Common Framework on Market-Oriented Agricultural Advisory Services

NEUCHÂTEL GROUP

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Foreword

This Common Framework on Market-Oriented Agricultural Advisory Services has been prepared by an informal working group of the Neuchâtel Initiative (NI). The conclusions presented here reflect the findings of over thirty case studies collected during 2006, as well as a literature review and experiences from a range of other sources. Initial findings were used to prepare a working paper[1] that was discussed at the annual meeting of the NI in November 2006. The insights and conclusions were discussed further and validated with experts of the Natural Resources Institute (NRI) and the Regoverning Markets Programme at a workshop in September 2007. The final document was endorsed by the affiliates of the Neuchâtel Initiative in November 2007.

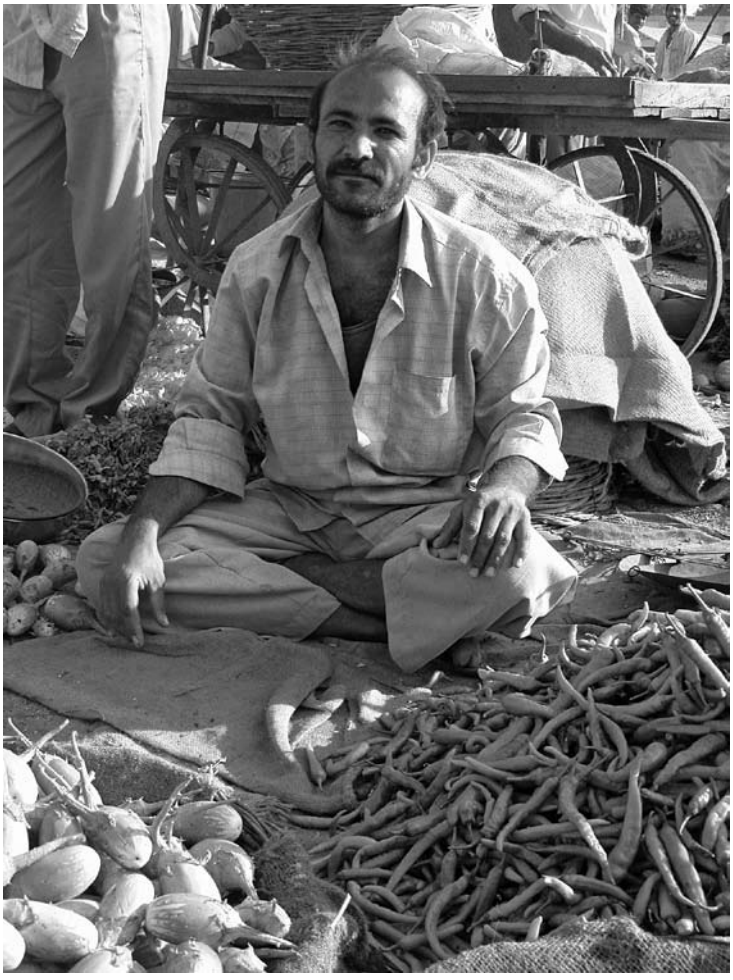
At the outset it is important to acknowledge that the case studies used in the analysis for this Common Framework primarily describe aid-financed project interventions. This reflects the fact that major challenges are remaining in moving aid efforts towards engagement with the 'real world' of both markets and public policies. This Common Framework strives to transcend the tunnel vision of looking at markets and policies through the lens of projects to raise greater attention to what has been learnt and what needs to be strengthened in market-oriented advisory services.

The topic of market-oriented advisory services brings together many of the themes of advisory service policy and reform that have confronted the NI over the past decade. Starting with the first Common Framework for Agricultural Extension (1999) the Neuchâtel Initiative has called for greater market orientation. Subsequent common frameworks have dealt with related issues such as how to finance advisory services, how to ensure that services benefit the poor, how to create a stronger demand orientation and how to monitor and evaluate advisory services. A running theme in all of these publications has been the importance of designing policies, priorities and intervention strategies within an awareness of the market context in which advisory services operate. This latest common framework draws together many of these findings from the past as well as more recent experiences with promoting stronger market orientation and commercial success for poor rural producers, and considers the implications within the

[1] The working paper and the case studies are available at www.neuchatelinitiative.net.

perspective of the current dramatic changes and future dynamics in markets for agricultural products and services.

The aim of this Common Framework is to provide guidance for a range of actors in how to more effectively and consistently promote market orientation in advisory services. Earlier Common Frameworks focused primarily on advice for donors. In light of the changing nature of aid in development processes it is now more appropriate to emphasise the role of public expenditure more broadly, since aid is now seen as a component of overall policy frameworks.



Summary

Key elements for promotion of Market-Oriented Agricultural Advisory Services (MOAAS)

Defining MOAAS

- Effective MOAAS involves advisory support for producers as well as for other actors in the value chains.
- MOAAS include a highly diverse range of services ranging from technical know-how, understanding of markets, their requirements and business management to organisational development, and facilitation of change in value chains. This illustrates the diversity of advisory service needs for creating increased competitiveness among the diverse actors in value chains.
- MOAAS are provided by very diverse types of service providers – public and private. Often MOAAS are embedded in business transactions or in marketing services provided by producer or value chain organisations.
- MOAAS providers themselves need a steady flow of advice, access to up-to-date knowhow and support to develop their capacities if they are to provide relevant services in dynamic market environments and maintain the quality of their services.
- The full range of MOAAS services along value chains – including facilitation and brokering of linkages and changes in value chains, as well as back-up services (which are now frequently provided by externally funded actors) – must ultimately be provided by local actors.
- Together these factors suggest that MOAAS should be designed as an integral part of the broader innovation systems that support the competitive strategies of producers and other value chain actors.

Effective and pro-poor MOAAS

- Policies for MOAAS must transcend a focus on 'helping small farmers' to instead recognise the essential role of actors all along the value chains in providing access to markets for poor producers and rural employment opportunities.
- Public investment in MOAAS should include building sustainable local capacity for facilitation and brokering of relations and change within value chains.
- Market orientation involves risks for the rural poor. MOAAS should include strategies for reducing these risks among the more vulnerable sectors of the population.
- MOAAS can play an important role in promoting trust and transparency by increasing communication and awareness among value chain actors of contractual norms and obligations, but must also take into account the power relations and oligopolistic practices prevailing in many rural markets.

- Commercialisation can bring both benefits and problems for rural women. MOAAS should closely monitor how changes in production and marketing systems affect men and women and include measures that contribute to positive impacts.
- Commercialisation holds the potential for enhanced food security but there are also risks for poor households. MOAAS interventions must monitor impacts on the poor and devise corrective interventions as required, as well as proactively identify commercial opportunities that can benefit poor people even in difficult areas.

