per cent) constitute rural communities. The country’s GDP per capita has declined from US $200 in 1997 to approximately $160 in 1999 and income disparity as measured by the gini ratio has worsened from 48 in 1968 to 0.62 in 1995 (Chirwa, 1997). The widening income gap between individuals coupled with rising inflation which is currently estimated at approximately 52 per cent implies worsening situation in food insecurity.

Rising cost of capital due to inflation-driven rates of interest have made both small-scale and large scale farming uncompetitive in Malawi. Lack of local manufacturing of important factor inputs such as fertilizer, feed and agricultural chemicals has worsened the situation.

Weak institutional capacity in extension, research and technology development, project planning, monitoring and evaluation are also other major contributing factors to the poor performance of policy reforms in the country. Poor market, transport and communication infrastructure have weakened the effectiveness of market liberalization. Unless the country’s policies and strategies are carefully examined and strengthened the situation is likely to get worse with the speed of global economic transformation.
2. KEY AGRICULTURAL POLICY ISSUES FACING THE COUNTRY

2.1 Inflation Rate

Double digit inflation estimated around 40% is one of the major development challenges facing Malawi. The major cause of inflation is lack of fiscal discipline resulting in excessive government borrowing. While tight monetary policy has persistently been employed to bring down inflation, efforts of the monetary authority have often been neutralized by government deficits which been financed through treasury bills. Poor revenue collection by further contributes to government deficit. Considering that the financial market is thin, commercial banks have taken advantage of excess demand for credit to raise TB rates to uncompetitive levels. High TB rates induce a rise in nominal interest rates which are currently as high as 60 per cent. The high cost of capital reduce investment and production levels resulting in excess demand for products and inflation.

External factors such as depreciation of the major trading partners' currencies also contribute to the depreciation of the Malawi Kwacha and inflationary pressure, especially as regards imported inputs and raw materials. In a competitive environment, local currency depreciation would make domestic products competitive internationally. While the scenario hardly exists in Malawi due to the limited number of input and produce traders, lack of value adding limits the extent to which international demand would increase following currency depreciation.

Despite swift public assurances from the monetary authority, that the devaluation would not lead to corresponding price rises, Malawian consumers often discover otherwise. Imported products and even items that are produced locally or have low import content increase significantly before and immediately after currency devaluation, suggesting that traders raise their prices in anticipation of more widespread inflation and perhaps taking advantage of consumer confusion. For example, the price of bread rose around 65 per cent from Mk1(26 cents) to Mk18.50, and 1kg sugar sold for Mk17.20 up to 80 per cent from Mk9.50 a few days earlier. Similar rises were reported for other basic household items such as soap and oil, (E.I.U, 1998).

Oil price hikes too, contribute to inflation. Uncompetitive market structure as well as government interventions have in the past been blamed for fuel price increases even when international prices for this commodity have declined.

While there is not much that can be done to control external factors, prudence in government expenditure and improvement in the structure of various markets can significantly reduce inflation. A favourable environment for foreign investors, especially with respect to transport and communication as well as security, can lead to an increase in the supply of commodities, offsetting the excess demand induced by expansionary fiscal policy.

2.2 Transportation

Being land-locked, the poor road and rail infrastructure and the under-developed transport system render Malawi economically uncompetitive relative to her neighbours in the region. In addition to underdeveloped infrastructure, poor communication system reduces the country’s backward and forward linkages within the country and the region.
Although substantial investment in roads were made in the 1980s more than 60 per cent still have an earth surface and less than 20 per cent are of bitumen. An assessment by the Ministry of Works in 1995 indicated that 7 per cent of the earth roads were in good condition, 20 per cent were in fair condition, and 73 per cent were in poor condition; whereas 46 per cent of the bitumen roads were in good condition, 32 per cent were in fair condition and 22 per cent were in poor condition. Lack of regular maintenance and reliable bridges make many rural areas inaccessible during the rainy season.

The country's uncompetitiveness is further aggravated by the need to import major production and intermediate inputs such as seed, feed, fertiliser and agrochemicals. These are necessitated by lack of local industrial capacity for import substitution manufacturing. For example, the cost of bagged fertilizer delivered to a Lilongwe warehouse represents 58 per cent of the retail price (US $ 221 per tonne) whereas the free-on-truck (FOT) cost in Beira represents 42 per cent of the retail price. The difference between the two prices (14.5 per cent) is due to the cost of road transport, including inward transfer and handling charges (Westlake 1999).

Malawian producers and traders are heavily taxed on their cargo due to an inefficient transport system. Domestic transport rates in Malawi are equivalent to some US $0.065 to US $ 0.075 per tonne/km whereas rates in South Africa and Zimbabwe are US $ 0.02 on trunk road and US $ 0.035 on rural roads. Since the country imports more that it exports the inwards transport rates are higher than outward rates.

Although haulage of cargo through the Nacala rail route would be less costly than haulage through the road transport system, low port capacity and lack of outward freight make the former more expensive than the latter. The cost of transporting fertilizer by rail to Blantyre from the Indian Ocean through Nacala (702 km) is US $ 0.066 per tonne/km whereas the cost to the same destination by road through Beira (1,120) is US $ 0.063 per tonne/km. In comparison with other rail rates in the region transportation through Nacala is expensive to Malawi. The tariff from Beira to Harare is equivalent to US $ 0.046 per tonne/km.

In recognition of this problem, the Government has embarked on several policy reforms in the transport sector to promote efficiency and competition, and these include reduction of duties and surtax, deregulation of trucking tariffs (eliminating minimum tariffs) and passenger fares, repeal of restrictions barring entry and exit in the passenger and freight transport industry, and privatization of the Malawi Railways and Lake Services. The establishment of the National Roads Authority and increased the budgetary allocation towards improvement of the road infrastructure are some of the Governments efforts geared towards addressing transportation problems.

Despite these changes the cost of transportation is still quite high relative to other countries in the region. However, the potential to reduce the transport bill exists through integration of the regional transport system; but due to infant industry concerns, this initiative is not welcome by the local transporters association for fear of being squeezed out of business. The SADC Trade Protocol stipulates full harmonization of the transport sector in an effort to make regional integration a reality. This implies scrapping off "the existing third country rule" which bars foreign transporters
to move goods from a foreign country inside another country. The rule also bars transporters from picking goods from a foreign country and drop them in a third country. Phased removal of the "third country rule" has been proposed by Malawi to adhere to the proposed SADC Trade Protocol.

2.3 Capital

Malawi's competitiveness is also limited by capital constraint. The country's financial market is dominated by two major banks whose clients have traditionally been large commercial estates. Following a wide range of policy reforms in the 1990s, the Malawi Savings Bank, INDEBANK, the New Building Society, the Finance Company of Malawi (FINCOM), the First Merchant Bank and the New Building Society added to the list of financial institutions in the country. Collateral constraints which range from 60 to 120 per cent in the form of fixed assets render credit facilities offered by most of these institutions inaccessible to smallholder farmers. However, a few microcredit institutions exist but none of them provide specialized and low cost services to agriculture. These include the Small Enterprise Development Organization of Malawi (SEDOM) the Development of Malawi Traders Trust (DEMATT) and the Investment and Development Fund (INDEFUND).

Government has in the past experimented with a number of strategies in response to the credit dilemma facing the smallholder farmers. One of these initiative was the establishment the Smallholder Farmers Fertilizer Revolving Fund (SFFRF) in 1988 as a trust to procure and distribute all fertilizer to the smallholders at subsidized prices through the Smallholder Agricultural Credit Administration (SACA). The fertilizer subsidy meant that the SFFRF operated at a loss which was offset by government subventions. For example, in 1993 and 1994, the SFFRF received K12.5 million and K31.7 million worth of subsidy from the Government, respectively.

Until 1993 credit facilities to smallholder farmers considered not credit worthy by commercial lending institutions were provided through SACA. SACA failed to successfully channel and recover medium term loans amounting to MK250 million (US $ 9.7 million) to smallholder farmers partly due to poor administration and political interference associated with the change from a one-party to a multi-part system of governance. The Malawi Rural Finance Company (MRFC) was established to replace SACA but on a commercial basis using group lending as a form of social collateral.

Low-cost micro-credit facilities for both agricultural and non-agricultural activities are available mainly through non-governmental institutions and special government safety nets programs. The following NGOs provide credit facilities to their members or target groups with low or no collateral: the Foundation for International Community Assistance (FINCA), the Malawi Union of Savings and Credit Co-operatives (MUSCCO), Village Enterprise Zones Associations (VEZA), the National Association of Small and Medium Entrepreneurs (NASME), the National Association of Business Women (NABW) and the Women's World Banking (WWB).

