



Innovations in financing mechanisms for demand driven agricultural advisory services

Synthesis of case studies by FAO

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Need for new financial mechanisms

Main argument:

- Demand driven agricultural Advisory Services (AAS) to become more relevant
- Increased relevance implies that AAS become more effective
- However, relevance is only one factor that determines effectiveness of AAS

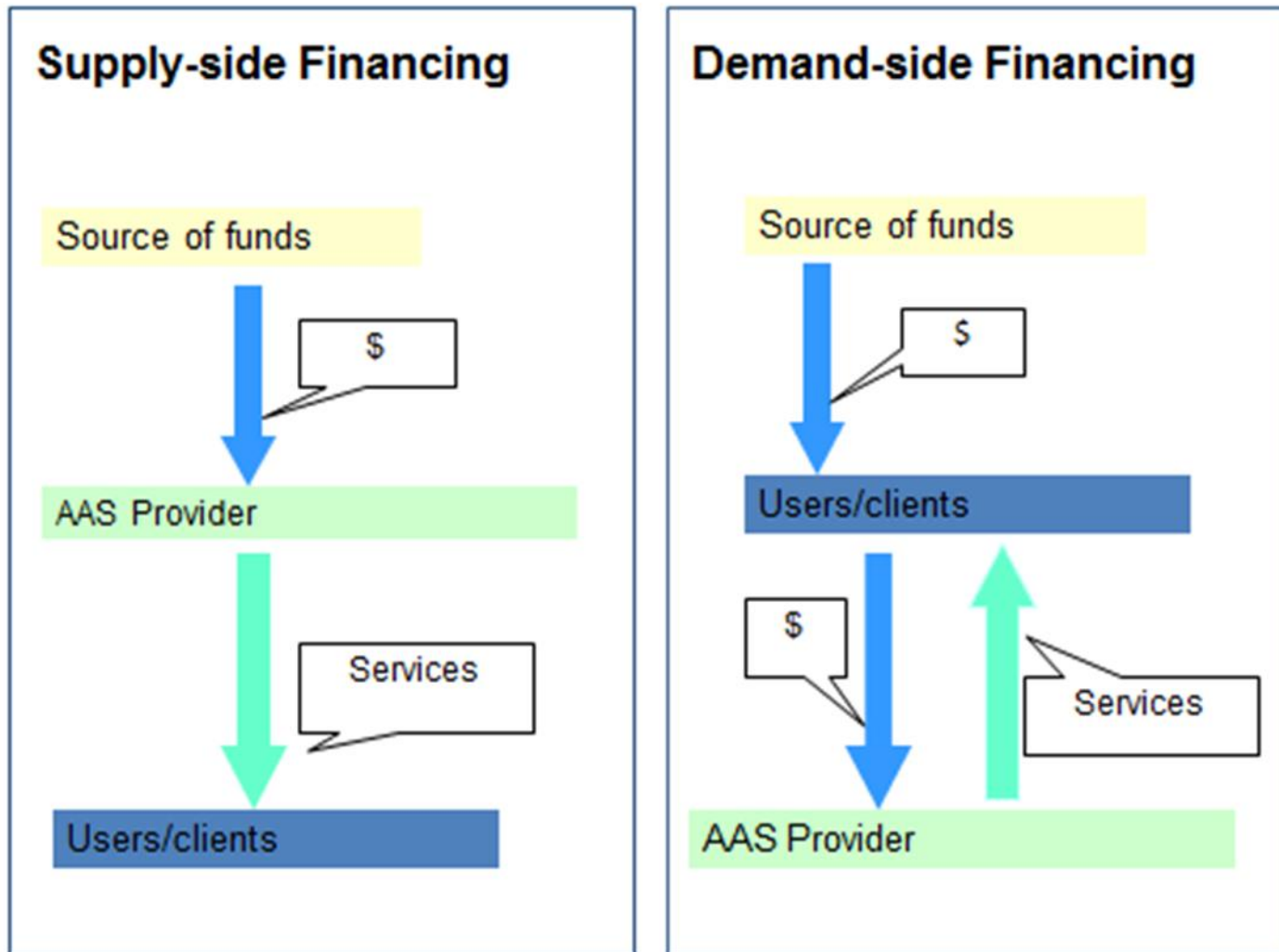
Main principles:

- Provided based on the user's demand
- User are enabled to pay for the services
- Providers are accountable to the users re content and quality
- Users have a choice of service providers

New financing mechanisms that will empower the farmers

- Enable farmers to pay for the services they want/demand
 - Make the AAS providers accountable to the farmers
 - Give greater responsibility to farmers/FOs for the AAS
- > This requires changes in the institutional set-up, governance and procedures for service delivery, transparency what services are offered at what price and quality, etc.

