

Decentralization of Agricultural Services

Decentralization of Input Supply and Marketing Services





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for

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1 SUMMARY

This module examines the main characteristics of agricultural inputs and marketing services, including factors affecting demand and supply for major categories of services, namely fertilizers and chemicals, seeds and planting materials, agricultural machinery and equipment, and crop marketing. The main sources of market failure are outlined. The conceptual framework which underpin the main approaches to decentralization of these services and key factors that need to be considered are next discussed. The importance of the regulatory role and adoption of a regulatory strategy are highlighted. Policy implications, in terms of possible options for decentralization (divestment, deconcentration, devolution and establishing partnerships), and the roles and functional responsibilities of both government and the private sector, including civil society organizations are then reviewed.

2 INTRODUCTION

Objectives

An overview of the main issues relating to policy decisions on whether and how to decentralize agricultural services is given in the EASYPol Module 013: [*Decentralization and Agricultural Development: Decentralization of Agricultural Services*](#). This module focuses on the decentralization of input supply and marketing services, within the ambit of sub-sector service delivery. It is not intended for a specialist economist audience. However, it draws attention to economic concepts and principles, such as factors affecting demand and supply of services, sources of market failure, and the need for a competitive market for both agricultural inputs and outputs. It also highlights the importance of a regulatory role and adoption of a regulatory strategy, underlining the fact that development of functioning private markets require a long term vision, along with commensurate policy measures.

The need for appropriate regulations governing trade, in terms of equity of access, protection of users' rights, and dealing with externalities is also given emphasis. Options for decentralization of input and marketing services, through divestment, deconcentration, devolution, and partnerships with CSOs, and the broad policy implications are reviewed. Issues discussed have applicability in a range of other training contexts, including those on rural development strategies, local and regional development, and in poverty reduction strategies.

Target Audience

This module is intended for a wide audience, ranging from policy analysts and decision makers, to development practitioners, training institutions, and media. It is of particular relevance to senior and mid level officials and professional officers in ministries of

agriculture, livestock, forestry, rural development, and cooperatives, including line departments and training institutes/units. It should also be of particular interest to senior executives of parastatals, financial institutions, and NGOs/CBOs. Suitably adapted, it may also be used as a reader in undergraduate courses in development.

Required background

No specific background, beyond reasonable language skills is required for this module. It is anticipated that individuals with a degree in economics, and agricultural or rural development related areas, and those with several years of experience in agricultural policy analysis or development planning and implementation, at a mid to senior level position, should have little difficulty in grasping the module's content.

To find relevant materials in these areas, the reader can follow this links included in the text to other EASYPol modules or references ¹.

3 MAIN CHARACTERISTICS OF INPUT AND MARKETING SERVICES

3.1 Nature of input supply and marketing services

Inputs, equipment and crops are primarily private goods which, in the more developed economies, are typically handled by the private sector. Governments in developing countries had however traditionally intervened in input supply and crop marketing services, largely on market failure or income redistribution grounds. This was usually done through parastatals such as crop development or marketing boards, which may also be linked to farmer cooperative societies and unions. (see Box 1).

In recent years, however, many developing country governments found it difficult to provide reliable and timely services to farmers in a cost effective and financially sustainable manner. The deterioration in service provision impacted on both crop productivity and farmers' incomes. Poor cost recovery and trading account losses relating to marketing of both agricultural inputs and outputs also placed an enormous strain on government finances. Decentralization of these services was seen as a one way of reducing the financial burden on the government while improving their access and quality by farmers.