In spite of all these initiatives access to agricultural credit is still one of the major bottlenecks faced by smallholder farmers, input providers and traders; high interest rates being one of the major
limiting factors. The current commercial rates of interest range between 50 and 58 per cent. Apart from inflationary pressure, high default rates usually influenced by bad attitude and lack of trust on the part of borrowers, and political manipulation have led to an increase in the risk premium on smallholder agricultural loans.

In contrast, Malawi's competitors in the region have interest rates that are as low as 14 per cent in Botswana, 15 per cent in Tanzania, 16.4 per cent in Lesotho, 17.9 per cent in South Africa, 28 per cent in Kenya and 34.7 per cent in Zimbabwe, making capita investment attractive.

Since the real rate of return on capital is directly influenced by the rate of inflation, prudence in monetary policy and containment of public expenditure are major areas of policy intervention to bring down the cost of capital. Government medium-term policy focuses on restoring macroeconomic and financial stability through maintenance of low inflation, stable exchange rates and reduced fiscal deficit. Achieving these objectives implies reduction in the central government deficit and restraint in money supply. According to the 1995/96 - 1997/98 Policy Framework Paper (PFP), the overall deficit was targeted to decline from 15.5 per cent to 3 per cent (after grants and drought operations) by 1997/98 but only managed to reduce it by 4 per cent to 11.5 per cent. In spite of setting this target, lack of expenditure control and under-performance of the tax revenue collection resulted into increasing borrowing from the Reserve Bank and further translated into increased liquidity, high inflation and interest rates.

Apart from lack of competition in the financial market, levels of loanable funds have been limited by low savings to GDP ratio which has declined from 17.4 per cent in the period 1970-80 to 9.4 per cent in the period 1981-96. This also explains the low investment rates which have declined from 8.4 per cent in 1991 to 3.8 per cent in 1997. Inadequate savings mobilisation and the crowding out effect of excessive government expenditures are major contributors to this outcome. Savings mobilisation in the rural areas has also been limited by lack of a business culture and inadequate financial intermediation following the closure of rural banking services by the major institutions, National Bank and Commercial Bank. Lack of security and limited capacity of alternative institutions such as the Post Office Savings Bank, the Malawi Union of Savings and Credit Cooperatives (MUSCCO) and the Malawi Rural Finance Company (MRFC) have weakened the prospects of generating demand deposits in the rural sector.

The capacity for some micro-credit institutions such as the Small Enterprise Development Organization of Malawi (SEDOM) and the Development of Malawi Traders Trust (DEMATT) to expand their services is also limited by lack of provisions in the banking act for them to operate as micro-banking institutions. In addition, contractionary open-market operations by the Reserve Bank aimed at mopping up apparent excess liquidity while excess demand for credit exists have widened the gap between supply and demand for capital.

At national level, foreign direct investment (FDI) as an alternative source of capital is low and negligible in comparison with multilateral and bilateral donor aid inflows in the form of budgetary and balance of payments support. However, the government should not rely on donor aid inflows as these are often tied and unsustainable, and can also have a distortionary effect on the financial market.
For a country that imports major factor inputs and intermediate products, joint ventures in import substituting and value adding industries is an important area of FDI. The low FDI levels are attributed to uncertainty in the macroeconomic conditions including large fluctuations in the real effective exchange rate, high inflation and interest rates, a high degree of insecurity, low work ethics in the labour force, unfavourable tax system and poor infrastructure. In comparison with neighbouring countries, Malawi is considered less attractive to foreign investors.

The economy is liberalized to the extent that major investment barriers have been removed. However, capital controls still exist but are gradually being eased. For example, interest and dividends can be easily remitted upon submission of relevant documentation to the commercial banking system, and remittance of foreign exchange generated from foreign investment no longer requires prior approval by the Reserve Bank. In addition, there are no restrictions on the proportion of foreign direct investment coming into the country. However, improvement in investment incentives alone is a necessary but not a sufficient condition for improvement in FDI. The government needs to seriously consider the overall economic and policy environment to reduce uncertainty among potential investors.

2.4 Land
Land constraint in Malawi arises mainly from low productivity of fragmented pieces of the smallholder sub-sector, lack of security of tenure and organized market system of communal land. For example, smallholder farmers obtain maize yields of one tonne per hectare on average whereas the potential is eight tonnes per hectare. Efficiency in the utilization of freehold and leasehold land suffers from absentee ownership and holding for purposes of speculation. High population densities and lack of non-agricultural employment opportunities have exacerbated the land scarcity problem in some parts of the country, especially in the southern region. Government unwillingness to openly address population issues and provide a policy framework for the past three decades have contributed to the rapid population growth rate averaging 3.2 per cent per annum. The effects of rapid population growth have not only seen reduction in per capita land holding but also destruction of the natural resources and environmental degradation.

In contrast with neighbouring countries such as Zimbabwe, land fragmentation has been avoided by settling smallholder farmers on land sizes of not less than 5 hectares. In South Africa, land policy restricts subdivision of land to uneconomical sizes. The structure of land holding and security of tenure, coupled with favourable economic conditions, markets and transport infrastructure have created a conducive environment for improvement in agricultural production through mechanization, irrigation and use of improved technologies in these countries.

The existing land acts which are not supported by any comprehensive policy in Malawi are not conducive to long term investment and improvement in productivity. Three types of land tenure exist in the country: freehold, leasehold and customary ownership. Of the three, customary land is the most unproductive due to several constraints including low soil fertility, poor farming methods, lack of access to improved technologies, dependence on rain-fed farming system, poor road and transport infrastructure. Although productivity on both leasehold and freehold land is higher than on smallholder land, excess capacity and absentee land ownership limit their
efficient utilisation. Land productivity is also compromised by the failure by specific line ministries to enforce certain covenants in the lease agreements. The requirement to plant trees to 10 per cent of the total leased land has not been honoured by many estates leading to depletion of indigenous tree vegetation.

Attempts have been made by government in the past to consolidate and register fragmented pieces of land in Lilongwe West of the Lilongwe Agricultural Development Division with the aim of improving investment potential and efficiency in land use. Although the intended objectives do not appear to have been achieved, the initiative has some merits as regards assurance of security and prospects of mechanizing and commercializing agriculture. The institutional arrangement of land use in the smallholder sugar production in Nkhotakota and Kasinthula where individual farmers are allocated a piece of a contiguous block of land amenable to mechanization, provides an example of a missing component of the ndunda system of the Lilongwe West and is worth re-examining.

In an effort to foster a more economically efficient, environmentally sustainable and socially equitable land tenure system, the Government initiated a land policy review process in 1996 through the appointment of the Presidential Commission of Enquiry on Land Policy Reform. Recommendations of the Commission of enquiry will form the basis for a new land policy and strategies.

2.5 Labour
Unlike Zimbabwe and South Africa, Malawi’s agriculture is predominantly labour intensive. Thus agricultural productivity in the country depends to a large extent on the timely availability of an effective labour force. There are many factors influencing labour availability. These include age, health status, gender, wages, technology and competition among enterprises. Approximately 44 per cent of the population is below the age of 14 leaving 56 per cent as the source of the country’s effective labour force. Of the total labour force, 78 per cent of male and 95 per cent of females are economically active (World Bank 1999). The proportion of children under 14 in employment as a percentage of population of 10 to 14 years is estimated at 34.4 per cent, the highest in Southern Africa. Child labour interrupts educational programmes and compromises the quality of future human resource capacity.

For a long time controlled wage and producer price structures have distorted the opportunity cost for labour to support the estate sub-sector’s demand for cheap labour. To date, only the maize price is being controlled through a price band. The vicious circle of "low capital investment-low productivity-high food insecurity" resulting from low household income has been orchestrated by a high demand of casual labour on tea and tobacco estates during peak periods which also happen to coincide with the months of food insecurity in the rural areas (November to February). The diversion of labour from the smallholder sub-sector to the estate sub-sector resulting from distortionary wage and price policies reduces labour availability and perpetuates the vicious circle of poverty.
The high incidence of HIV/AIDS and pervasive food insecurity limit the labour availability in most rural households. An increase in morbidity and mortality rate due to the spread of HIV/AIDS has reduced the effective size of the productive rural labour. Women who constitute the major source of agricultural labour bear a heavy burden of caring for the sick and young children. The reduction in time allocated to agricultural production, which is the main preoccupation, perpetuates poverty and food insecurity among rural households.