Financing - flow of funds



Demand side Financing Mechanisms

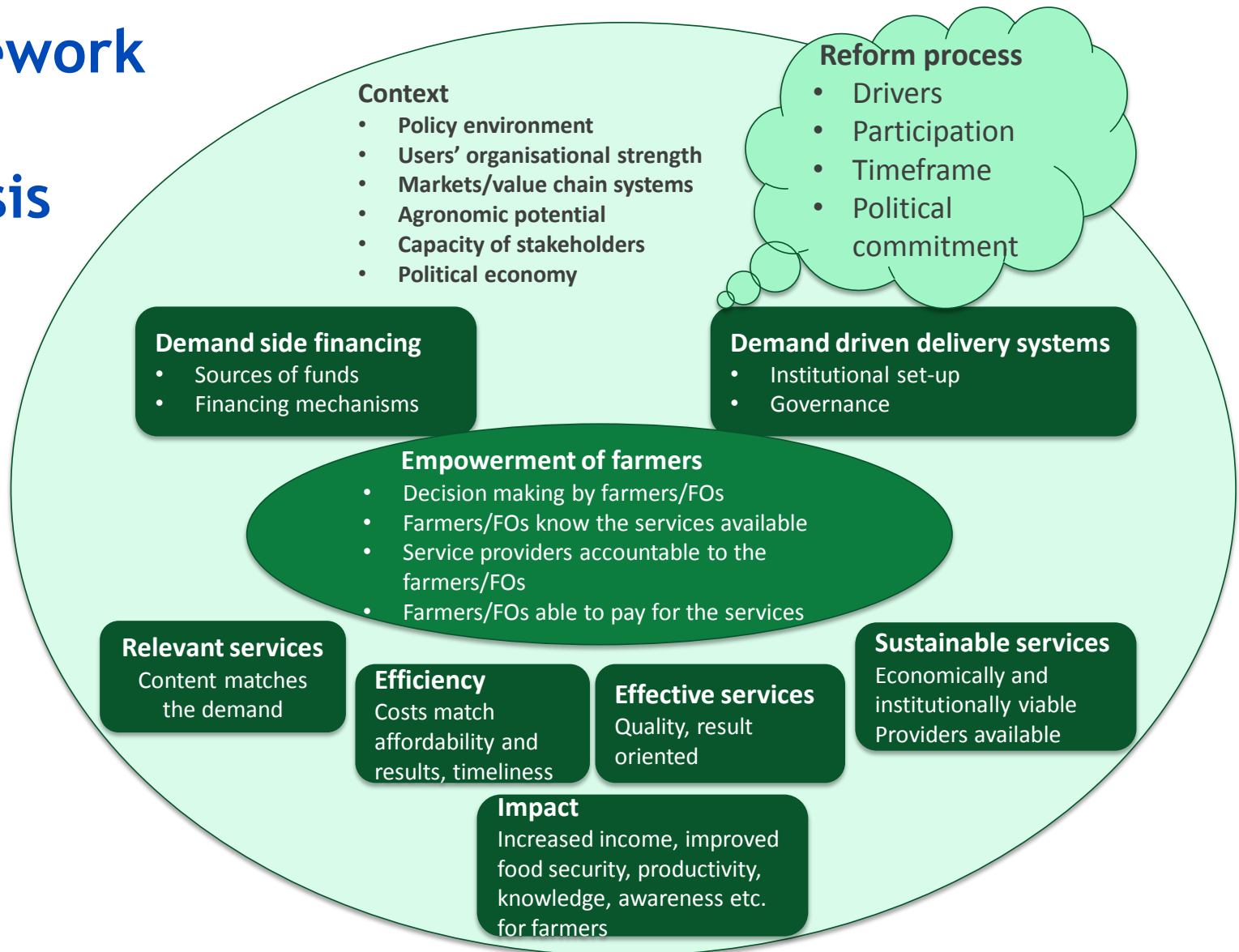
- Financial participation by the users through
 - Direct payment for services by the users
 - Indirect payment through membership fees
 - Indirect through production levies, taxes, etc.
- Third party funds (public funds, donor funds, etc.) channelled through the users or their organizations to pay for services
- Service provision by producer owned organizations



Methodology

- Need for studies - several initiatives with new financial mechanisms, but little is known about the results
- Four case studies (Chile, Colombia, Denmark and Senegal)
 - Context, reform process, institutional set-up, financing mechanism, results and challenges
- Synthesis of the four cases
- Analyses across the cases:
 - Results
 - Challenges
 - Lessons learned
 - Conclusions

Framework for Analysis





Case studies

Danish Agricultural Advisory Services (DAAS)