Policies and financing priorities for pro-poor market orientation

- MOAAS can only be effective if they are embedded in broader policy frameworks that are favourable for the rural poor to engage more in market-driven economic development.
- These policies must include provision for iterative processes which bring different stakeholders together to reflect on how to deal with the changing market environment.
- Strengthened producer and agribusiness organisations create possibilities for policy consultation on market orientation issues, and decentralisation can enable stakeholders to frame MOAAS policy and strategies at the local level.
- MOAAS policy formulation is not just a matter for government. Private sector self-regulation and strengthening of the voice of organisations of producers and other value chain actors are part of the process.
- MOAAS can only be successful if they are in tune with a range of factors in a wider context, such as e.g. global and regional trade regulations, or mega-trends such as increasing demand for bio-fuels. This implies a need for adequate investments in policy research.
- Public investment in MOAAS is essential in order to assist the weaker players in the value chain to improve their position. This should encourage a market with diverse service providers and avoid crowding out private investment with inappropriate subsidies.
- Partial payment for services by users is an effective means to ensure accountability and quality of services, and should be considered regardless of whether the services are publicly or privately provided.
- There is a need to recognise and harness the significant investment being made by the private sector in MOAAS for pro-poor development.
- Core challenges for financing MOAAS are to draw lessons from existing experience on how to utilise scarce public resources for inclusive, market-driven rural development.
- Public investment is normally necessary to ensure MOAAS back-up services, as the private sector tends not to provide these adequately.

1

New dynamics in rural development

The market environment is changing

The agricultural market environment is changing with unprecedented speed and in very diverse ways – globally and locally. These dynamics affect rural people even in the most isolated areas. The future for many small farms is bleak as traditional semi-subsistence systems no longer provide for a decent living and rural youth strive for other forms of employment. Increasing engagement in markets has become a reality for the vast majority of the rural population. These developments pose extraordinary challenges for rural people, but potentially also offer major opportunities. This Common Framework considers how advisory services can increase access to these opportunities, but also reflects a realisation that this will present new organisational and financing challenges to both national governments and donor agencies. Trade liberalisation, changing market structures and new supply chains – domestic and international – affect all farmers. A small number of well-off farmers with favourable conditions for production have been the primary beneficiaries of these developments, while the majority of rural people are facing a range of constraints to achieve market success in these dynamic environments. Small-scale producers, traders and processors have been largely unable to take advantage of available opportunities due to high transaction costs and inefficient value chains for their products. The causes for this include:

- lack of commercial know-how and information,
- production and quality-related constraints,
- lack of capital,
- inability to take risks due to small margins for survival,
- distrust and misgivings among different actors along value chains,
- oligopolistic market structures,
- weak governance in rural areas, and
- declining public investment in agricultural development, particularly advisory services.

Above all, small-scale producers and processors are unable to reap the benefits of new market opportunities because they face substantial obstacles in meeting market demands for quality, quantity and timeliness. To retain viable livelihoods, small producers in many areas need to move from a focus on production for home consumption and occasional marketing of surpluses to production for the market, i.e. to responding to the ever increasing demands of the market.

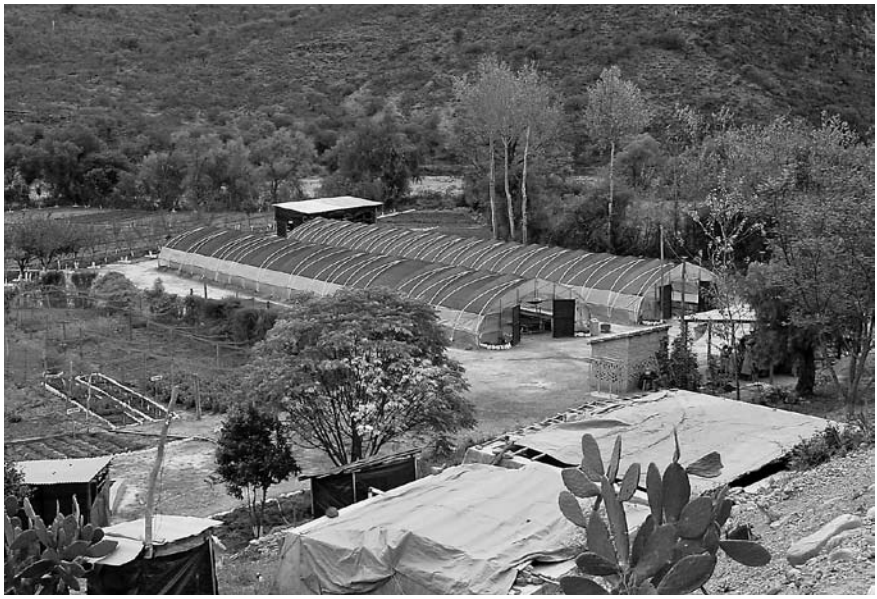
Advisory services are essential for market success

Many of the constraints facing the poor are related to a lack of adequate know-how. The majority of the rural producers need to expand their understanding of markets and economic opportunities if they are to achieve more market success. Market-oriented agricultural advisory services can play an important role in helping their clients to overcome know-how constraints, and thus are an essential component of the wider range of services that are needed if the new dynamics of agricultural markets are to contribute to poverty alleviation.

Development efforts increasingly engage in promoting MOAAS and addressing other market-related constraints for rural people, but often their perspectives are too narrow to address the challenges faced by the poor and the scale of innovative programmes has been too small to have significant impact. Also, relatively few advisory services have been able to support small-scale producers effectively in increasing their competitiveness. This has been partially due to systemic deficiencies. Advisors have not received appropriate training and research has not provided market relevant findings.

Moreover, market constraints are not only a problem for small-scale farmers, but for all business actors involved in value chains for agricultural products. The MOAAS challenge is therefore to contribute to an overall improved and more dynamic business environment for agricultural production and marketing for all actors along a value chain.

This involves targeted support to those who lack the resources or the power to draw on the services they need for market participation. MOAAS cannot provide a comprehensive solution for addressing the oligopolistic market structures that exist in many contexts, but by creating greater transparency, advisory services can make a contribution toward needed change. MOAAS are an essential component (though not a guarantee) for inclusive rural development, and have to be considered as a public good.



This Common Framework outlines essential principles for pro-poor MOAAS and the policies necessary for MOAAS to operate effectively, strengthen access to markets for the rural poor and promote sustainable market-driven rural development. It does not, however, suggest specific models for public investment or provide donors with guidelines for decisions on aid priorities. Experience with MOAAS has shown the importance of greater attention to scaling-up, but has also shown that this must be done within local and national processes of learning from experience and defining what should be scaled-up. MOAAS is only one component of pro-poor rural development, and public policies and priorities must be determined within a broader analysis of the actors and market dynamics in any given context.