With a high rate of illiteracy, estimated at 42.3 per cent, the majority of these are unskilled. Training for agricultural transformation and rural development is provided through the extension education system which appears ineffective. The poor performance of the agricultural extension education system as evidenced by lack of impact of development programs, arises from the general malaise of the workforce in the civil service. Poor salaries and inadequate remuneration are major factors influencing the quality and performance of labour in the public sector. The escalating consumer prices have not been accompanied by salary adjustments to maintain the purchasing power of the labour force. This has resulted in reduced morale, indiscipline and a high frequency of rent seeking and delinquent behaviour among workers.

The general malaise in the civil service has compromised the implementation of agricultural development projects and programs. This is in spite of major investments in human resources development made in the 1970s and 1980s which created a strong and effective middle and senior level management with B.Sc, M.Sc and Ph.D qualifications. Notwithstanding problems associated with quality of performance, this small highly qualified labour force is approaching mandatory retirement age almost at the same time and is also dwindling rapidly due to the scourge of the HIV/AIDS pandemic. Lack of foresight coupled with freezing of hiring of new staff in the civil service has created a huge gap that needs to be filled urgently.

Labour policies and programs provide for adjustment of salaries and incentives. The Chatsika report also provides for restructuring of the civil service while ensuring remunerative packages. However, implementation of the Chatsika report has been partial to the extent that any gains in purchasing power resulting from earlier wage increases have been offset by increases in the cost of living. Financial implications and lack of political will could be the major factors delaying the full implementation of the report. This is an area that needs policy change and donor support in terms of budgetary support especially for civil service reform.

### 2.6 Technology

Although Malawi has made strides to develop alternative forms of agricultural technology, maize-based research and development has been accorded a high degree of prominence over the past three decades primarily because of the country's desire to be self-sufficient in food, where maize has been used as a proxy for food. Thus, it is not surprising that for a long time more than 75 per cent of the customary land has been devoted to maize production even in areas where the environment is not suitable for the crop. This misguided strategy could also help to explain the ineffectiveness of extension education in which farmers access to credit was conditional on adoption of improved maize varieties.
The predominance of hand-held technologies in farm operations is one of the major factors limiting farmers' efficiency and output. Factor productivity is also limited by poor husbandry, low utilisation of high yielding crop varieties and animal breeds as well as dependence on raid-fed system of farming.

Although the policy and strategies of agricultural research and technology transfer recognize the importance of farmer participation from the initial point of problem identification through the stages of adoption and impact analysis, the latter are hardly involved and do not own and control the product of research and development and its process. Strategies for empowering farmers through associations and reducing government overheads on selected commodities need to be developed.

2.7 Agricultural Markets

Markets and market infrastructure are not only inadequate but are also underdeveloped relative to the large number of smallholder farmers and the variety of commodities in the country. One of the major reasons for this phenomenon is that for a long time the government, through the major parastatal ADMARC, monopolised input and produce trading with a view to maximizing surplus extraction from the smallholder sub-sector. ADMARC extended its services throughout the country even in areas that private traders find it not commercially viable to operate from.

Although district and city markets provide alternative outlets to smallholder produce, most, if not all of them, were designed with a smaller farming and consumer population than the current one. Congestion in the designated vending areas forces traders and buyers to transact outside the official market boundaries, thus making it difficult to monitor, regulate and let alone collect market fees. Inadequate market structures, including storage facilities, increase farmers risk to product deterioration and pilferage. Poor access roads to points of production and underdeveloped transport system raise the cost of hauling and produce to and from markets and thereby reduce farmers’ and traders’ net profits.

With the exception of ADMARC, most of rural and city markets trade using informal methods and unstandardised weights and measures. Although this type of marketing system is convenient to the highly illiterate farming community, it is out of scope with commercialised farming and market liberalization.

Participation of the private sector in the input and produce trading through the market liberalization policy implemented in the 1990s has had mixed results. While prices received by farmers have been more competitive than before, the high cost of factor inputs after removal of subsidies has made several crops less attractive relative to tobacco. Restructuring of ADMARC which was followed by closure of markets in remote areas created a vacuum which private traders could not fill due to problems of access and transportation to such places. This resulted in policy reversal in which ADMARC re-opened the unprofitable markets in several rural areas. In spite of these markets being opened, ADMARC’s capacity to purchase excess maize and other crops in the 1999 season has been hampered by cashflow problems.
Limited market outlets and lack of competition in the marketing of non-traditional crops such as soyabeans, paprika and other spices is stifling farmers’ efforts to diversify away from tobacco. In the case of paprika there is one main buyer, Cheetah Limited, whose pricing strategy makes smallholder production of this crop less attractive. Lack of aggressive marketing strategies and limited information base reduces farmers’ competitiveness and premium received on both traditional and non-traditional commodities.

Cattle marketing services previously provided by government are still in great demand in spite of the presence of private trading cattle auction markets. Unfair pricing mechanism characteristic of a thin livestock market, lack of animal health services and facilities and rampant cattle thefts are other major concerns of farmers throughout the country.

2.7 Agricultural Trade
Malawi is a land locked country surrounded by Zambia, Tanzania and Mozambique. Mozambique shares the longest border with the country and along with Tanzania provides access to sea trade routes. Favourable political relationship between the country and her neighbours has created a conducive environment for trade. Open borders facilitate informal trade which contributes to employment, food security, foreign exchange and sharing of natural resources. The total trade between Malawi and its neighbours is estimated to be around US$44.0 million of which agricultural exports and imports from Malawi are US$2.4 million and US$15.0 million, respectively (Minde and Nakhumwa, 1998). Although informal cross-border trade is beneficial, failure to monitor and regularise it has some cost implications to the country. These include loss in revenue, an influx of low quality or even harmful products, and unfair competition with cheap substitutes of the country’s products, e.g., cigarettes and cooking oil. Lack of accurate information of the volumes traded between the country and her neighbours creates a false image about the national gross domestic product (GDP) and renders projections and plans unrealistic.

Economic boom in neighbouring countries creates demand not only for Malawi’s products but also labour. However, poor communication and transportation limits the country’s capacity to capture these opportunities. Restrictive migration policies in most of the countries, including Malawi itself, inhibit the speed of migration and resource flows, whereas differences in language create a barrier between trading partners.

The economic structure of most countries in the southern African region, except South Africa, are similar. Most of them are agriculturally-based and depend on one or two major products for export. In the case of Malawi and Zimbabwe, tobacco and maize are the major agricultural crops. Similarities in the structure of these economies limit their capacities to trade among themselves. Specialization and value adding based on comparative advantage would improve competitiveness in the region and at world markets.

As a signatory to many bilateral and multilateral trade arrangements including the Lome Convention of the African Caribbean and Pacific (ACP) countries, SADC Trade Protocol, COMESA and the World Trade Organization (WTO), Malawi’s potential to expand its volume of exports and imports exists. However, the country does not have an effective strategy to penetrate and compete in the regional and international markets. The commodities sold are often un-processed, and the market outlets are limited to traditional trading partners, especially South Africa, Zimbabwe, Zambia and a few European Union countries.
3.0 INSTITUTIONAL FRAMEWORK FOR AGRICULTURAL POLICY

3.1 During the One Party Era of Governance
Before the multi party system of government was introduced in Malawi, all sectoral policies were formulated at the national headquarters with no involvement of the stakeholders. Often, the policies had political overtones and no one except donors in rare circumstances could challenge any strategies that appeared inconsistent with the system of market economy the country had embraced since independence. Subsidies of factor inputs, controlled input and producer prices, taxation on inputs and export commodities and the “Special Crops Act” are some of the government interventions that limited market competitiveness.

During the era of one party state, development projects were planned at the ministry headquarters with the aid of foreign experts and without consultations with the stakeholders. Since the country lacked trained manpower during the early years of independence, these projects were implemented and administered by foreign experts who were not interested in building local capacity for their selfish reasons. Often these projects were ill conceived and had little impact on the intended beneficiaries. A case in point is the 1968 World Bank-financed Lilongwe Land Development Programme, (LLDP) whose emphasis was to invest in areas with a high rate of direct return on capital. It was perceived that the strategy would have a catalytic effect on smallholders in the surrounding areas. This also marked the beginning of a dual strategy with emphasis on the preparation of donor-funded projects, while the government maintained basic support services and facilities for smallholders outside designated development project areas.

The advantage of IRDPs was that they were conceptualised and implemented in a multi-faceted approach, bringing basic facilities and services such as boreholes, clinics, markets, feeder roads and land conservation works in an area. However, the approach was costly and the conceptual framework on which the programme was based “the trickle down theory” lacked the necessary elements that would ensure its sustainability. Apart from cost, the design, implementation, monitoring and evaluation of project activities did not involve consultations with smallholder farmers who were the potential stakeholders. The major objective of the LLDP was to increase maize production, obviously at the expense of other food and cash crops.

