

Establishment of Agricultural Services in a Transition Country

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This paper examines the recent experience of a transition country, to which we'll refer as Transishnyia, with the development of its agricultural support services. These services were designed and financed primarily with international donor assistance with which I was associated at the evaluation stage. The purpose of this paper is to re-interpret the program's institutional design with the help of the AIC framework² and propose recommendations for program improvement and further development.

Background on Transishnyia's agricultural sector and the need for agricultural support services

Agriculture and agro-industry are one of the country's largest and most important economic sectors, representing about 30% of the gross domestic product and absorbing about twenty percent of the country's labor force.

When Transishnyia became an independent state in the early 1990s, it abandoned its Soviet model of centralized agricultural management, under which the state controlled both inputs and outputs. However, it failed to replace that system with the necessary legal, institutional, and economic structures for operation under a market economy. More recently, some improvements were made, for example regarding land certification and the improvement of the credit system, though a number of laws adopted over the last three years only exist "on paper" as they still require adoption of the necessary implementation mechanisms.

Regarding the ownership of agricultural enterprises, changes have often been merely cosmetic. For example, many newly created large private farms do not have the capacity to adapt to the demands of farm management in a market economy simply because their managers are the same people who used to be managers of the Soviet system's collective agricultural enterprises (CAE). Other, smaller private farmers have the potential to become good farm managers, but they lack knowledge and experience and have no access to training in modern farm management. A third category of farmers is found among the unemployed industrial workers who went into agriculture as an alternative source of employment, though with little professional knowledge.

The challenge was thus to help such poorly prepared farmers and farm managers become successful in spite of Transishnyia's unfavorable enabling environment which included: lack of price and market information, a lack of modern technologies, the many obstacles existing at all

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² The AIC framework approaches institutional design in terms of both structures and processes. The structural design framework considers: (i) the institution's appreciative (or enabling) environment which is comprised of factors such as physical, socio-cultural, political, economic, and institutional; (ii) its influenceable environment which refers to those external elements such as its clients, financiers, and suppliers whose support is essential; and (iii) its controlled (or internal) institutional environment. In terms of institutional design process, the AIC framework similarly provides for 3 steps: (i) the development of agreed upon common goals; (ii) the design of the relationships among stakeholders; and (iii) the preparation of operational plans, creation of internal organizational relationships and incentives, and establishment of feedback mechanisms.

levels of the administrative system, uncertainties about land ownership and unawareness of the majority of the rural population about their property rights, and a complex and permanently changing tax system. Within this context, the international community concluded that to revive its agricultural sector, the country should establish an agricultural support structure in the form of extension services, advisory centers and private farm support centers.

Government, however, remained lukewarm. While under newly introduced legislation to accelerate the development of its agricultural sector it referred to the need for agricultural support services, in practice, it demonstrated little commitment to their establishment and sustainable operation. It seemed to lack a vision of the long-term benefits that agricultural producers, the agricultural sector itself, and the national economy could expect from such services.

Nevertheless, international aid agencies went ahead with the financing of technical assistance towards the establishment of agricultural support services for which they felt there was considerable bottom up demand from forward-looking individuals. Such demand, it was assumed, would ensure that the country's reform process would proceed in the right direction. Accordingly, extension and extension-type services were established by various donors including Canada, the UK and the US, and on a multi-regional basis, the European Union.

The Provision of Agricultural Support Services

Agricultural Advisory Centers and extension services were established with the above assistance in more than half the country. The projects adopted two different extension models: the first consisted of the provision of "extension" services under the umbrella of an academic agricultural institution (American and French approach); and the second relied on state support (British approach) with some payments from the clients. The idea behind the second approach was to develop the services over time into financially self-sustainable entities. This was, however, a high risk proposal, given the country's and the sector's poor economic prospects which were likely to prevent agricultural producers from making these structures financially viable, irrespective of the felt need for the services. In fact, the structures that were established under that model already appear to be weak and unsustainable, and many have even disappeared.

Regarding the first model, there was an attempt under one of the aid agencies to organize the existing advisory centers into a "network" structure. The hope was to coordinate the centers' activities, enlarge their sphere of influence, and ensure transfer of experience among the centers in implementing a client-oriented approach to service delivery—all of which would benefit the sector as a whole. However, this attempt at cooperation and coordination could not be implemented because of (i) the limited resources available and (ii) the obstacles encountered from almost all the government's administrative levels, which either resisted change or were afraid to lose some of their power.