What are market-oriented agricultural advisory services?

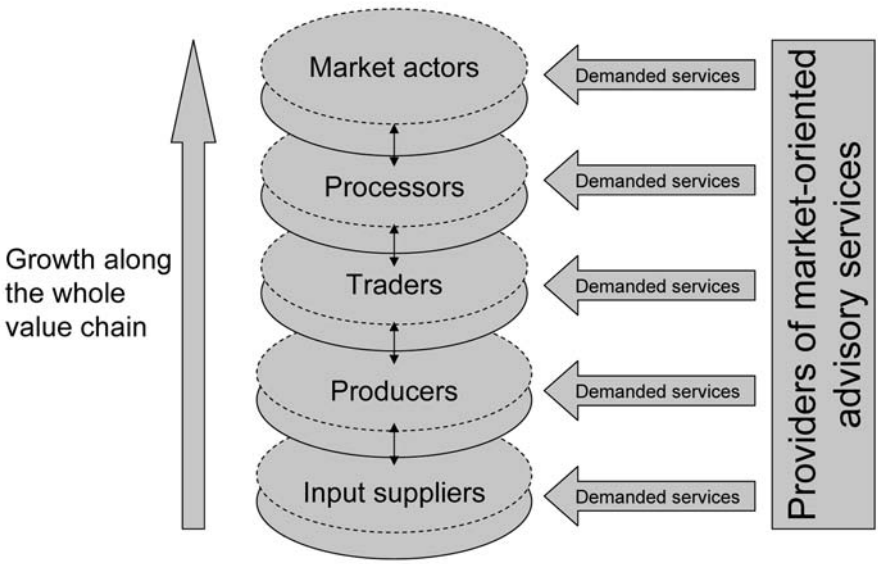
The MOAAS clientele – not just farmers, but all value chain actors

This Common Framework defines pro-poor MOAAS as follows:

> **Pro-poor MOAAS are knowledge services which assist small- to medium-scale farmers and other actors in agricultural value chains to increase their access to markets and secure benefits from commercialisation**.

This means looking beyond the problems of (poor) rural producers to look at the challenges faced by a range of actors throughout the value chain, in order to enhance the functioning of the whole chain. Figure 1 illustrates this concept.

Figure 1. A value chain approach to advisory services



There are advisory service clients at each tier in the value chain. The clients thus can range from input providers, producers or producer organisations, micro-processors or multinational processing companies, to small and large traders or export companies. Even other organisations, such as financial service providers, may need advisory services to better understand the market prospects for their potential clients.

It is important that the clients at all levels are viewed as businesses, which demand and use services. Each of the actors requires know-how and advice and must develop a sustainable and trusting relationship with the advisory service providers that they deem competent and valuable.

MOAAS – a highly diverse range of services

Producers and other business clients along value chains require a broad range of advisory services in order to enhance their market orientation and competitiveness. MOAAS tasks can be related to understanding markets and business planning. Other tasks are more technical, related to improving production, meeting quality requirements and product value addition. In addition to training and advice, MOAAS can involve facilitating institutional change processes and building linkages among different value chain actors. Thus, MOAAS include conventional agricultural advisory services as well as a range of other non-financial business-related services. The following is an overview of what MOAAS may include:

- technical know-how to improve quality, quantity and timing of production etc. (e.g. selection of products, varieties and animal breeds suitable for the market, good agricultural practices including soil fertility management, plant protection and water management),
- know-how related to economics, business management and markets (e.g. (farm) enterprise analysis, marketing, market analysis, business planning and record keeping, but also advice on legal, regulatory and certification issues),
- know-how to enable value chain actors to meet market or value chain quality requirements (e.g. post-harvest handling and storage, processing and packaging technology, meeting food safety and agricultural practices standards, consumer rights),
- capacity development for strengthening producer and other value chain actor groups (e.g. financial management, leadership, situation analysis and action planning, negotiation skills, participatory innovation development),

- facilitating and accompanying changes in value chain management (e.g. coordination of production and establishment of collective marketing, negotiation of contracts, legal aspects, brand development, linking producers to supermarket supply chains or fair-trade, organic and other specialised markets, access to certification and accreditation schemes),
- facilitating linkages among different actors along value chains (e.g. convening multi-stakeholder forums to understand market trends and drivers, to foster better mutual understanding and trust, to identify bottlenecks along value chains and devise solutions, and to assist traders and processors to link up with reliable producers).

A special feature of MOAAS is that it can include unconventional types of services that are adapted locally to address specific constraints in a given value chain. Box 1 provides two examples where local actors have developed their own innovative service approaches to tackle specific market constraints.

Box 1. Unconventional examples of MOAAS services

Ginger marketing in Cameroon

Efforts to enhance the productivity of ginger through better production practices in Cameroon resulted in oversupply in local markets and a drop in prices. As a response the producers' organisations took on the role of managing the supply to the local market by dividing the producers into four zones and allocating the producers in each zone a rotating set of days during which they could market their ginger. Prices increased again to profitable levels. The next step was to explore how to access more distant markets in order to maintain production quantities. The case shows that small-scale producers can manage their markets and secure good return if they are well organised.

Wakulima Shushushus in Tanzania

Mufindi district in Tanzania has very successfully spearheaded the use of Wakulima Shushushus, the "farmer market spy". These are village representatives that travel to far-away markets and negotiate deals with potential buyers while remaining in constant contact with their home village using mobile phones.

Sources: Case studies NOWEFOR/SAILD Cameroon and First Mile Project Tanzania

Of course, MOAAS alone does not get products from the farm to the consumer. A range of other "tangible" services from input supply, artificial insemination and finance to packing, product collection and transport are needed in order for farmers, traders, processors and other value chain

actors to be able to use the advice that they receive. Infrastructure such as facilities for collection, grading and packaging are also important (as are roads), but if small-scale producers are to benefit from such investments they will usually need advice as well. An important aspect of value chain approaches has been joining together the reform of advisory services with efforts to ensure that an appropriate and integrated set of services and infrastructure are available that are all linked to market demands.

Types of MOAAS providers

MOAAS may be offered by diverse types of service providers – public and private, large- and small-scale, conventional and innovative. The following is an overview of the main types of service providers.

Producer and commodity organisations. These often play important roles in MOAAS. They have varying scales – village producer groups, regional umbrella producer associations and cooperatives, processing and export organisations, value chain associations and national industry associations. Usually their main concerns are services related to marketing, but in many cases they also provide know-how services to their members, either through employed advisors or through linking with external advisors. They also exert major influence on the bargaining and political power of small-scale producers and other actors in value chains.