3.2 During the Multi Party System of Governance
In the aftermath of the democratic government, the institutional arrangements for policy formulation, implementation, monitoring and evaluation has changed drastically. Among the actors in the process of policy formulation include the Government, farmers themselves, the donor community, NGOs and the private sector. The process begins with wider consultations of main stakeholders using participatory methods, followed by consultative workshops and finally development of policy document and plan of action. Development of the National Agriculture and Livestock Development in 1994 followed this process. The review process which followed in 1998 through the Malawi Agricultural Investment Programme (MASIP) also followed the same process.
The review of the Land Policy is also another example where wide consultation with all stakeholders was conducted by the Presidential Commission for Land Policy Reform. This was followed by a series of regional workshops and a national workshop until a draft Land Policy was developed. However, although this process provides relevant stakeholders an opportunity to participate in the process of policy formulation, implementation, monitoring and evaluation, it has several weaknesses. First, the bulk of the discussions during consultative workshops are conducted in English with limited translation for farmers' representative who cannot read or write. Secondly, farmers are not adequately represented in comparison with the number of technocrats attending the meeting. Thirdly women are poorly represented and are often dominated by their male counterparts when major contributions are made. Fourthly, most project ideas still originate from donors whose agenda is dictated by their own interest in the country. Fifthly, the process is often protracted and costly. For example, the process of consultation for the Land Policy began in 1997 and up to now no new policy is in place. Likewise the process of developing investment strategies in agriculture through the sector investment programme started in 1998 and up to now the process has not yet been finalized. The cost for these consultative exercises and others have been borne by donors.

Lastly, the policies and project documents as well as monitoring and evaluation reports are not accessible to the beneficiaries and yet the project design provides for participation of beneficiaries throughout the project cycle.

Another key feature of the democratic principle of government now prevailing in Malawi is decentralized decision making and devolution of authority. In principle, decision making begins with full consultation of stakeholders at community level and culminates with policy formulation at the central level. While decentralized decision making is laudable, lack of human capacity at community level is a major limiting factor to fully integrate all relevant stakeholders in the policy formulation, implementation, monitoring and evaluation process.

3.3 Recommendations on How the Policy Process can be Improved:

- The process of consultations should be conducted in local language.
- The process of consultation should be integrated within the extension system to maximise farmers' participation in the policy formulation process, implementation, monitoring and evaluation.
- Efforts should be made to increase female representation of farmers participating in consultation forum.
- A framework of engagement by donors in project identification and funding at national level should be developed to avoid being donor driven in project design.
- All policy documents including project plans, monitoring and evaluation reports should be translated into main local languages for wider circulation.
- Only major policies and strategies should be subject to participatory process of formulation and/or review.
3.4 Role of the Regional Policy Network in National Policy Making

- Supporting the sharing of ideas through exchange visits by policy makers, scientists, farmers, NGOs and the private sector.
- Supporting agricultural policy training, research and dissemination of findings, especially case studies through seminars, workshops, newspapers, bulletins and electronic media.
- Support policy awareness campaigns and policy dialogue and community level and between the communities, implementers and policy makers.
- Support capacity building at sectoral, sub-sectoral and community levels in policy analysis.
REFERENCES


### Annex 1: Summary of the Farm and Market Level Policy Reforms in Malawi

<table>
<thead>
<tr>
<th>Policy Reform</th>
<th>Progress/Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Farm Level Policies</strong></td>
<td></td>
</tr>
<tr>
<td>Product quotas</td>
<td>Only tobacco production is restricted through a quota system Smallholders allowed to grow burley tobacco since 1990/91 season</td>
</tr>
</tbody>
</table>
| Input subsidies               | - Being phased out  
- 5% on average for smallholder fertilizer in 1994/95 season and to be completely phased out (0%) in 1995/96  
- Phasing out of seed subsidies starts 1994/95                                                                                                                                                        |
| Credit                        | Malawi Rural Finance Company (MRFC) established October 1, 1994 and has taken over responsibility for smallholder credit  
- MFRC charges 40% interest rate  
- Commercial banks charge 36% interest rate  
- Estate obtain credit mainly from commercial banks                                                                                                                                                     |
| Input distribution            | - Production and marketing of maize seed liberalized in 1993/94  
- Import and distribution of fertilizers liberalized in May 1993                                                                                                                                                                                                                                                                 |
| Research                      | - High yielding hybrid maize varieties (MH17 and MH18) developed, and released in 1990/91                                                                                                                                                                               |
| Land reform                   | - Land rents increased from MK10/ha to MK30/ha  
- Land Act amended to ban further transfer customary land to estates                                                                                                                                                                                                     |
| **Market Level Policies**     |                                                                                                                                                                                                                |
| Parastatal trading            | - Divestiture of ADMARC started in 1986 and has stayed on course  
- Memorandum of Understanding signed between ADMARC and Government to enable ADMARC operate as a buyer and seller of last resort                                                                                                                                 |
| Output marketing and pricing  | - Agricultural produce markets (except for and tobacco) liberalized since 1987  
- Marketing restrictions for cotton lifted in 1991                                                                                                                                                                                                                         |
<table>
<thead>
<tr>
<th>Tobacco marketing liberalized in 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private exports of groundnuts, beans &amp; pulses de-controlled in 1994</td>
</tr>
<tr>
<td>Only maize exports are restricted because of its strategic importance</td>
</tr>
<tr>
<td>Progressive decontrol of produce prices, Government sets only smallholder maize prices</td>
</tr>
</tbody>
</table>

**Strategic Reserves and Food Security**

- Government, through ADMARC, operates a Strategic Grain Reserve which can hold up to 180,000 tons
- SFFRFM operates a fertilizer buffer stock scheme of 90,000 tons

Source: Ng'ong'ola, 1996.
**FANRPAN workshop report**

**14.30 - 15.00**

Agricultural policy process in Malawi

Dr C. Machethe

**15.00 - 15.30**

Coffee

**15.30 - 16.00**

Agricultural policy process in Zimbabwe

R. Mano

**16.00 - 17.00**

Agricultural policy process: General Discussion

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**Tuesday, 8 May 2001**

**08.00 - 12.15 PLENARY SESSION**

Chair: Dr Haji Semboja

**08.00 - 08.20**

Tanzania In-country Stakeholder Meeting Report

**08.25 - 08.45**

Zimbabwe In-country Stakeholder Meeting Report

**08.50 - 09.10**

Botswana In-country Stakeholder Meeting Report

**09.15 - 09.35**

South Africa In-country Stakeholder Meeting Report

**09.40 - 10.00**

Mozambique In-country Stakeholder Meeting Report

**09.50 - 10.10**

Namibia In-country Stakeholder Meeting Report

**10.05 - 10.25**

Coffee

**10.25 - 11.00**

USAID-FANRPAN Initiatives on Grades and Standards and Seed Industry Development (Malawi, Zambia, Mozambique)

Scott Allen

Discussion

**11.00 - 11.20**

Communication: FANRPAN Website
Mabel Hungwe

12.40 - 13.00 Communication : FANRPAN Newsletter
Mabel Hungwe

13.00 - 14.00 Lunch

14.00 - 14.15 Working Group Instructions

14.15 - 15.00 Working Group Sessions

15.00 - 15.30 Coffee

15.30 - 18.00 Working Group Sessions

Evening Free

**Wednesday, 9 May 2001**

8.30 - 12.45 Plenary Sessions
Chair : Dr Luhanga

8.30 - 10.30 Presentation and discussion of Working Group reports
Rapporteurs

10.30 - 10.45 Coffee

10.45 - 11.10 The SADC FANR-HUB and FANRPAN: Options for Collaboration
M. Murkherjee

11.10 - 11.30 Institutional Restructuring of FANRPAN
Howard Sigwele

11.30 - 13.00 **CLOSING SESSION**
Conclusion and recommendations of the workshop
Closing remarks

13.15 - 14.15 Lunch

14.15 - 15.30 Planning Meeting for Nodal Coordinators and FANRPAN Staff

15.30 Participants depart
AGRICULTURAL POLICY MAKING IN ZIMBABWE:

Prospects for Getting Policies Right through Transformation of Policy Formulation Processes & Institutions

By Dr Reneth Mano
Department of Agricultural economics and Extension University of Zimbabwe

Introduction
The essence of agricultural development planning is getting the institutional and policy environment right for development. The persistent crisis in African agriculture and food security situation is attributed primarily to the prevalence of bad disabling policies across the Sub-Saharan Africa. In Zimbabwe, as in most African countries where agriculture is considered to be a key sector for economic development, there has been continuous struggle with reforms to establish an institutional framework to ensure systematic derivation of the right policies for addressing systemic issues constraining agricultural development. The purpose of this paper is to critically discuss Zimbabwe's agricultural policy making framework - the historical evolution, driving forces, current players and drivers and prospects for getting right the institutional processes for systematic and timely delivery of good policies for sustainable agricultural growth and economic development.