Regarding the second model, two projects which aimed at establishing extension services along the British approach deserve particular attention, as (1) they were the latest projects to be implemented in this field; (2) previous experience from other international donors was available; and (3) the economic conditions in the country had slightly become more market oriented.

The first of the two projects was implemented in one of the country's Provinces by a well-known consulting firm with 30 years of experience in this field. The project was a great short term success: it received full support from the Provincial administration (funds were even expected to be made available from the Provincial budget to continue operation after project completion); it had more than 400 clients; it had an excellent training program for its staff who had been selected through a transparent process; it had also a good farm management training

programs for all types of private farms (large restructured farms, small family farms, household plots); it received great publicity; it established links with agro-processing industries, input suppliers, market and research structures; and it carefully studied its clients' needs, established pilot farm programs, and opened small offices in five districts of the region to better serve them. This pilot project was considered so successful that Government asked the aid agency to replicate it under follow-up financing.

However the project's weakness was that it had not been designed to achieve long term institutional sustainability. As a result, less than one year after project completion, few achievements remain: the Provincial authorities have stopped financing the newly created agency; the number of clients has dramatically dropped as they are either unable or unwilling to pay for the services (for which incidentally they had not been charged till the very end of the project) and the payments by the few clients who remain are not enough to cover even part of office expenses; half of the agency's experts trained by the project have moved to new jobs; and the cars supplied by the project to reach the agency's clients have been appropriated by the Provincial administration or other agencies.

The other new project had even more ambitious objectives: to make use of the above model to create three sustainable support centers for private farms in three of the country's Provinces and to establish a National Co-ordination and Training Center for all similar structures in the sector.

Such nation wide goals required the active support of the highest administrative levels (appreciated environment), which the project received initially from the official Project Partner (Cabinet of Ministers). However responsibility for the project was soon transferred to the Ministry of Agriculture as a result of a later agreement with the consulting firm. This change turned out to significantly limit the ability of both the consultants and their national counterpart to influence the situation towards improvement of the legal environment, which was essential for project success. In addition, although the project's Terms of Reference (TOR) envisaged that the national coordination body would be established on the basis of existing resources (namely the advisory centers "network" mentioned above), at the bidding stage, one of the bidders had proposed instead the idea of a new independent national center, and ended up being awarded the contract by the aid agency. Finally, no financial provision was made in the TOR for the legal advice required for the legislative changes needed to establish extension services nation-wide.

During project implementation, cooperation with other projects in the sector was limited to only a few of the other donors. Relationships with other projects, including the network of advisory centers that was supposed to be strengthened and eventually organized as a coordination body, appear to have been overlooked (influenceable environment). The situation in the field (in the three Provinces where extension-type services were being established) was similar. There was little cooperation among the three centers, and almost no exchange of expertise or information: the three Team Leaders assigned to each of the three Provinces had different expertise in (1) training, (2) business development and (3) marketing and ran "their" center accordingly (controllable environment). Although the clients' needs had been carefully studied and revealed evidence of a considerable demand for advice on legal, land ownership issues and property rights, a standardized approach was adopted for the composition of the teams in all three Provinces (crop specialist, animal husbandry specialist, IT specialist, accounting specialist, marketing and business development specialist), which recognized neither the need for legal services, nor regional differences in the demand for services.

Finally, the sustainability of the National Coordination and Training Center now seems in doubt as the Ministry of Agriculture failed to obtain Parliamentary approval for the Law on Extension Services which had been drafted with the project's assistance, though without the

support of other international donors working in the sector. In conclusion, despite all the inputs from external assistance and the contributions of many individuals at different levels of Government, the country's private agricultural sector will see few benefits from the advisory and support services that were intended to increase farm efficiency and profitability.

Recommendations

Extension services function in more than 120 countries in the world. As Transushnyia further explores the idea of creating a national extension service to advise and train farmers and reform its agricultural sector, it would be helpful for both the country and the donor community to examine what lessons can be learned from past experience.