Processing and trading enterprises. Processing and trading enterprises provide MOAAS to ensure they get the right quality and quantity of produce at the right time from their suppliers. These services often require a high degree of specialisation and are usually embedded in contract farming arrangements and other business transactions.

Independent private service enterprises. These can range from individuals and small firms of several advisors to larger training and resource institutions. Independent private advisory service and training firms providing know-how services directly to agricultural producers are relatively rare, while business development services are much more commonly provided by such providers. In high potential areas private advisory services are likely to find adequate business opportunities; by using public funds for enabling poorer farmers and other small-scale value chain actors to contract services, they can be encouraged to operate in areas with less commercial potential and serve poorer clients.

Input suppliers. Suppliers of seed, livestock, agro-chemicals, animal feed, veterinary medicines and equipment are probably the largest single private sector suppliers of technical information to producers. Their advice is linked to the products marketed and this presents an opportunity as well as a risk, as they may not be adequately aware of market requirements or may provide advice biased towards their own interests.

Village advisers. Village or community-based service providers are promoted in many places by development agencies and increasingly also governments, particularly for para-veterinary, but also other services. They can provide basic know-how in their area of specialisation to fellow villagers, liaise with external actors and may provide a modicum of private services in areas where the more professional private providers are unwilling to invest. If they are to be sustainable, it is essential that a local remuneration system is in place and that they can access back-up services once external funding is discontinued.

Public advisory service organisations. Public advisory service organisations range from traditional line agencies dealing with plant and livestock extension to services decentralised to district or communal level. Though they have been heavily criticised in recent decades, they still exist in most Asian and African as well as in a number of Latin American and European countries. These traditionally production-oriented services normally need

substantial reorientation if they are to provide effective MOAAS. In areas where there are few service options, they may be the only available service provider.

Mixed public-private-civil society systems. In many contexts new forms of agreements are being made that take advantage of the pluralistic nature of advisory services by promoting collaboration among different actors in redefined roles and relationships. The categories listed above are often the starting point for the creation of new systems for service provision.

NGOs often intervene in value chains by brokering relationships among these different actors. This can be a very important task when long-standing local distrust stands in the way of creating new relationships. However, as mentioned above, there is a delicate balance between intervening to promote more effective systems and inappropriate replacement of essential facilitation functions that need to be available in the long-term.

The challenges in increasing market access for small-scale producers and the innovations required to address them sometimes lead to creative and unconventional types of MOAAS providers – as described in box 2.

Box 2. Unconventional examples of MOAAS providers

A shareholder value chain company in Bolivia

Within an agricultural sector programme in Bolivia, small-scale producers in a remote area are being supported in producing oregano and other herbs and spices for distant markets. In order to ensure sustainable service provision along a geographically spread value chain, a private commercial shareholder company was established to provide all necessary services. Several cooperatives joined with a regional foundation of the national Bolivian System for Agriculture and Livestock Technologies and an NGO. This company, the Spice and Condiment Business Unit Inc. (UNEC), makes contracts with farmers to provide advice, training and inputs. They also support innovations in processing, and take on all aspects of marketing the produce, such as linkages and negotiations with buyers, packaging, transport and payment.

A private mango entrepreneur in Ghana

In Accra an independent private entrepreneur purchases mangoes and other fruits in regions where prices are low and supplies them to small home-based processing units together with advice. These sub-contractors make juice, which is then marketed by the entrepreneur. The juice is made with very simple means for local markets, but is profitable for those involved.

Local service centres

In Mali a shea butter value chain programme facilitates the establishment of village shea service centres that are expected to become information and service points for producers scattered around it. Also in other places the idea of local level service focal points has become popular again, though putting sustainable business models for such centres in place is an often unresolved challenge.

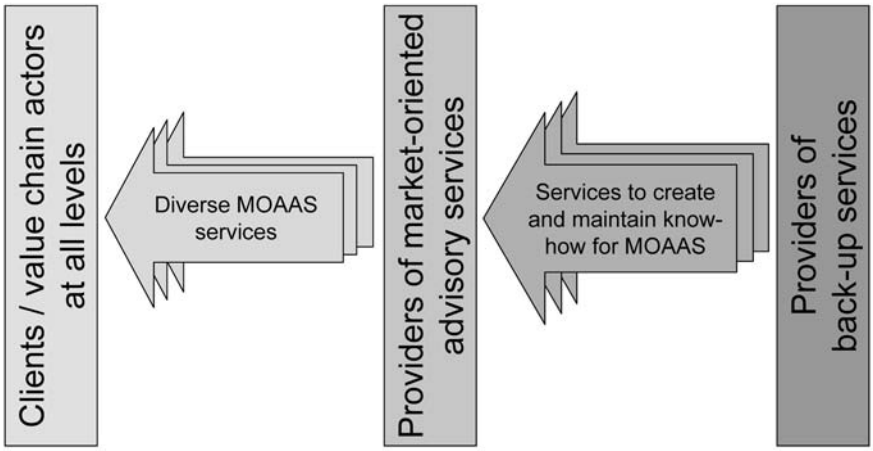
Sources: a) Case study FDTA Valles, b) Berg et al. 2006, Poverty Orientation of Value Chains in Ghana, SLE, Humboldt University, Berlin, c) Case study Intercooperation Mali

Back-up services for MOAAS – the service value chain

In order to establish effective service provision and to keep their services updated, attractive and of high quality, providers of MOAAS need access to know-how services themselves. Without regular training and access to information about changing market conditions, the quality of MOAAS advice is likely to decline, and bad market advice is worse than no advice for value chain clients. Such ‘back-up services’ typically include training and mentoring in technical and economic topics, as well as in facilitation and methodological skills, exploring and testing new technologies and

processes, business development, facilitation of policy dialogue, market analysis and development of training materials and service tools. The MOAAS directly provided to clients together with back-up services also constitute a value chain – the service value chain.

Figure 2. The MOAAS service value chain



It is important that the full service chain is functional. Public investments in MOAAS must therefore pay attention to ensuring that both public and private sector service providers have access to adequate back-up services.

This is a weakness in many public sector and donor funded interventions. Externally funded programmes tend to address the need for back-up services through temporary structures and staff that are employed by the programmes themselves. During a phase of change, the MOAAS system may need a major injection of capacity development support to stimulate piloting and innovation, but in the end local institutions must be able to provide back-up services in a more systemic manner and on a permanent and sustainable basis.

An effective and dynamic service value chain requires that agricultural education – diploma and degree courses at college as well as at university levels – is market-oriented too, an endeavour that demands substantial public investment.

MOAAS as part of a market-oriented innovation system

Research is an essential back-up service for advisory services. Traditionally, largely public research institutions have been viewed as the main source of innovation for agricultural development, though there is growing recognition that these are part of a range of sources of innovation.