¹ EASYPol hyperlinks are shown in blue, as follows :

- a) training paths are shown in **underlined bold**;
- b) other EASYPol modules or complementary EASYPol materials are in ***bold underlined italics***;
- c) links to the glossary are in **bold**; and
- d) external links are in *italics*

Box 1 - Some examples of government intervention in input supply and crop marketing

The Ghana Cotton Development Board (GCDB), set up in 1968, provided a comprehensive package of support to farmers that included ploughing services, all necessary production inputs (seed, fertilizer, chemicals), extension advice, and guarantees to purchase the cotton output at harvest. By the mid 1970s, declining cotton production and financial difficulties meant GCDB was ailing and unable to provide these services effectively, and did not manage to maintain real producer prices or make prompt payments to farmers. The country's Economic Reform Programme transformed the board into a company consisting, as shareholders, textile firms, fertilizer and chemicals supply firms, and a commercial bank, with the government retaining a 30% share (which was eventually sold in 1995). The Act establishing the company gave it a mandate to develop cotton but not statutory monopoly. Private companies then entered into cotton production, with some 12 firms engaged by the mid 1990s. By that time, production had increased dramatically, returning to levels of the mid 1970s.

In Tanzania, single channel marketing of the cashew crop through the government marketing system was practiced in the 1960s and 1970s. This was undertaken by the Tanzanian National Agricultural Products Board, later reconstituted as the Cashew Nut Authority of Tanzania (CATA) in 1973, and eventually replaced by the Tanzanian Cashew Marketing Board (TCMB) in 1985. Cooperative Unions collected cashew from primary societies for sale to CATA/ TCMB. By the early 1990s, low prices and late payments meant up to half the farmers did not even bother to harvest their trees. Liberalization of the system started in early 1990s and TCMB was transformed into the Cashew Board of Tanzania (CBT) with highly restricted functions. These included licensing, provision of market information, and strategic planning on cashew. Private companies were allowed to enter into crop marketing. An enormous upsurge of competition between the cooperative unions and private traders in cashew marketing ensued, leading to an improved price regime for cashew producers.

Source: A. Dorward et al. (1998).

Effective government disengagement can however be done only where markets are well developed. That is, there has to be an absence of general or specific market failures. There could be disastrous consequences for the farm economy if this condition is not met. Moreover, the presumption here is that intervention on grounds of merit goods or income redistribution is not an issue. A clear understanding of the market conditions, including factors affecting supply as well as demand would be central to any efforts to improve these services.

3.2 Factors affecting demand and supply

Input supply and marketing services all involve transactions of various kinds, such as procurement or purchase, transportation, storage, distribution and sale, as well as information gathering and dissemination. They may be linked to other services like financing or research and extension, and may be supported by government subsidies. In the present discussion, only those factors influencing the demand and supply of inputs, equipment and crops are considered: those relating to decentralization of financial, research and extension services are dealt with in other modules.

Issues relating to decentralization of agricultural input supply and marketing can be usefully examined by focusing on the following main categories of services:

- Fertilizers and chemicals
- Seeds and planting materials
- Machinery and equipment
- Crop marketing

Fertilizers and chemicals

Superficially, *fertilizer distribution* is an ideal service for private sector provision, as fertilizer can be considered as a pure private good (being both rivalrous and excludable). The demand for fertilizer and chemicals is a derived demand and will be influenced by the price and profitability of the crop as well as the price of the input. However, the risk faced by farmers often increases if rainfall is low and/or crop prices uncertain. This will tend to make the demand for fertilizer unstable as well as seasonal.

With imperfect and incomplete finance markets, credit-constrained farmers will find it difficult to purchase fertilizer unless new channels of credit provision are made available. This is one conceivable disadvantage of scrapping single channel marketing systems. Although a temporary problem, exchange rate devaluations in the early days of liberalization, combined with the removal of subsidies, can also lead to substantial increases in domestic fertilizer prices and marked falls in effective demand.

Seeds and planting materials

Seed supply is a complex operation consisting of three major components:

- Research into new and improved types of seeds
- Physical supply of seeds and planting materials
- Regulation including:
 - management of variety testing in public sector plant breeding;
 - variety regulation (registration, performance testing and release);
 - seed quality control consisting of seed certification (verification of genetic quality) and seed testing (analytical purity and germination capacity).