In the Appendix are a number of interesting case studies on process of policy formulation at ruling party level and national level where the focus is on crafting of policies at sector-level and at a cross-sector level. The case studies also highlight the challenges and limitations of ZAPF from the practical viewpoint of a ruling party government put in power to lead and run an African country. Such a government, it is argued has to fulfill the great expectations of the African people themselves who appear to value and cherish traditional characteristics of a strong government as one that hovers on benevolent dictatorship. The case studies illustrate the complex process of rationalization of economic sector and non-sector issues of government and state. Section VI, presents a conclusion which first highlights challenges and gaps in Zimbabwe's evolving policy making process and then identifies the space for FANRPAN to contribute meaningfully in the ongoing policy formulation process debate.
Current Policy Issues and Challenges Hindering Domestic Agriculture and Prospects for Policy Solution

Zimbabwean agriculture is currently going through a difficult multiple-dimensional process of structural transformation with the issue of land redistribution occupying the center. However because of the current spotlight on land both at home and abroad, other crucial agricultural policy issues are being effectively crowded out from the attention of the policy makers and the public. Some of the domestic issues such as the failed economic structural adjustment program (ESAP), macroeconomic instability, slow economic growth, diminishing relevance and efficacy of agricultural service delivery institutions of research, extension and research especially for smallholder farmers in the post-ESAP period are held partly responsible for precipitating the land crisis. At the regional and international scene, competition and globalization poses a serious challenge to Zimbabwean agriculture.

The Question of the Constitution and Basic Guarantees to Private Property

In every country the constitution provides the basic fundamental legal framework and institutional provisions under-girding and guiding all economic, social and political activities. Zimbabwe is currently being run on the basis of the amended Lancaster constitution. With the current kind invasions taking place, the state has not seen the need to implement the judiciary rulings on trespassing laws safeguarding security of current private property rights especially with regards to farmland. The challenge on the constitution and legal enforcement of constitutional provisions has put the judiciary on a collision course with the government creating an atmosphere of insecurity regarding current property rights.

The agricultural sector has become a legal battlefield as private property rights on land; mining concessions and factories are increasingly becoming most risky and insecure investments. Within this environment, commercial farmers and businesses that have long relied on private land holdings as collateral on loans have become marginalized on the domestic and international financial markets experiencing for the first time the impact of insecurity of tenure on business activities.

The economic crisis that Zimbabwe is facing and its interpretations across the global village demonstrates the importance of getting the macro-institutional and constitutional environment right for economic development. Without an enabling legal framework in place even good sector policies become very blunt as instruments for development.

The Issues of Land Redistribution and Land Policy Reform

The land issue always considered to be a time bomb waiting to explode has emerged. After twenty years of independence as the most contentious issue with the real potential to cause irreparable structural damages to the political, economic, social fabric of the Zimbabwean society. Despite all the debate and coverage of land crisis in both local and international media, land issue is often misrepresented by many special interest seeking to extract maximum economic rent and political mileage from it. The irony of the land crisis is that majority of Zimbabweans - both black and white, farmers and non-farmers agree on the need for land reform and on the basic parameters for such a land reform process. National consensus on these broad parameters, which in other
African countries were sufficient for a peaceful and managed process of land reform have proven insufficient for policy makers to rally their support towards a least cost land reform process.

Some analysts believe though that the current land redistribution may become the end of a process rather than the beginning of an agrarian revolution. Zimbabwean society has always perceived land as a means to an end - end to poverty and rural economic deprivation - rather than being the end in itself. The current land reform policy is focused at present on the issue of equitable distribution of land between black and white races with very little policy attention being paid to the structural and institutional issues of productivity growth and development. The land reform process currently unfolding in Zimbabwe falls short of being an agrarian reform and may land Zimbabwe with institutions of land tenure - ownership, exchange and utilization rules and regulations. These issues are least conducive to agricultural growth and development. The Case study on land reform process presented later in the paper critically explores these issues in greater detail.

**General Macro-economic Instability and Domestic Economic Stagnation**

The major problem currently facing Zimbabwean agriculture is the macro-economic instability and slow-down in the economy driven primarily by domestic fiscal policies and of late fueled by too confrontational land reform program. The Economic Structural Adjustment Programs have proved so far to have been a double edged sword reducing performance of Zimbabwe’s agricultural sector in two ways. By its nature, ESAP reduced inputs subsidies and effective protection coefficients by liberalizing markets while the failure of competition to emerge in industries freed of government controls have resulted in collusive behavior among input suppliers and few buyers of farm produce.

Shortage of foreign currency and continued foreign exchange controls has resulted in periodic shortages of key inputs such as fuel, which has not spared farmers. High prices of imported inputs used in agriculture and agribusiness has resulted in reduced returns for some crops due to high input costs.

**The Problem of Poor Physical Infrastructure**

The problem of government’s escalating budgetary expenditure and heavy borrowing from the domestic and world markets is worsened by the consumptive structure of the expenditure patterns. A small and diminishing percentage of government budgetary resources are being spend in building the physical transport and modern-based communication infrastructure which is key to the development success in today’s competitive global economy. The stock of road and railway infrastructure that Zimbabwe inherited at independence is depreciating due to lack of service. Agricultural development in the rural areas is currently suffering because of the high cost of transportation associated with ferrying of inputs and produce along poorly constructed and poorly maintained dusty roads. Despite government having established a Ministry of Public Works, the budgetary allocation does not permit the ministry to maintain the existing road network.
Limited Efficacy and Effectiveness of Current Institutions of Agricultural Service Delivery

The agricultural sector, especially the smallholder sector, lacks effective service delivery institutions of research, extension, and credit. The agricultural service delivery institutions were designed for a few white settler farmers by colonial governments. At independence this was extended to cover all farmers the same services culminating in severe institutional design faults.

The extension system has failed to reduce the extension to farmer ratio to below 1:1300 culminating in poor extension linkage in the smallholder sector. Although efforts to provide extension workers with transport, shortages of fuel or lack of sufficient allowances for travel has further reduced extension linkages with farmers. While the commercial large-scale farmers have addressed this capacity problem in government institutions by developing their own in-house extension services or relying on market provision, the smallholder farmers remain highly dependent on government extension services units due to low returns.

Agricultural research institutions such as the Department of Research and Specialist Services (DRSS) and Universities have been widely accused of not focusing research efforts on smallholder farmer problems. While Zimbabwe has invested in a lot of scientists based at research stations located across the country, reduction of fiscal budget allocations to agricultural research often leaves many of them without the means to conduct applied research in the communal farming areas. Thus the thrust of research has been on-station and issues of research have been much more motivated by self-interest rather than pressure from farmers. While large-scale farmers continue to finance research of relevance to them by sponsoring scientists at private or public research institutions, smallholder farmers unions have not been active in developing complementary inputs. Until recently, DRSS has not been benefiting even from the research products they produced because of the reluctance to patent.

Beside research, DRSS also provides a range of highly subsidized services such as soil analysis but the institution is not structured in such a way that smallholder farmers could access them. Thus the subsidies is effectively used by the large-scale farmers, some of whom are among the top income brackets and hence do not deserve the subsidy which they continue to receive.

Provision of agricultural credit is still primarily missing from smallholder agriculture due to shortage of resources to subsidize credit. The recent commercialization of the Agricultural Finance Corporation into an Agricultural commercial bank with an agricultural development unit was widely believed to enhance the reserve base whilst allowing the bank to raise loan funds from deposits. But recent studies show that demand for commercial loans is 30% among smallholder farmers. The question for policy is not whether or not subsidies should be given, but who should receive the subsidy and how. To this end alternative institutional arrangements for delivery of credit should be crafted using the network of agricultural development NGOs rather than government institutions.
Agricultural Commodity Marketing services have deteriorated in the rural areas following ESAP. Only a few private traders continue to occupy the market space left by contracting public marketing boards resulting in noncompetitive pricing, extracting surpluses from the smallholder farmers in distant areas. The privatization strategy for marketing boards such as Cotton- and Dairy transformed public monopolies into private monopolies which continue to earn huge profits while paying less than parity prices, for farm produces. The lesson for future privatization of state agencies with multiple processing plants and service depots is perhaps to sell the agencies to as many different players rather than as a single going concern.

Why Do African Government Seem to Get Policies Wrong for Collective Welfare?