With a market orientation perspective other sources of innovation sometimes have as much, if not more, importance as formal research. Technical innovation along value chains is still required, but an expanded perspective is required which includes the social and institutional innovations that are required to bring actors together, get products to market, ensure competitiveness and profitability, and establish linkages and networks among producers, processors, traders and service providers. Social innovation may emerge among one set of actors in the value chain, such as cooperatives or farmer groups, which can then contribute to changes in other parts of the value chain. Private sector actors in value chains are also important sources of innovation. MOAAS have a role in facilitating the development of social and institutional innovation, and supporting producers and other value chain actors in testing and evaluating new technologies and other innovations.

Formal research institutions have often been less capable of generating market-relevant outputs as they traditionally focused on increasing productivity. This has been recognised and many national agricultural research systems are now developing their capacities to deliver research services that respond to market demands, such as the analysis of market systems and mechanisms. Some research institutions are cooperating with advisory services in exploring markets and learning about new approaches. The benefits from this cooperation can be mutual. Advisory services gain access to new research and scientists learn from their colleagues in advisory services who may have more direct and ongoing contact with actors in the value chain and stronger tacit understanding of what market orientation means in practice.

Strengthened research/advisory service relationships for market orientation are increasingly important even beyond the specific demands of getting products to markets. The challenges of climate change mitigation and adaptation have shown that MOAAS cannot be seen as a separate issue from efforts to address environmental concerns and the changing nature of food security. Research can play a major role in drawing attention to the wider spectrum of risks when pursuing market opportunities. To be effective, however, the research community must become more aware of the local perspectives of value chain actors and advisory services as they struggle to maintain competitiveness.

In summary, MOAAS need to be viewed as part of an innovation system that embraces the totality of actors needed for effective market-oriented innovation to take place. A systems perspective also highlights the importance of an enabling environment – both regarding policies and institutions.

3

Promoting effective pro-poor MOAAS

From 'helping small farmers' to 'creating rural income opportunities'

The focus of MOAAS must be on creating rural income opportunities through dynamic market development in order to have significant and sustained impact. Promoting effective pro-poor MOAAS therefore means moving beyond services targeted directly to farmers, to working with those actors in a given value chain or market system which offer the best leverage for overcoming bottlenecks and for achieving benefits for all stakeholders. An approach of merely 'helping small farmers' is unlikely to provide them with much help if the value chains in which they engage, are not functioning effectively.

Experience has shown that such a shift in perspective can be difficult to achieve. Conventional advisory services have often little contact with non-farmers and non-conventional service providers, and are uncertain of their mandate in working with a wider range of stakeholders. Government decision makers and development agencies tend to distrust private sector actors, such as traders, processing enterprises and market intermediaries. Policies must recognise these as essential actors, who are providing access to markets and employment opportunities for the poor.

This new perspective may even include the need to work with large-scale agribusinesses beyond national borders. This is not to deny the many challenges that small-scale producers confront in benefiting from global trends in the agricultural sector, but rather highlights the importance of finding constructive ways to ensure that the rural poor can obtain maximum benefit from the changing environment.

Developing local capacity for facilitating and brokering linkages

In many MOAAS and value chain interventions, 'projects' are taking on the functions of facilitating and brokering between different value chain actors. The underlying assumption is that these functions are only required to facilitate change, and once the desired change is achieved, i.e. a chain or

market has reached a higher degree of effectiveness, they become unnecessary. This assumption must be critically questioned. Projects do not reach all actors on a broad enough scale and market demands are constantly and rapidly changing, which implies that the facilitation and broker functions need to be permanently and widely in place – either through service providers outside the value chain or within the organisations of the value chain actors themselves.

Therefore, MOAAS interventions and public investment must include the development of local facilitation and brokering capacity with producer and commodity associations, with private service providers, with the public sector advisory service system, or even through local civil society organisations.

Mitigating risks of market orientation

Poor small-scale producers and other rural entrepreneurs are often portrayed as having an inherently averse attitude toward risk. A major role of public investment is therefore assumed to be one of motivating the poor to overcome this attitude. This assumption fails to acknowledge that risk aversion is a rational consequence of the realities of poor actors dealing with uncertain and unreliable markets. Commercial involvement is indeed a high risk strategy for many. The struggle for survival constrains ability to explore and take risks. The need for capital to cover investment costs may lead to indebtedness and subsequent loss of land or other assets if investments fail. Markets are always risky, but for the small-scale producers and traders in the new and changing value chains they can have devastating consequences. Market-related risks discourage investment, specialisation, commercialisation and even innovation as a whole. On the other hand, while market orientation inevitably involves exposure to new risks, traditional subsistence systems are also becoming more precarious, as are the overall livelihoods of the rural poor.

Addressing risk is perhaps one of the greatest challenges of MOAAS. High quality MOAAS can provide the poor with the knowledge and information they need to reduce the risks of increased exposure to market factors and to make informed decisions about what risks they wish to take, for example by providing:

- better understanding about how different markets function and awareness of the options available in a market-oriented environment,

- realistic assessments of economic potentials and the risks of particular products and enterprises,
- increased transparency regarding prices, regulations and standards,
- facilitation of multi-stakeholder platforms to openly discuss the interests of different actors, and
- support to producer and commodity organisations in enhancing their negotiating skills.

For example, diversification in terms of producing a mix of products for subsistence and the market is often suggested as a practical risk minimisation strategy to be promoted by MOAAS. This type of diversification is how most small-scale producers have themselves traditionally sought to reduce their risks, but the opportunities for market engagement within low-risk strategies are diminishing as value chains become more focused towards markets with high demands, particularly for quality. This requires producers to acquire highly specialised know-how, which is difficult to do for several products. MOAAS can raise producers awareness about such demands and support them to decide which markets (and which risks) they wish to confront.

MOAAS also can play an important role in providing information about and facilitating access to risk reduction measures offered by other types of services, some of which are described in box 3.

Box 3. Examples of other services for risk reduction

Insurance. Insurance mechanisms are being increasingly explored as a tool for mitigation of risks related to droughts and floods, and a recognised aspect of this is the importance of building strong links to advisory services to ensure that farmers have access to information on, e.g. drought resistant varieties.

Warehouse receipt systems. These systems reduce producers' exposure to price fluctuations and can at the same time smooth cash flow fluctuations at household level through access to storage. In Africa these mechanisms have recently become popular as tools for risk mitigation, which can be linked with market information services and farm management advice.

Water management. Climate-related risks can be reduced through water management. Reliable irrigation is essential for accessing many higher value horticulture markets since supermarkets and processors demand regularity in timeliness, quantity and quality of produce. MOAAS can assist farmers in adopting effective water management technologies geared to fulfilling market demands.