In pre-reform situations public sector organizations are frequently responsible for all three functions. The economic reasons why this should be the case are seldom clear. Nevertheless, the peculiarities of seed as a product and the nature of seed technology suggest that for most developing countries, the public sector would, for some time to come, have an important role in seed and planting materials supply. This applies especially in the research and regulation service components, due to:

- The common pool nature of open-pollinated varieties (OPV), which can be reproduced by farmers themselves and passed on to others informally. Such goods may be used by multiple individuals regardless of property rights; excludability is low, although rivalrousness is high. This contrasts with hybrid varieties, the technology of which is more complex and excludable. Private firms are unlikely to find it attractive to

develop new OPV seeds, except perhaps where they have a clear advantage in quality and reliability of supply.

- The difficulty of giving sufficient protection to plant breeders' rights that would make private sector provision of OPVs a viable proposition. A major difficulty in developing countries would be enforcement, but it is also debatable whether such protection would be appropriate in the context of poor and subsistence farmers.
- The strong seasonality of demand means that large stocks of perishable seed need to be carried. This ties up working capital, along with the need for investment in storage facilities, thus reducing profitability. Public sector subsidies or NGO activities in seed supply may further discourage private sector involvement.

Several aspects of seed regulation require at least some form of input from the public sector to overcome potential market failure problems. Seed certification must be sponsored by the public sector, even though certification per se can be performed by private organizations. The government must also regulate seed testing. However, companies seeking to establish a reputation for themselves may be inclined to apply their own adequate seed testing procedures; seed producers associations may also provide this service for their members.

Machinery and equipment

A potential problem of market failure relates to imperfect and asymmetric information. As with fertilizer, it may be difficult for a farmer to assess the inherent quality of machinery. This creates particular difficulties when items involve substantial investment and purchases are only made infrequently.

Crop marketing

There are three potential market failure problems with agricultural produce marketing that need to be taken into account when considering decentralization. First, it is inherently risky because of unpredictable variations in output that cause marked price and income fluctuations. These in turn may cause food insecurity. Second, there may be positive externalities related to food security that justify some form of government intervention. Finally, spatial dispersion means that small and remote farmers may suffer from a lack of information and exploitation by traders.

3.3 Sources of market failure²

Overall, a range of market failure problems could affect the demand and/or supply of the above agricultural support services. The most common concern those situations in which one or a combination of the following features prevail:

- Natural, *de facto*, or legal monopolies (present at any level of the transactions in the market for a specific product).
- Interlocked markets, when input suppliers/crop buyers extend credit to farmers in small fragmented markets.

² Refer to EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#) for a discussion of market failure in relation to the economic rationale for government intervention in service delivery.

- Asymmetric information, when knowledge about price and quality of a product is not equally shared by traders and clients.
- High transaction costs, due to poor transport and communications infrastructure, and an inability to obtain credit from formal institutions.
- Inadequate rural financial services (where farmers have no access to credit or other banking services).
- Inadequate or inaccessible market infrastructure that could mitigate risks and uncertainties (storage, communications, information, commodity exchange).
- Very high start-up costs for competitors (which make multiple entry difficult, inhibiting competition).
- Uncertain demand for inputs due to unpredictable climatic variability.

4 CONCEPTUAL FRAMEWORK

4.1 Main approaches in decentralizing

In principle, it should be possible to decentralize most input and equipment supply and crop marketing services in a number of different ways: *a)* through market liberalization; *b)* involving and encouraging private and voluntary sector participation; and *c)* by divestment of public sector organizations, along with improving their internal efficiency. This has indeed already occurred in many countries. State ‘shrinkage’ has played a role in the measures undertaken so far and has included actions such as:

- Liquidation of autonomous crop marketing public agents.
- Withdrawal of the extension services from input supply.
- Liquidation of bankrupt agricultural banks heavily engaged in extending credit for input purchase to non-repaying farmers.
- Halting subsidy programmes, which led to the liquidation of state supported cooperatives.

Even though the private sector has assumed a much larger role in input supply and crop marketing, governments at the central and local levels have an important role to play in creating an enabling environment for private sector activities. Drawing on the experiences gained so far from countries pursuing this approach, some specific aspects that need to be considered in decentralization are: *a)* the need for creating a competitive market; *b)* generation of effective demand; *c)* the question of subsidies or financing support; and *d)* regulatory role of the government.