- Historic development since 1870's
- FOs providing advisory system and services
- Public grants to FOs for subsidising salaries of advisers employed by FOs
- Combined with farmer/user payments
- FOs later (from 1970's) created Advisory Service Centres, owned and governed by them
- National Centre (1981) to provide back up services
- Gradually developed to full user payment
- Back Up Services and Applied Research financed through production levies and tax refunds



Agricultural Services and Producer Organizations Support Programme (PSAOP)

- Senegal

- Reforms towards decentralised demand-led services
- Public funding is provided to ANCAR, the main service provider
- Structures, procedures and finances for farmers' demand and negotiation of services by them
- Public funding to ASPRODEB (FO owned NGO) financing the demand process of FOs at community level as well as projects proposed and carried out by FOs.
- The services based on contractual arrangements with the AAS providers selected by the farmers or their FOs, but funded ANCAR



Institute for Agricultural Development (INDAP)

- Chile

- Several reforms since 1978 of public extension services. This included important changes based on shifting Governments' policies
- Public AAS coordinated by the national institution INDAP who outsources advisory services through calls for tenders
- A multitude of decentralized public and private service providers, including FOs, emerged through this tendering approach. Grants managed by INDAP
- Public grants mechanism is combined with users' financial contribution (10-20%) to the service provider



Nariño Dairy Products Cooperative (COLACTEOS) - Colombia

- Producers' cooperative based AAS services
- COLACTEOS employs a team of technical advisers
- Technical services are provided to all cooperative members to ensure milk quality
- These services are fully financed through the benefits from processing and marketing activities of the cooperative
- Additional services are contracted from external providers. The cooperative organizes these services on request from the members, but the latter bear the costs.





Results

Relevance

- Farmers engaged in financing, planning and governing AAS become empowered to demand relevant AAS
- Demand side financing can make services more relevant, but also depends on:
 - Need to be combined with participation in decision making and governance (two cases reversed back on this > less relevant AAS)
 - Governance by farmers - Influence of “ruling class” of farmers on relevance of AAS
 - Farmers need to see their benefit to participate
 - Availability of advisers with relevant expertise is crucial

Effectiveness

- Focus in cases are quality of AAS, increase in productivity and income levels
- Many factors influence effectiveness
- Mixed results:
 - Where implementation is successful, effectiveness is seen - as knowledge and technologies are effectively put to practice
 - COLACTEOS
 - DAAS
 - PSAOP - in areas where quality services matched demand
 - INDAP - in programmes that link to market opportunities

Sustainability

- Sustainability aspects / financial mechanisms impact positively on demand drive
 - Effective demand and a functional market for AAS
 - Good indicators:
 - AAS providers available that match the demand
 - Farmers/FOs finance or co-finance AAS

- Depending on:
 - Organizational strength of AAS system and FOs and ownership by FOs
 - Consistency in Government Policy - in some of the cases the sustainability is compromised by changing Government policies

Impact

- Contribution to farmer empowerment and development of the agricultural sector
- Mixed results - also as a result of the different time perspective (time needed for capacity development)
- For empowerment the demand side financing mechanisms are crucial, but it also requires adapting and strengthening of institutional set-ups.
 - Danish case - This influenced the way how farmers organised the whole sector and gained control - also regarding the technical knowledge
 - PSAOP case - Signs of empowerment as result of the demand side financing provided through ASPRODEP for FOs resulting in increased FO capacity and participation in AAS



Lessons learned and conclusion

Lessons learned

- Long term political commitment is crucial, but also a great challenge
- Institutional set-ups and organisational capacities are crucial, but can also be strengthened through the reforms
- Demand orientation requires a functional market of qualified AAS providers. This can be developed through:
 - demand side financing for demand formulation/negotiation and increased purchasing power of farmers/FOs,
 - access to markets to raise farmers' income,
 - multiple service providers with quality services.
- Gender equality in access to AAS requires particular policies and targets (none of the cases had this)

Conclusion

Demand oriented governance systems and procedures as well as respective financing mechanisms are necessary to develop functional accountability to farmers and impact of services

Success, however, depends on:

- Long term political commitment (for supportive policy and finance) or independence from government interference
- Effective demand (purchasing power)
- Providing farmers with market opportunities
- Resources for capacity development for farmers' and FOs' empowerment and their influence in decision making re AAS
- Better monitoring needed to evaluate and guide reforms

Thanks to

- Latin American Center for Rural Development (RIMISP) for the cases from Chile and Colombia
- Initiative Prospective Agricole et Rurale (IPAR) for the case from Senegal and
- Knowledge Centre for Agriculture (DAAS) for the case from Denmark



THANK YOU for your attention

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