Promoting trust and transparency

Distrust is one of the most notable problems in value chains, and one of the main reasons that producers and other value chain actors hesitate to take the risk of more market-oriented strategies. A history of exploitation and failures by all parties to live up to contractual obligations leads to missed investment opportunities and market inefficiencies. In some contexts these obstacles are increasing as the traditional channels and norms that have governed market relations decline due to the rise of new market actors with requirements for formal standards, product certification and procurement structures. Knowledge about these new structures is limited, and legal/regulatory mechanisms tend to be weak. MOAAS is not a complete solution where powerful actors are able to manipulate legal structures, but MOAAS can open communication channels and increase mutual awareness of how buyers and sellers can be held accountable and meet contractual obligations, and facilitate the establishment of such mechanisms.

MOAAS can also play an important role in promoting trust and transparency in relation to contract farming and outgrower schemes. Such arrangements may reduce risks for small-scale producers by shifting a measure of the risks to larger commercial entities. Contract farming also has the potential to overcome some of the main deficiencies in conventional advisory services by embedding the cost of advisory services in an overall contractual agreement and ensuring that advisers are held accountable for the impact of their advice by both producers and buyers.

There are, however, disadvantages inherent in the imbalance of power between the actors in contract farming. Advisory services cannot contribute significantly to addressing these structural factors. However, if they are independent from the trading and processing enterprises, advisory services can provide legal and other advice to enhance transparency regarding the 'rules of the game', which can help to strengthen the voice of producers.

Contributing to positive impacts of commercialisation for women

There are many instances where women gain from commercialisation, as members of a household and individually, and both in their roles as farmers and as income earners. However, women's access to income may also decrease and labour demands may become more arduous as part of the shift from subsistence to commercial farming. When a shift is made from producing for subsistence to cash crops that are seen as a 'men's domain', this may be accompanied by a shift of income and decision power from women to men. Box 4 shows an example where such commercialisation not only had a negative impact on the women's position, but also on household food security.

Box 4. Disempowerment of women and weakened food security

In a community development intervention in Kenya, an end-of-project review observed an overall positive impact on household food security as the communities had adopted improved and more intensive farming technologies. However, cases were reported from two districts where the increased cash cropping had led to increased food insecurity and malnutrition among women and children who even had to endure periods of hunger.

In the reported cases the male farmer signed a contract with a processing factory, i.e. with a sugar mill for sugar cane production. The women and children carried out most of the work in the fields, but when the harvest was paid the man would keep the income and channel insufficient money back into the household for purchase of food.

The situation was addressed through education of the whole family in gender aspects and nutrition, and through recommendations to keep a portion of the family land for family food crops, leaving the rest to be used for commercial contract farming.

Source: Personal communication Sanne Chipeta (sac@landscentret.dk)

MOAAS interventions need therefore to consider potential gender impacts and look how advisory services can contribute to a positive impact on women. This may include:

- pro-actively searching for commercial opportunities for women and promoting these,
- offering services specially tailored to women's needs and interests,
- employing an adequate number of female advisors, and
- continuous gender-differentiated monitoring of outcomes and impact.

Reducing goal conflicts between market orientation and food security

There are many examples of substantially enhanced well-being of whole households due to greater commercialisation of agriculture. In many parts of the world today, the highest levels of malnutrition are found in areas that are most reliant on subsistence farming, and rural livelihoods increasingly depend on expanding labour opportunities with larger farms and enterprises throughout the value chain. It should however be recognised that food security at household level can be weakened by greater market orientation, as is seen in the case described in Box 4. This may be the result of neglecting food production and insufficient allocation within the household of additional income to buying food, but it can also be the result of failures in commercial activities, which can lead to debts and loss of productive assets.

Thus, MOAAS interventions need to be designed in a way that minimises the risks for negative effects of market orientation on food security. MOAAS must carefully monitor the impacts that commercialisation has on poor people and, if necessary, devise corrective interventions that help those losing out in the commercialisation process.

Analysing limits of potential for market engagement

A central question for policy makers is where and how to invest scarce public resources to support the poor in benefiting from commercialisation. When defining priorities for public investments in MOAAS, the most important rule is to avoid simplified and static classifications and assumptions. Limits must be realistically analysed, but MOAAS efforts must be proactive in identifying where and how commercial opportunities may emerge.

Undoubtedly, market opportunities are generally greater and risks are lower for value chains in easily accessible and high potential areas. There is therefore a tendency toward triage in many MOAAS investments, i.e. well-off value chain actors are assumed to be able to develop their market relations without public support, and at the same time the most marginalised areas and people are 'abandoned' since there are assumed to be few viable market opportunities for them. The focus of MOAAS interventions is therefore very often on modestly well-off producers and other value chain actors as these are expected to 'have potential'. It is indeed a great challenge to identify market opportunities which could benefit the most disadvantaged people in the most marginal areas. On the other hand, if such are found and developed, the potential for rewards in terms of local poverty reduction can be high.

4

Policies and financing priorities for pro-poor market orientation

Pro-poor market orientation requires a comprehensive policy framework

For MOAAS interventions to impact effectively on the livelihoods of the rural poor they must be embedded in comprehensive and coherent national policy frameworks. This implies that:

- market orientation has to be reflected in national policies such as Poverty Reduction Strategy Papers, public investment frameworks agricultural sector policy and plans, and trade and economic policies,
- there needs to be a comprehensive strategy for relevant investment in a range of fields including research, legal/regulatory structures, financial services, rural education, infrastructure, etc., which support market orientation,
- reforms in ministries of agriculture are usually required, together with mechanisms for cooperation and alignment with ministries tasked with finance, planning, infrastructure, trade and industry, and education,
- in order to react and adjust to MOAAS demands, advisory services need structures that allow short-term contracting for tasks requiring specific profiles,
- commercialisation policies must take environmental considerations and the challenges and opportunities arising due to climate change into account, and
- procedures must be in place to monitor the impact of commercialisation policies on different groups and to ensure that the findings are fed back into decision-making processes.

Box 5 describes how MOAAS interventions in Uganda are part of a national agricultural policy for commercialisation and poverty reduction and relate to a decentralisation process which enables stakeholders to frame MOAAS at the local level.

Box 5. Ugandan Plan for Modernisation of Agriculture – a policy framework that enables development of MOAAS

The national Poverty Eradication Action Plan in Uganda gave rise to an agricultural policy – the Plan for the Modernisation of Agriculture (PMA) – which envisages the transition to commercial agriculture as the engine for national economic growth and the means for poverty reduction. The PMA has seven pillars, three of which are particularly relevant to MOAAS - the National Agricultural Advisory Service (NAADS), rural financial services, and promotion of agro-processing and marketing.