4.2 Need for a competitive market

The key to decentralization of input supply and marketing services is an enabling environment that includes a competitive market for these goods and services. Small farmers undertaking small lot production, in particular, face price disadvantages whether buying or selling. They could be assisted by measures which help reduce transaction costs relating to transportation, receiving up-to-date market information, and in such areas as legal protection of contractual arrangements and property rights.

4.2.1 Agricultural inputs

The development of a competitive market for agricultural inputs requires *inter alia* that:

- Equal opportunities to trade are given to all potential suppliers
- Adequate credit facilities are available to private traders
- Producers/suppliers selling products that embody special technical characteristics are protected against unfair competition
- Farmers have an adequate knowledge about the quality of the products that they buy.

4.2.2 Agricultural outputs

A competitive inputs market can lead to efficient allocation of resources in the agricultural economy only where there is an equally effective *competitive market for crops*. Four main conditions must be met for this to happen:

- Deregulation and liberalization of the national crops market, including imports and exchange rates, and a transparent and non-distorting taxation/ subsidy regime
- Adequate market information available to producers and traders
- Adequate access to credit by traders and producers, to enable the latter to finance their stocks on the farm prior to sale. This will improve their negotiating power *vis-à-vis* the former
- An adequate network of transport infrastructure in the rural areas.

4.2.3 A long term vision

The development of functioning private markets is not a short-term objective. In many developing countries, particularly smaller countries, a 'private sector' capable of important new initiatives is generally non-existent. In the larger countries with more developed economies, the private sector is often dominated by large traders who concentrate on import/export operations and in supplying urban areas, where the volume of business and profit margins are significantly better than in rural areas. In fact, the situation in many rural areas of larger and more developed countries is not dissimilar to that of smaller and less developed countries.

The persistence of the negative effects of market failures and the many factors related to the power configuration of the public agencies involved have often provided justification for continued government intervention in the agricultural markets as 'interim measures'. The latter have at times actually represented partial reversal of reform policies, discouraged private initiatives, and seriously jeopardized the effectiveness of the reform. Policies aimed at developing functioning rural markets must thus be prompted by a long-term vision. New rules and other measures must be introduced and implemented in a coherent manner and *on a permanent basis*. This is a major challenge that is not always faced adequately.

4.3 Generating effective demand

Private enterprise will respond over time to meet an effective demand for agricultural inputs. This will be generated from the development and promotion of technologies that can bring about significant returns to farmers. Both private and public sectors have a role here. However, respective roles vary according to type of product and producer.

4.3.1 Cash and export crops

Private companies engaged in export crop processing and marketing as well as producers of agricultural input both have an interest in promoting the growth of demand for inputs. Improved farm productivity and profitability can increase the trading volume for crops. Private enterprises may find it to their interest to get involved in supporting research and development and extension activities. This applies not only to large-scale multinational companies but also to smaller local enterprises.

In Kenya, for example, medium-sized companies engaged in horticultural seed production and export are also involved in research and extension activities. To promote effective demand by commercially oriented farmers, a crop or commodity approach to research and extension is often sufficient to identify which technical packages would interest producers, and stimulate demand for inputs and production of crops of interest to buyers.

4.3.2 Subsistence crops

For subsistence farmers, matters are much more complex. Here, a farming system approach, continuous participatory diagnosis of problems, and on-farm adaptive research are required. There may be a low probability of adequate private returns in these activities and some form of financing by government or other bodies is likely to be required. Government intervention is justified when private enterprise shows a strong tendency to limit themselves to production and distribution of products that embody a high degree of monopoly, such as chemicals or hybrid seeds.

Government support may be provided in common pool goods, such open pollinated seed varieties or planting material for tree root/ tuber crops, through improving quality assurance, thereby making them more excludable. Effective demand could be increased through encouraging truthful-labelling of quality seeds and production of disease-free planting material by small or medium scale farmers and nurseries. The introduction of alternative technologies, such as integrated pest management (IPM), could also help mitigate negative externalities and enhance competition in the plant protection sector.