Governments across the globe seem to have penchant for adopting policies that are sub-optimal in terms of efficiency and social welfare. When governments are addressing the right policy issues, they sometimes end up doing the right things in a wrong way resulting in heavy cost burden to the society that the government is supposed to serve. Three reasons are often articulated to explain why governments often get policies wrong:

- The government is sometimes genuinely ignorant of right versus wrong social policy options though they may seek what is right for society
- Public policy decision-makers are not rationally driven to act as custodians of social welfare
- Policies that are wrong for society are perhaps right for rent-seeking and calculating politicians-cum-policy makers

Some governments are sometimes, incapable of reading the policy problem and/or arriving at the most effective policy solution as they see the world through self-preserving political lens. The top priority agricultural policy area from the perspective of the Zimbabwean government today is land. Yet even smallholder farmers themselves are lamenting at unfair taxation of their produce through foreign exchange controls, rising unemployment and shortage of fuel which has given rises to inflation and food insecurity.

Even though foreign exchange controls of the government are biased in favor of input importers and run the risk of pricing farmers out of commercialised agriculture, no policy effort is being made to address the resultant implicit taxation of farmers and provide incentives for commercialization of their agriculture. Without attention to such pricing issues, the land reform program may not yield the expected productivity gains among smallholder farmers unless it is accompanied by wholesome agrarian reforms. Some of the non-land policy issues currently not receiving much policy attention such as agricultural credit support policy could prove to have a much greater income effect on smallholder farmers than merely increasing access to land.

Thus a genuine belief in participatory democratic public policy making process is perhaps key to getting policies right.
The Political Market Paradigm for Public Policy Determination

In recent years, popular political-economic models of public policy choice have moved towards understanding policy making as a self-preserving organic process driven by self-interested politicians but whose selfishness is kept in check by a watchful, responsive electorate. (Rodrik, 1995). The discerning voter and special interests elect or reject the incumbent on the basis of its record on policy choices and social welfare. Within such a system, choice of policies depends on the balance between the demand side of policy choices and the supply side of policy choices. Fig. 1 the political economic market for policies as rewards for political favors.

The demand side of policy market reflects policy preferences of a multiplicity of special interests and individual voters seeking to maximize transfers. The diversity of individual preferences along the spectrum of policy positions must be harnessed and organized into interest groups designed to communicate and engage with political leadership and policy makers in competition with other opposing and discerning viewpoints. Individual preferences that are not organized into such effective lobby groups lack the power and means to articulate their demands and to influence policy decisions. The problem in most African countries is that sometimes the majority of individual interests are not articulated nor organized into an effective voice audible to policy makers because of the high transactions costs associated with self-organizing the desperate voices under conditions of poverty. This creates missing institutions as well as provides incentives for opportunistic stakeholder institutions which operates as private companies preying on the ignorance and plight of the weak and the voiceless.

A combination of missing and dysfunctional stakeholder organizations creates an institutional environment which is least appropriate for stakeholder participatory processes of public policy formulation. Unless there is a benevolent government driven by custodial social interest, the public policy arena becomes one of under-representation and misrepresentation of the public policy interests of the majority of voters by a few stakeholders in collaboration with the ruling political leadership. The fragility of the political landscape in nascent democracies provides opportunities for ruling parties to devise a self-serving extractive system to entrench leadership through selective distribution of favors to co-opt the powerful and articulate stakeholders into the ruling class at the expense of social good.

In general the demand side of the political market for public policies faces a number of institutional problems. These include the following:

- The absence of a free platform for public policy dialogue,
- The risk associated with formal organization of political and policy preferences in countries in transition from dictatorships to weak democracies,
- Poverty-induced lack of resources for effective self-organizing and mobilization of individuals with common preferences into powerful lobby groups,
- The uneven playing field created by the selective funding practices of some governments willing to pump taxpayers money into illegitimate stakeholder groups created at the top to misrepresent party positions as the popular public policy positions of the voiceless while refusing to finance any legitimate stakeholder organization holding policy positions contrary to those of the ruling party.
Figure 1: The "Demand Side" and "Supply Side" of Agricultural and Food Policies in The Political Markets for Concessions

The "Demand-Side" of Public Policy Choices

Preferences of Individuals supportive of the policy position

Platform for Competing Interest Groups
Strategic posturing/dealings

Preferences of Individuals Opposed to the Policy Position
Anti-government stakeholders

THE "POLITICAL MARKET" PLACE

Policy Outcomes & Political Interests
Policy Concessions/Compromises

Preferences of Policy-makers in favor of policy position

The Government Institutional and Constitutional policy-making
Structures/processes

Preferences of Individuals Opposed to the Policy Position
Anti-government stakeholders

The "Supply Side" of Public Policy Choices
In Zimbabwe, there has been a proliferation of externally funded stakeholder organizations and government sponsored/approved stakeholder organizations purporting to represent the views of the traditionally voiceless and the marginalized peasant farmers. The legitimacy of these civic organizations has come under scrutiny as Zimbabwe is embarking on a process of transforming its institutions, constitution and governance. There is also evidence that the peasant farmers themselves are becoming empowered as evidenced by their expressed demand for land reform to address land pressure in the villages. The current efforts by farmers who are members of the Zimbabwe Farmers Union, to seek leadership directly accountable to them represents attempts to put the needs of the farmers - rather than the political interests at the center of all union business, advocacy programs and policy positions.

In Zimbabwe, the policy positions of the opposition are not accessible to the general population because they do not get coverage in state-controlled mass media such as radio and television. While the ruling party enjoys free access to the mass media as well as state funding of party activities, for the opposition self finances its operations. In Africa and most developing countries the supply side of policy offering is constrained by the systemic absence of strong opposition political parties due to institutional barriers, selective constitutional and quasi-constitutional protections of the ruling party, the political market place for public policies is far from being efficient.

Figure 2 illustrates the top-down structures of public policy formulation under the government in Zimbabwe.

Figure 2: The Hierarchy of Players and Executive Institutions of Policy Formulation in One-Party System of Government

KEY:
- Vinette black Arrows indicate volumetric flow of instructions from the top in the top-down decision making system of the ruling party/government
- Grey arrows indicate volumetric flow and dissipation of policy demands from the bottom up to the top of the ruling party/government structures where policies are made

The President of the Nation (Elected by the People)
(Chairperson of the Ruling Party)
The Vice Presidents

The Politburo
The Central Committee
The Governors
The Cabinet

Members of Parliament (Elected or appointed by President)

The Provincial Council
The District Council
The Ward Council
The Village Council
The Cell

The President of the Nation
(The President of the Ruling Party)
The Vice Presidents

The Politburo
The Central Committee
The Governors
The Cabinet

Members of Parliament (Elected or appointed by President)
The Special Interest Advocacy Approach to Influencing Public Policy Decisions and Outcomes

In Africa the parliament has traditionally been the weakest player in the policy formulation process as policies come to parliament for rubber-stamping rather than for formative debates. The players targeted for lobbying range from the junior policy analysts in the parent Ministry who develop position papers on the problem and the policy options for the Secretary. Since the policy agenda is set outside of the Ministry by the executive organs of the ruling party, the lobbying efforts are thus often focused at the upper sections of the ruling party and the Secretary of the Cabinet. Because of their overriding power on policy decisions, members of the politburo of the ruling party are often the strategic target for lobbying.

Indeed interest groups are yet to fully adjust to the new realities of an emerging pluralistic public policy making legislature. With new players emerging across a new political landscape and changing policy making process, identifying the new power brokers and opinion leaders inside and outside of the parliament has become a challenge for lobby groups. As illustrated in the Figure 3, lobby groups appear to be targeting almost all key players including some who may be the small fish in the legislative pool.

Figure 3: Distribution of Lobbying (L) Efforts Among the Key Players and Institutions of Public Policy Formulation

Key: The darker the color and the bigger the circle encircling lobbying symbol (L) the greater the lobbying attention.
Components of an Appropriate Policy-Making Process for Africa

Most experiments in participatory policy formulation have had limited success and short longevity in Africa because of a combination of design problems and uninformed assumptions about the tolerance for inclusive and plural decision making processes by the African leadership. The following are important considerations in designing participatory policy formulation processes:

- Political interests of leadership and internal constituencies of the ruling party are just as important a source of information as are the views of external interest groups who often attend stakeholder workshops;
- There are very few universally bad policies because of the fact that most policies are by nature redistributive if not predatory as they divide the population into winners and losers. What is good for one special interest may be bad for another special interest and what is good for society as a whole is not necessarily best for the policy maker!
- The role of government in policy formulation is central and society must come to terms with its primary role and mechanisms for quality assurance in public policy formulation through screening of politicians in the election process of choosing a government;
- Policy making is best done in consultations with a wide variety of laymen and expert opinions - constitutional and institutional provisions guaranteeing pluralistic processes of policy debate and policy formulation beyond the confines of Parliament.