NAADS' first objective is "to promote market-oriented farming". It is a decentralised, farmer-driven extension service which is publicly funded but privately delivered. Farmer groups determine the topics for service delivery, but enterprise selection is driven by commercial potential. Good monitoring and joint donor-government annual reviews have helped NAADS to learn and evolve.

In addition, there are complementary programmes that contribute to the shift towards market-oriented agriculture. The Agricultural Productivity Enhancement Programme (APEP) has been successful in R-E-vitalising Uganda's agricultural export potential for both high value and staple crops. Income generation through agricultural market development has also been the aim of FOODNET, a research and development project. Among its projects has been the development and implementation of a market information service made available to farmers through the mobile phone network.

There are also challenges. Among these has been the difficulty of keeping the seven pillars of the PMA in phase. For those pillars (like NAADS) that were started early, there has been political pressure for quick roll-out, beyond the capacity of the system – particularly the private service providers who are much criticised for their lack of skills and experience in commercial agriculture.

Source: NAADS Uganda (www.naads.or.ug)

Public policies and strategies for MOAAS are not a matter for central government alone. Designing effective public policies demands transparency and broad consultation. Strengthened producer and agribusiness organisations offer possibilities for multi-stakeholder public/private dialogues on how best to develop agricultural markets at national and local levels. With decentralisation, local government has obtained greater leeway to develop policies in the form of economic development plans that will frame local priorities for MOAAS.

Public policies should also encourage the private sector to establish its own self-regulation mechanisms, such as product certification (e.g. organic, fair trade, good agricultural practices, etc.), ethical trade norms and to promote corporate social responsibility more generally.

Governments also have a role in enforcing policies and legal structures that strengthen the position of the private sector in the market place, including a regulatory environment that can provide for certification or branding of quality products and fair competition across the sector.

MOAAS has an important role in putting market orientation policies into action by ensuring that laws, norms and regulations are understood by the relevant actors, and by assisting in the development of tools and institutions to support implementation.

MOAAS strategies must be in tune with the wider context

The success of MOAAS and the potential for benefits accruing to the poor depend on a range of factors in a wider context. Strong capacities are needed for monitoring and assessing macro-trends and relating this to national and local programming. This includes determining comparative advantages, identifying emerging threats to domestic markets, choosing investment priorities, and recognising the changing landscape of opportunities and risks facing the poor. Some examples of the contextual factors that need to be assessed include:

- the status of WTO, regional trade agreements, and changing trade barriers for different products,
- changes in quality and food safety standards,
- the implications of growing demands for products such as bio-fuels, fair trade and organic certified products, and livestock products (including the implications of demands for livestock fodder),
- changing prices and emerging niches in global commodity markets,
- changing consumer food preferences at national and international levels,
- consequences of mega-trends such as urbanisation and climate change, and
- rapidly emerging global players such as China and India as both producers and consumers.

In many countries the capacity for effective assessment of such factors is inadequate and public investments are required to develop and maintain the analysis and policy research capacity required to support market orientation policies.

Combining public and private investments for MOAAS

Public investment in MOAAS is essential if the rural poor are to benefit from changing agrifood systems. In the past, helping small-scale farmers to produce more food was seen as a major public good aspect of advisory services. Now it is apparent that livelihood security, and indeed even food security, are best served by enabling both farmers and other rural residents to take advantage of opportunities provided by the market. And this is best achieved by appropriately combining public and private investments.

A strong market requires a diverse range of service providers. Public investment needs to encourage these markets and avoid crowding out private investment by inappropriate subsidies. In general, public investment in MOAAS should be concentrated where there are latent market opportunities for the poor, but where private investment is discouraged by risks and uncertain profits. There is a role for public investment in MOAAS in areas with high market potential, but this should concentrate on filling gaps in services, for example developing the capacities of private service providers or special services to enhance the market access of poor actors. These investments should meet public priorities and not replicate investment that the private sector is likely to make.

Governments and donors are often hesitant to use public investment to foster private service provision. While it is essential to avoid favouring some actors over others with public funds, such investments can be effective means to broaden the MOAAS service offer. Box 6 shows an example.

Box 6. Strengthening maize production in Northern Bangladesh

Despite favourable returns, output in the Bangladesh maize sector has been lagging behind demand, with the shortfall met by imports. Consequently, the potential of maize – still a new crop in the country – to contribute to growth and poverty reduction has not been realised to its full extent. Public investment (by a donor-funded project) concentrated on identifying private sector solutions to three key constraints – weak access to markets, information and inputs, difficulty to fit maize into the 3-crop rotation system, and declining soil fertility. The soil fertility problem was addressed by encouraging a private enterprise to engage in the production and marketing of high-quality organic compost, the crop rotation problem through encouraging a seed producer to promote an existing, but not widely known short duration rice variety, and market and information access problem by encouraging contract growing arrangements with interested maize trading enterprises. When the first successes became visible, efforts to "crowd in" resulted in further farmers and enterprises entering the maize business. The entire intervention cost only USD 81'000 and resulted in more than doubling of maize production in the project area within two years. This case shows a way for public investment to foster private sector solutions.

Source: Katalyst Project, Bangladesh (www.katalystbd.com)

Financial participation of users – even when small – is an effective means to ensure accountability and quality of services independently of whether services are publicly or privately provided. Given that MOAAS are expected to result in monetary benefits, a certain degree of financial participation can and should be introduced, even when services are provided by public agencies.

There are massive flows of private capital being invested in the agri-business sector in developing and transition economies (both input and output markets). Transnational corporations involved with agrichemicals, food processing and modern retail are expanding their reach throughout the world. For a coherent approach to MOAAS, this factor must not be ignored. A major role for public investment is to create conditions by which the private sector flows can be leveraged for more inclusive rural development and to ensure that an appropriate regulatory structure is in place. Public-private partnership arrangements can be a practical way of combining public and

private funding to enable small-scale producers and other actors into profitable value chains.

Substantial public investment is usually required to ensure the diverse back-up services for MOAAS, such as service provider capacity development and innovation. The private sector may not adequately invest in back-up services, though also here care has to be taken not to crowd out private investments.

Roles of public and private service provision

The choice of whether public investments in MOAAS should focus on public or private providers is an issue that must be decided within national political discussions, and take into account the relative capacities of existing public, private, civil society and cooperative sector service providers. The roles of public and different private sector services providers vary widely between countries and regions. Box 7 illustrates the service provider situation in a Mexican state and in South Africa and also highlights some inherent problems.

Box 7. Public and private MOAAS providers in Mexico and South Africa

Strawberry production in Mexico

A 2006 survey conducted with small- and medium-scale strawberry producers in Michoacán, Mexico, showed that some buyers (exporters, agro-industry and the informal sector) are key sources of services offering technical assistance (41.4%), training (53.6), and credit or access to credit (45.3%). Companies selling agrochemicals (64.6%) and other producers (30.2%) were other key sources of technical assistance with low participation by public advisors (6%) and professional consultants (11%). However, there is misuse of pesticides in the region and some 50% of producers are using prohibited chemicals. The need for improved services and management of them is evident if small-scale producers are to secure and sustain their market position in modern fresh and processed agro-food markets.