4.4 Justification for subsidies?

There is in principle little justification for government to subsidize inputs and equipment. It is sometimes alleged that there is 'inadequate' use but this is often because technical 'requirements' are confused with effective demand. There are instances where special crop production programmes associated with input subsidy schemes have performed well, but it is far from clear whether this was primarily determined by input subsidies or by favourable market conditions, adequate infrastructure, and appropriate technologies.

There are many examples of overestimation of the potential demand, due to important factors determining demand being misunderstood by development planners. Among these are:

- Poor crop responses to inputs in specific local agronomic conditions
- High risks involved in relation to production and marketing, especially where climatic factors are erratic and markets as yet not well developed
- The limited share of the cash economy in the farmers' household budgets
- Better alternative investment opportunities for employment of surplus cash resources
- Lack of cash to purchase basic household needs, and so on.

Any action to subsidise farmers' usage of agricultural inputs must thus be subject to rigorous examination on the causes of low utilization rates in the first place.

4.5 Importance of a regulatory role

In a decentralized system of governance, and in pursuit of liberal economic policies, regulations governing trade play a vital role in creating a satisfactory enabling framework. Even if the government divests itself of its responsibilities for producing, delivering and financing input and crop-marketing services, it still has an important role in providing a regulatory framework with rules that govern trade in agricultural inputs, equipment, and crops. This framework should foster the effective functioning of markets and moderate the effect of market failures. The revision of this regulatory framework is an important part of the decentralization process. The main issues that need to be covered include:

- Ensuring a competitive environment in the market for a specific good or service.
- Ensuring that users of goods and services are informed about the quality of products they buy.
- Certifying the quality of the products or the competence of the suppliers where quality is not easily discernible by visual inspection.
- Preventing or regulating the use and sale of products that may cause negative externalities.
- Collecting information for statistical and policy purposes.

Trade regulations may be handled at different levels of governance. Typically the central government establishes the regulations or at least the framework within which detailed regulations are then formulated, and may delegate the power of taking action for enforcement to other agents or lower levels of governance. In some cases the authority to formulate regulations may be devolved to lower levels. For purely illustrative purposes, Table 1 offers some examples of decentralization of the functions and tasks required to achieve the main objectives of trade regulations.

Table 1 - Decentralization of regulatory functions: objectives and possible roles of government and civil society organizations

Objectives of Rules and regulations	Type of Function				
	Levels of Governance				
	Central government			Local governments	CSOs
	Central offices	Deconcentrated units	Delegated public agents		
Users informed of quality	Rules are formulated centrally Central authorities take action against violators	Perform inspections	May set regulations if delegated to do so	Perform inspections	Consumers' associations report problems and violations
Quality certification		Report on violations	Perform certification	Report on violations	Professional organizations may be devolved responsibility
Prevention of negative externalities		Perform inspections		May add local regulations. Perform inspections. Take action against violators.	
		Report on violations			
Statistics	Central government decides which data must be kept	Collect data through established procedures	Statistical institutes organize data banks. Collect data from other agents and/or on their own	Collect data through established procedures	

In general, decentralized enforcement, and some degree of devolution to professional and consumers' associations, may help in making rules more effective. Typically the scope for decentralization decreases the more numerous the regulations, and the more complex the procedures that must be applied. The scope for abuse by public administration officers may however also increase, and need to be guarded against.

Trade regulations and licensing procedures are particularly important in agricultural input supply. The criteria involved in granting of licenses are often opaque and incur unreasonable delays. In agriculture, the fees charged and the documentation required to

issue a licence can be serious handicaps for small traders. Enacting adequate rules and their enforcement may also not be easy when complex technical issues are involved. But good simple regulations, vigorously enforced, can prove beneficial. This may involve a mix of mandatory requirements for product labelling, full disclosure of information on associated health hazards, close supervision of manufacturers and traders, as well as providing extension advice to see that farmers, including the illiterate, are warned of the adverse effects of hazardous products circulating (legally or illegally) in the market.

The design and implementation of the regulatory framework should thus give special attention to:

- Instituting procedures for licenses and permits that are simple, transparent and equitable.
- Preventing or regulating negative externalities, including potential risks to natural resource sustainability; and
- Protecting users' rights, especially from fraud by unscrupulous suppliers³.