One of the major design problems associated with policy making paradigms that encourage wholesale participation and active engagement of all interest groups in the process of policy formulation was the assumed presence of organized stakeholder groups capable of effectively articulating and representing the interests of important segments of society. The African political landscape is devoid of well-developed and effective stakeholder organizations with the capacity to articulate and represent the positions of their constituents on policy matters. Thus the few that exist often end up being overly represented resulting in systemic policy biases which compromise social welfare while maximizing transfers to the few organized special interests.

The second design problem bedeviling participatory approaches to policy formulation including the holding of regular democratic elections to choose political office bearers is the high cost of such forms of direct and indirect participation of all social interest groups in the institutions of policy formulation. Indeed the absence of organized stakeholder groups to represent special interests of society is reflective of the high transaction cost associated with organizing special interests into stakeholder organizations. The reluctance of the poor to become actively engaged in public policy issues and domination of the public policy arena by the rich class of society is itself a manifestation of poverty. The poor people do not have the time nor the surplus financial resources to finance any form of social marketing necessary to bring their policy interests into the limelight. Should society therefore invest public resources into transforming the poor into effective stakeholder organizations to represent their interest at national levels?

From the view point of social welfare optimization, it would be rational for African governments to invest public resources into organizing and building capacities of the missing- and the dysfunctional- stakeholder organizations if their presence would considerably improve future prospects for social welfare growth. Effective participation of all interest in policy formulation is
expected to result in superior public policy and development outcomes to warrant the initial social investment. Ultimately as economic growth increases, stakeholder organizations should become self-financing through voluntary contributions of their membership. While good policies are indeed a public good justifying public funding of the whole government public policy-making bureaucracy, there is not much support inside or outside of African governments for public financing of the development of legitimate civic organizations and stakeholder organizations representing the interest of the poor. The poor are indeed safer haven for votes for the policy maker in their present state of disorganization because once empowered and organized into an effective lobby group they would have the numbers to inevitably takeover the political leadership. Hence the continued absence of a minimum capacity of crucial stakeholder organizations for some segments of social preferences is a costly exercise in self preservation at the expense of effective arbitration of public policy options and the continued monopoly of the policy arena by a singular class or political party.

Because of the self-serving nature of politics in public policy-making, politicians are unlikely to surrender their current monopoly of policy-making process without any coercion and pressure from civic groups and the intelligentsia. (Mano, 1999). Yet pressure from organized stakeholders and civic groups is crucial for ensuring accountability of government in public policy decision making and policy implementation.

**Overview of Zimbabwe’s Agricultural Policy Making Process & Institutional Environment**

**Historical Evolution of the Policy Making Process:**
During the early 1980s, the government of Zimbabwe retained a white Minister of Agriculture and the policy making department of agriculture continued to operate almost as before using the selective consultative process dominated by organized agribusiness interests and the commercial farmers union (CFU). The new government of Zimbabwe relied more on oversight roles of the central authority of cabinet to and party secretariat to formulate new direction for the agricultural sector leaving the Ministry to implement policies from the center rather than become the think-tank of policy formulation. Thus the new government employed a top-down policy formulation technique, with government secretariat assuming the custodial role especially regarding smallholder farmers interest. The influence of government in the policy outcomes from this institutionally interesting arrangement was a perpetuation of services that benefited settler agriculture with emphasis on extending similar benefits to smallholder sector. The pre-independence process of price controls and cost-plus producer price formulation in controlled agricultural markets was continued with government assuming the custodial role for urban consumers as well as smallholder farmers.

The complex requirement to arbitrage consumer interest and smallholder farmer interest led government to embark on forming unions to represent small scale commercial farmers and communal farmers to occupy their seat on the negotiation process. The outcome was collusion of all parties to seek maximum economic rent from the national treasury. Thus producer and consumer prices were both established for a whole range of commodities with a price margin met by government through subsidies to marketing boards. The unique feature in this era was that agricultural policy was developed in the Ministry of Economics Planning and Development.
In the 1980’s smallholder farmers unions became powerful, due to government to extract rent from and donors funding. However these institutions were strong at the top and very loosely linked to the membership who made silent involuntary contributions through the levying arrangement at point of sale. There was an apparent coalition building exercise between CFU and the Smallholder farmer’s union leadership, which over time became indistinguishable in terms of their interests.

An internal policy think-tank within the Ministry was created. An internal under an Agriculture Minister Kangai who is remembered as one Minister who spearheaded the transformation of the whole agricultural marketing landscape when agricultural subsidies and privatization of key marketing boards were carried out without causing much of stir in the public arena.

Within the Ministry, PPD spearheaded significant change in the policy making process by embracing a participatory policy formulation process based on consultative stakeholder workshops replacing the conventional top down process associated with African governments. This shift in paradigm was localized and most concentrated at the Ministry Head office but sooner saw directives to all institutions within the Ministry to adopt the participatory framework when deliberating policy changes and designing programs. The emergence of this new approach, spearheaded by the World Bank saw the Zimbabwe Ministry of Agriculture become the most progressive and democratic policy formulation process in Africa. This participatory experiment has received changes in the 2000 era but its success is yet to be seen.

**Descriptive Analysis of Zimbabwe Agricultural Policy Formulation Framework (ZAPF).**

The Zimbabwe agricultural policy framework (ZAPF) was motivated by a desire to engage stakeholders in the formulation of policies designed to address their felt needs. It reflected the Zimbabwean government's general disillusionment with failure of agricultural policies enunciated by central government (Economics and Planning Ministry) to stimulate agricultural development. (G. Sithole 1996). But it also reflected a realization that conventional top-down processes of policy formulation would contract the new economic development philosophy called economic liberalization. The policy framework doc was embraced by all external stakeholders at a national workshop embraced the policy framework document. The policy document itself was perhaps one of the first visionary policy document produced in the Ministry itself as it identified the commercialization of smallholder agriculture as the prime goal, improved agricultural productivity as the major tool and full development of physical and social infrastructure as the means to the end. These issues emerged from consultative meetings of the working teams and were further refined by all stakeholders at the national workshop. The ZAPF framework also yielded the agricultural sector investment program (ASIP)- which attracted significant donor commitment and saw a number of new irrigation programs being implemented especially in the dryland areas of Zimbabwe.

ZAPF methodology was also followed in the planning of the restructuring of the Ministry. Instead of implementing the percentage cuts and new structure suggested by the Civil Service Commission, The Ministry insisted in following a participatory process based on analysis of functions, prospects for commercialization and cost recovery within its various arms. This highlights the basis of the agricultural policy formulation in Zimbabwe.
Policy dialogues in node countries

Most country nodes held national consultative meetings last year. The following are highlights from the proceedings:

**Malawi**

CBL Jumbe, Node Coordinator for Malawi informed that the consultative forum on “Promotion of Malawi’s Agricultural Trade in the SADC Region” was held on 15-16 April 2000. Sixty participants attended this forum. They were drawn from various institutions such as government, farmer’s organisations, donors, private sector and civil society with an interest in agricultural trade. The Ministry of Agriculture and Irrigation in Malawi had in the past concentrated on increasing crop production whilst giving little attention towards marketing since the Agricultural Development and Marketing Corporation (ADMARC) sorely carried out most of the marketing of agricultural commodities. There is little private sector participation in the marketing of agricultural commodities. There was concern that Malawi had not benefited much in terms of overall trade in SADC and COMESA (Common Market for East and Southern Africa). Instead, this trade had resulted in Malawi markets being flooded with foreign agricultural products. The participants were challenged to find realistic solutions to this scenario.

Challenges addressed in the marketing of various commodities include:
- Ways to encourage farmers to add value to their commodities.
- Knowledge of regional and international markets and demand of particular commodities and their standards.
- Ways of producing commodities efficiently so as to compete in international markets.
- Developing technical competence of farmers, traders and exporters.
- Ways to improve the mode of disseminating and improving access to market information by producers, traders and exploiters.
- Promotion of information sharing among institutions and producers.
- Removal of trade barriers.