A key weakness of the projects reviewed here has been their institutional design, and in particular their failure to take full account of the project's appreciated, influenceable and controllable institutional environments at each of the stages of the project cycle—namely at the time of project identification and preparation of the Terms of Reference; during project implementation and ultimately for the ex-post evaluation of the results achieved.

Appreciated environment

The establishment of a nation wide system of agricultural extension services, which is predicated on state support and assurance of sustainable financing, at least initially, requires a thoroughly thought out approach. Project preparation, in particular, must be conducted with the participation of all key stakeholders.

As a starting point, it is necessary to understand the external institutional environment in which the sector operates, its evolution and the predictable changes over the next few years. This should provide the basis for generating a vision of a desirable future with particular emphasis, in this case, on the need for extension services.

Governments tend to have a short-term vision and hesitate to spend on new programs with primarily long-term benefits. It would have therefore been necessary for Government and Parliament to develop and share a vision of the long-term benefits that would arise from the establishment of an extension services system. This could have been done through the technique of the search conference and reinforced by professional seminars designed for the relevant committees of Parliament. Such a participative approach, when conducted with the necessary experience and process skills, can often help reach agreement on common purposes and pave the way towards adoption of the necessary legislative changes – i.e., provided that the follow-up steps are carefully designed. In particular in order to maintain commitment and momentum, permanent contacts must be kept with the key stakeholders, such as top-level decision makers at the national level and within the line ministries whose support would be essential. Furthermore, support for the new vision can be enhanced through demonstration techniques such as study tours to the countries where extension services operate successfully. For example, observation and discussion of other transition countries' experience could be particularly relevant as it might reveal creative approaches as in Lithuania where there is no Law on Extension Services but the

agricultural extension services system is supported by the state through other appropriate legislative acts, and budget funds are made available for the proper functioning of the system.

Influenceable environment

The main problem in Transishnyia appeared to be a lack of interagency coordination and cooperation. The majority of the projects in the agricultural and food sector are multi-component and complex, and cover different areas such as policy advice, institution building, restructuring, post-privatization support, field pilot programs, marketing, accounting, introduction of new technologies, training, education etc. Specific projects aimed towards the establishment of agricultural extension services system (especially country-wide) require close links with relevant sectors. Moreover, proper cooperation among all existing advisory centers irrespective of their sources of financing is critical for project success. Within the agricultural sector administration, it is also important to work out the respective responsibilities/mandates of the national advisory/extension service and the Provincial departments of agriculture in order to ensure mutual cooperation rather than risk conflict e.g. due to overlapping functions and responsibilities. Information as to the mandate, objectives and likely benefits from the extension services should also be made widely available to the clients, administration and all relevant agencies.

Finally, because agricultural extension requires both access to worldwide scientific knowledge and experience, and understanding of local conditions and traditions, interactive participation of all advisory/extension-type structures and wide use of local expertise are essential for success.

Needless to say, to take account of the economic situation of the country and ensure continuity of the efforts already made, designers should preferably build the coordination structures and processes on the basis of those that exist, rather than ignore them and attempt to create new ones which might lack the necessary legitimacy, efficiency, or cultural appropriateness.

Controllable environment

Adoption of “ready-made” solutions or “cookie-cutter” designs such as a rigid professional composition of project teams, instead of one reflecting the special situation of a county’s regions, is inconsistent with the fundamental principle of client-orientation that is necessary to ensure long-term benefits and sustainability. The institutional design for the actual delivery of extension services must be demand-driven to ensure that the advice is based on best practice creatively adapted to local conditions. This may require drawing on the help of strategically located demonstration farms/early adopters, selected by the local community as change agents, or that of successful farmers from other communities (farmer-to-farmer/community-to-community extension). Another design element of particular significance in the agricultural sector is the factor of time as it is an essential ingredient of the process of behavioral change: in particular, training must be synchronized with farming activities to ensure its practical application; project inputs must be delivered on time; advice must be given when farmers are available, and the schedule of extension services must be reliably adhered to. Last but not least, since the benefits from the agricultural extension services cannot be seen immediately, the sequencing of the steps necessary for successful introduction of payments for services must be devised with extreme care -- and especially so in countries still in transition from a socialist system.

Finally appropriate learning systems must be designed to capture quantitative factors as well as qualitative (including behavioral) factors for both monitoring/management purposes and ex-post evaluation, and to ensure longer term sustainability and replication.