4.6 Adopting a regulatory strategy

Regulations, in whatever form, are not costless, either to the government or suppliers. Staff time to implement and enforce the regulations, or dealing with procedures can be quite significant. Too many rules, and vague, confusing, or contradictory rules may have highly detrimental effects. Over-regulation may obtain opposite results to the declared objectives of the regulating authority. Some regulations may delay introduction of new products (till all tests of performance and of quality are completed). This can deprive potential users of considerable gains which they may have made in using the product, and discourages private suppliers to seek introducing new products.

Some case studies (in Bangladesh, India, Turkey and Zimbabwe) suggest that benefits from regulating input performance or quality are low, while costs (primarily foregone gains) are significant⁴. However, other benefits of regulation may be significant, such as preventing or reducing serious negative externalities. One possible approach is to limit the regulatory function largely to tackling externalities issues or to act as a check against fraud. The market would then be expected to take care of product performance and quality by penalizing suppliers of inferior products. This would mean adopting a regulatory strategy that will allow:

- All types of companies (from small local companies to multinationals) to enter inputs production and trade at any level, based on simple objective requirements (e.g. tax registration) just as in other sectors.
- Companies to market inputs embodying new technology without having to seek official approval based on performance tests or other processes that involves time, money, and subjective judgement.

³ This applies especially for seeds, where external, visible characteristics may not reveal product quality and performance, making fraud easy.

⁴ Gisselquist *et al.*(1999).

- Companies to manage input quality, and farmers to decide on the value of quality and quality differentials.
- The enforcing of truth-in-labelling and ensuring that markets transmit accurate information.
- Realistic targeting of threats of negative externalities, by strengthening and re-focusing of regulatory controls.

Such a strategy would help reduce the risk of unduly cautious regulators suppressing market entry and competition, and leave farmers unduly dependent on public research for new technology and on regulators to judge input quality. Safeguards are of course necessary, especially when negative externalities are an issue, such as for conventional high-risk pesticides, or livestock vaccines that could introduce or spread communicable livestock disease.

The suitability of this strategy depends critically on the stage of market development. It is debatable whether it could work well in small fragmented markets, where buyers suffer from asymmetric information problems or for non-saleable technology products. It is likely to work best with commercial farmers, in regard to saleable technology products, and where markets are already well performing.

5 POLICY IMPLICATIONS

5.1 Options for decentralization

Although most agricultural inputs and crops can be classified as private goods, their supply encompasses certain features that may require some continuous form of government intervention. The form and extent of decentralization would need to vary according to the type of input and service function. Thus, whilst decentralization leading to divestment to the private sector is appropriate in most cases, for other services, or aspects of them, their *deconcentration* or *devolution* to lower levels of government may be more appropriate. In other instances, *partnerships* with, and encouragement of, CSOs in service provision may prove more appropriate.

The broad policy implications of different decentralization options for farm inputs, seeds and crop marketing services are illustrated in Table 2.

Table 2 - Policy implications of decentralization on service function responsibilities

Inputs and Services	Allocation of Functional Responsibilities			
	Divestment	Enhanced Regulation	Decentralization of the public administration	Partnership with CSOs
	Private Goods Provision		Provision of Other Goods	
Farm inputs Fertilizer Chemicals Equipment	Supply and distribution by private sector	State policy and regulatory role enhanced Ensure competition Prevent negative externalities	Promotion of alternative non-saleable technologies	Promotion of private traders Promotion of users associations
Seeds & planting materials	Hybrid seed varieties by private sector	Seed certification Ensure competition	Open-pollinated seeds: central government withdraws from production, enforces quality control	Smallholder contract seed multipliers
Crop marketing	Government withdraws	Ensure competition	Improve transport infrastructure Improve communication systems	Promotion of producer organizations

5.2 Government and private sector roles

It is clear that both the government and the private sector have important but different roles in input supply and crop marketing. Tables 1 and 2 indicate that governments have a pre-eminent role in the areas of trade regulation and also in undertaking other measures that would make for a more competitive market environment, like improving transportation and communication and promotion of alternative non-saleable technologies.