**Namibia**

In Namibia, the first in-country stakeholders workshop was held on 14 March, 2000. Twenty eight participants representing small millers, agriculture and meat boards, government and tertiary institutions attended the consultation. The main objective was to prioritise areas for research under agricultural trade. Key research areas were identified for the following commodities:

- Pearl millet - the need for development of strategies for marketing the commodity locally and regionally.
- Genetic Modified Organisms (GMO) - the need to open the debate on GMO’s to a broader national audience. Natural Resources issues such as sharing of water and value of water, desertification, bush encroachment and soil quality needed to be addressed.
- Impact of the South African - European Union Free Trade Agreement, South Africa Customs Union (SACU) and SADC Trade protocol on Namibian agricultural trade. The need to conduct better marketing channels and research for Namibian goats and sheep.
Tanzania
The first consultative meeting was held on 8 April, 2000. About forty participants representing key stakeholders with a common interest in agricultural policy research and analysis, formulation and evaluation in Tanzania attended the meeting. The consultative workshop named their network TAPANET (Tanzania Agricultural Policy Network). TAPANET believes in learning from other similar initiatives and aims to produce policy briefs in the languages that are easy to understand for the stakeholders. TAPANET endeavours to capacity build research and policy analysis and conduct collaborative research activities. The workshop agreed that policies and interventions should be geared towards creating conditions that encourage specialisation. The problems that hinder commercialisation and food security such as efficiency, equity, conservation and sustainability were the major stumbling block against the exploitation of comparative advantages of enterprises and commodities. Research is required in the areas of infrastructure development, size of smallholder markets and the impact of urban migration on farm labour availability.

Zambia
The Zambian node held the workshop on agricultural sector’s experiences and prospects in regional trade on 4 May, 2000. The Permanent Secretary in the Ministry of Agriculture, Food, and Fisheries spoke on the urgent need for Zambia to evaluate its current status in agricultural trade as well as future prospects under the COMESA Free Trade Area (FTA). Key stakeholders from government ministries, COMESA FTA, some of the infant industries in Zambia would disappear, as they were not competitive in the region. There was also a need for government to provide the necessary infrastructure to encourage investment in the agricultural sector along the rail and the outlying rural areas. The extension-research linkage needed to be strengthened, as smallholder productivity had remained low, below the potential yields achieved at commercial farms. The session concluded that Zambia should concentrate on commodities they had a comparative advantage on such as groundnut and rice production.

Zimbabwe
The first in-country stakeholder consultation was held on 19 September, 2000. Fifty two participants from government, private, NGO’s and farming organisations attended the session. The consultation stressed the need for appropriate marketing strategies and relevant policies as the driving forces in the revitalisation of the agricultural sector. Issues highlighted were:
- The lack of relevant market information
- The impact of the land reform policy
- Shortages of raw materials in the manufacture of fertilisers.
- The need for a coordinated approach to marketing research.
- The impact of the COMESA free trade arrangement and SADC protocol.
- The need to strengthen indigenous players through policy, extension and technology transfer.
The actors in the process of policy formulation include the Government, farmers themselves, the donor community, NGOs and the private sector. The process begins with wider consultations of main stakeholders using participatory methods, followed by consultative workshops and finally development of policy document and plan of action. Development of the National Agriculture and Livestock Development in 1994 followed this process. The review process which followed in 1998 through the Malawi Agricultural Investment Programme (MASIP) also followed the same process.

The review of the Land Policy is also another example where wide consultation with all stakeholders was conducted by the Presidential Commission for Land Policy Reform. This was followed by a series of regional workshops and a national workshop until a draft Land Policy was developed.

However, although this process provides relevant stakeholders an opportunity to participate in the process of policy formulation, implementation, monitoring and evaluation, it has several weaknesses. First, the bulk of the discussions during consultative workshops are conducted in English with limited translation for farmers' representative who cannot read or write. Secondly, farmers are not adequately represented in comparison with the number of technocrats attending the meeting. Thirdly women are poorly represented and are often dominated by their male counterparts when major contributions are made. Fourthly, most project ideas still originate from donors whose agenda is dictated by their own interest in the country. Fifthly, the process is often protracted and costly. For example, the process of consultation for the Land Policy began in 1997 and up to now no new policy is in place. Likewise the process of developing investment strategies in agriculture through the sector investment programme started in 1998 and up to now the process has not yet been finalized. The cost for these consultative exercises and others have been borne by donors.

Lastly, the policies and project documents as well as monitoring and evaluation reports are not accessible to the beneficiaries and yet the project design provides for participation of beneficiaries throughout the project cycle.

Another key feature of the democratic principle of government now prevailing in Malawi is decentralized decision making and devolution of authority. In principle, decision making begins with full consultation of stakeholders at community level and culminates with policy formulation at the central level. While decentralized decision making is laudable, lack of human capacity at community level is a major limiting factor to fully integrate all relevant stakeholders in the policy formulation, implementation, monitoring and evaluation process.

3.3 Recommendations on How the Policy Process can be Improved:
- The process of consultations should be conducted in local language
- The process of consultation should be integrated within the extension system to maximise farmers' participation in the policy formulation process, implementation, monitoring and evaluation
- Efforts should be made to increase female representation of farmers participating in consultation forum
● A framework of engagement by donors in project identification and funding at national level should be developed to avoid being donor driven in project design.
● All policy documents including project plans, monitoring and evaluation reports should be translated into main local languages for wider circulation
● Only major policies and strategies should be subject to participatory process of formulation and/or review.

3.4 Role of the Regional Policy Network in National Policy Making
● Supporting the sharing of ideas through exchange visits by policy makers, scientists, farmers, NGOs and the private sector.
● Supporting agricultural policy training, research and dissemination of findings, especially case studies through seminars, workshops, newspapers, bulletins and electronic media.
● Support policy awareness campaigns and policy dialogue and community level and between the communities, implementers and policy makers.
● Support capacity building at sectoral, sub-sectoral and community levels in policy analysis

References


**Annex 1: Summary of the Farm and Market Level Policy Reforms in Malawi**

<table>
<thead>
<tr>
<th>Policy Reform</th>
<th>Progress/Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Farm Level Policies</strong></td>
<td></td>
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<tr>
<td>Product quotas</td>
<td>Only tobacco production is restricted through a quota system</td>
</tr>
<tr>
<td>Smallholders allowed to grow burley tobacco since 1990/91 season</td>
<td></td>
</tr>
<tr>
<td>Input subsidies</td>
<td>* Being phased out</td>
</tr>
<tr>
<td>* 5% on average for smallholder fertilizer in 1994/95 season and to be completely phased out (0%) in 1995/96</td>
<td></td>
</tr>
<tr>
<td>* Phasing out of seed subsidies starts 1994/95</td>
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<tr>
<td>Credit</td>
<td>Malawi Rural Finance Company (MRFC) established October 1, 1994 and has taken over responsibility for smallholder credit</td>
</tr>
<tr>
<td>* MFRC charges 40% interest rate</td>
<td></td>
</tr>
<tr>
<td>* Commercial banks charge 36% interest rate</td>
<td></td>
</tr>
<tr>
<td>* Estate obtain credit mainly from commercial banks</td>
<td></td>
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<tr>
<td>Input distribution</td>
<td>* Production and marketing of maize seed liberalized in 1993/94</td>
</tr>
<tr>
<td>* Import and distribution of fertilizers liberalized in May 1993</td>
<td></td>
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<tr>
<td>Research</td>
<td>* High yielding hybrid maize varieties (MH17 and MH18) developed, and released in 1990/91</td>
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<tr>
<td>Land reform</td>
<td>* Land rents increased from MK10/ha to MK30/ha</td>
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<tr>
<td>* Land Act amended to ban further transfer customary land to estates</td>
<td></td>
</tr>
<tr>
<td>Market Level Policies</td>
<td><strong>Parastatal trading</strong></td>
</tr>
<tr>
<td>* Divestiture of ADMARC started in 1986 and has stayed on course</td>
<td></td>
</tr>
<tr>
<td>* Memorandum of Understanding signed between ADMARC and Government to enable ADMARC operate as a buyer and seller of last resort</td>
<td></td>
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<tr>
<td>Output marketing and pricing</td>
<td>* Agricultural produce markets (except for cotton and tobacco) liberalized since 1987</td>
</tr>
<tr>
<td>* Marketing restrictions for cotton lifted in 1991</td>
<td></td>
</tr>
<tr>
<td>* Tobacco marketing liberalized in 1994</td>
<td></td>
</tr>
<tr>
<td>* Private exports of groundnuts, beans &amp; pulses de-controlled in 1994</td>
<td></td>
</tr>
<tr>
<td>* Only maize exports are restricted because of its strategic importance</td>
<td></td>
</tr>
<tr>
<td>Strategic Reserves and Food Security</td>
<td>* Progressive decontrol of produce prices, Government sets only smallholder maize prices</td>
</tr>
<tr>
<td>Strategic Reserves and Food Security</td>
<td>* Government, through ADMARC, operates a Strategic Grain Reserve which can hold up to 180,000 tons</td>
</tr>
</tbody>
</table>