A strong case can also be made for government support in capacity building and training of CSOs (farmers' associations, genuine cooperatives, NGOs) in handling input supply and crop marketing services. Apex organizations in the voluntary sector can play an important role in moderating the negative impacts of asymmetric information, which affects farmers, particularly poor ones, in both input purchasing and crop sales.

Local governments do not appear to be an adequate locus for decision making in matters related to input supply and crop marketing services, particularly with respect to subsidy management, because of *spillover effects*. For example, products subsidized in an area can be sold at market price in another area. Nonetheless, The principle of *subsidiarity* suggests that some regulatory functions, such as issuing of licences can be undertaken

by deconcentrated local units of the central administration, or devolved to local governments, with a view to cutting 'red tape' and delays in processing the applications. Although a key role of government is to ensure that a suitable regulatory framework is available, many aspects of this can be decentralized to lower levels of administration. Recent experience also suggests that there could be a larger role for self-regulation through CSOs than previously realized.

6 READERS' NOTES

6.1 Time requirements

There is no hard and fast rule as to the time requirements for this module. But as a general guide, presentation of its contents should not exceed one and a half hours in total. This is best undertaken over two sessions of 45 minutes each, with a break and/or discussions in between. A useful point to end the first session would be midway through section 4 (after consideration of effective demand). Up to one and a half hours may be allocated for discussions, giving a total of three hours for completion of the module.

6.2 EASYPol links

This module is one of several modules in the training path [Decentralization and Agricultural Development](#).

This module follows the Thematic Overview EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#) and is accompanied by modules on decentralization of other agricultural services, namely:

EASYPol Module 014: [Decentralization of Agricultural Services: Decentralization of Rural Financial Services](#)

Other training paths which have close technical linkages to the present one include:

- [Analysis and monitoring of socio-economic impacts of policies](#)
- [Investment planning for rural development](#)

Excerpts of the [Online Sourcebook on Decentralization and Local Development](#) (Collaborative effort by FAO, GTZ, SDC, UNDP and the World Bank). This sourcebook is hosted by Ciesin - the Center for International Earth Science Information Network, at Columbia University),

7 REFERENCES AND FURTHER READING

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Other language	
4. Summary	
<p>This module focuses on the decentralization of input supply and marketing services, within the ambit of sub-sector service delivery. It is not intended for a specialist economist audience. However, it draws attention to economic concepts and principles, such as factors affecting demand and supply of services, sources of market failure, and the need for a competitive market for both agricultural inputs and outputs. It also highlights the importance of a regulatory role and adoption of a regulatory strategy, underlining the fact that development of functioning private markets require a long term vision, along with commensurate policy measures.</p> <p>The need for appropriate regulations governing trade, in terms of equity of access, protection of users' rights, and dealing with externalities is also given emphasis. Options for decentralization of input and marketing services, through divestment, deconcentration, devolution, and partnerships with CSOs, and the broad policy implications are reviewed. Issues discussed have applicability in a range of other training contexts, including those on rural development strategies, local and regional development, and in poverty reduction strategies.</p>	
5. Date	November 2005
6. Author(s)	Agricultural Policy Support Service, Policy Assistance Division, FAO, Rome, Italy
7. Module type	<input type="checkbox"/> Thematic overview <input checked="" type="checkbox"/> Conceptual and technical materials <input type="checkbox"/> Analytical tools <input type="checkbox"/> Applied materials <input type="checkbox"/> Complementary resources
8. Topic covered by the module	<input type="checkbox"/> Agriculture in the macroeconomic context <input checked="" type="checkbox"/> Agricultural and sub-sectoral policies <input type="checkbox"/> Agro-industry and food chain policies <input type="checkbox"/> Environment and sustainability <input checked="" type="checkbox"/> Institutional and organizational development <input checked="" type="checkbox"/> Investment planning and policies <input type="checkbox"/> Poverty and food security <input type="checkbox"/> Regional integration and international trade <input checked="" type="checkbox"/> Rural Development
9. Subtopics covered by the module	
10. Training path	Decentralization and agricultural development
11. Keywords	