Sources of advice for small farmers in South Africa

In South Africa the picture looks different. 75% of the respondents of a survey among small-scale producers received advice from local public extension workers. Neighbours were also mentioned as a key source of knowledge. Private suppliers of technical support, such as retail chains/supermarkets, the Perishable Products Export Control Board and commodity organisations were felt to generally provide a better standard of advisory services than government advisors. However, these only visit their preferred suppliers, who are more often large-scale farmers, i.e. the services are embedded within specific value chains that often exclude small-scale producers.

Source: Regoverning Markets Programme (www.regoverningmarkets.org)

Generally, public advisors in a market-oriented setting are likely to be most effective in contributing to basic know-how at the lower end of value chains. With corresponding capacity development they can also assume the important role of facilitating linkages between producers and other actors along value chains. As market orientation takes hold and production becomes more commercial, increasingly specialised services are required, which can usually be better provided by highly qualified private providers. For services higher up in the value chains, the competencies are very rarely found among the public service providers, and private providers are thus essential.

However, broad-based market-oriented agricultural development requires that all public agricultural advisory service providers (where they exist) develop basic market-related competencies. Without a minimum of market understanding, their services will lose touch with the market realities that their clients are facing. It is a challenging task to reorient structures that have

traditionally focused entirely on production technology, often combined with delivering free or subsidised inputs, but there are examples where such reforms have succeeded to a substantial extent. Public administration reform and decentralisation processes can provide good entry points to redefine the roles, responsibilities and incentive structures of public sector agencies and their private sector partners, and help to make key decisions about whether to reform existing public sector structures or to use public resources to finance development of private providers or civil society structures.

The search for practical MOAAS 'models' is ongoing

A major gap in current approaches to MOAAS is that a large proportion of international experience has been derived from projects, but so far there have been insufficient efforts to learn systematically from these projects in terms of lessons for policies and institutional development. Policy makers increasingly recognise that public advisory systems in their conventional form are unable to address MOAAS needs, but there is insufficient credible guidance regarding what to do instead.

In the last decade many new ideas have been launched in order to help value chain actors to respond to the changing market environment and these have included elements of MOAAS to varying degrees. These have in most cases been in the form of relatively small, donor-funded 'pilot' projects, sometimes implemented by NGOs, which aim to link small-scale producers to markets and contain MOAAS elements in their design and delivery. Although they are frequently effective in creating immediate benefits for participating producers, there are only few examples of widespread and sustained scaling-up of these 'pilots' or reflection on how the relevant and often fragmented MOAAS experiences can inform public policies on MOAAS. These initiatives commonly consist of heavily subsidised 'marketing-oriented' efforts to sell the produce of a chosen set of 'beneficiaries' more profitably. Many market linkage projects have no explicit 'theory of change' explaining how the approach could be expected to promote competitive markets strategies beyond the specific targeted beneficiaries. More attention is therefore needed to learning lessons both from market linkages initiatives as well as from the growing wealth of experience regarding what works for MOAAS. Up to now, there has been very little comparative or ex-post evaluation of the experiences to determine whether outcomes from such MOAAS innovations have proven to be replicable or sustainable, and the ratio of cost and benefits of the development intervention.

5

Outlook for the future of pro-poor MOAAS

- The dynamic nature of agricultural markets at national and international levels can be expected to continue to accelerate and penetrate areas that have been isolated from significant market change in the past. This means that a conscious strategy for pro-poor MOAAS is essential if agricultural development is to be a route for poverty reduction in the future.
- Change will emanate from a range of factors that are impacting on agricultural markets, from climate change to demands for bio-fuels and the ever expanding dominance of modern retail, and public investment must be anchored in both macro- and micro-level strategies that relate to private investment trends in rural development.
- Iterative approaches are necessary to support value chain actors (from producers to retail/end users) to develop the knowledge and information that they need to adapt to change and to react when markets become saturated, when new consumer demands appear, and when quality standards become more stringent.
- Resilience to future changes requires both flexibility and clear long-term commitment to investing public resources in including the rural poor in value chains as a public good.
- These public commitments should be embedded in overall approaches to decentralisation, poverty reduction and risk mitigation – as well as the range of financial mechanisms that are developed in support of these aims.
- It is sometimes difficult to justify investment of public resources in market structures – and indeed caution is justified – but a new perspective is needed to support the growth of private enterprises with empirically proven impacts on rural poverty alleviation.
- MOAAS initiatives often finance actual service provision within pilot initiatives. A core challenge is to translate the lessons being learnt from these investments in project-level service provision into modalities that can be scaled-up within sustainable institutions and which are convincing for the politicians and policy-makers who are making decisions about how to invest scarce public resources in 'smart' subsidies for rural development and poverty reduction.

The Technical Centre for Agricultural and Rural Cooperation (CTA) was established in 1983 under the Lomé Convention between the ACP (African, Caribbean and Pacific) Group of States and the European Union Member States. Since 2000, it has operated within the framework of the ACP-EC Cotonou Agreement.

CTA's tasks are to develop and provide services that improve access to information for agricultural and rural development, and to strengthen the capacity of ACP countries to produce, acquire, exchange and utilise information in this area. CTA's programmes are designed to: provide a wide range of information products and services and enhance awareness of relevant information sources; promote the integrated use of appropriate communication channels and intensify contacts and information exchange (particularly intra-ACP); and develop ACP capacity to generate and manage agricultural information and to formulate ICM strategies, including those relevant to science and technology. CTA's work incorporates new developments in methodologies and cross-cutting issues such as gender and social capital.

CTA is financed by the European Union.

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The Neuchâtel Initiative emerged in 1995 as an informal group of representatives of bilateral and multilateral development agencies and professional institutions involved in agricultural development in the countries of sub-Saharan Africa as a result of a donor consultation meeting in the city of Neuchâtel, Switzerland. The purpose of the group is the exchange of views and experiences, joint reflection and the development of a common understanding and a measure of convergence to thinking on the approaches and ways of development support for agricultural and rural advisory and other non-financial service policies.

This group comprised representatives of the development agencies of Austria, Denmark (Ministry of Foreign Affairs), France (MAE/AFC), Germany (GTZ), the Netherlands (DGIS), Sweden (Sida), Switzerland (SDC), UK (DFID) and the USA (USAID), as well as representatives of the FAO, the IFAD, the European Commission (DG Development/EuropeAid), the CTA (Technical Centre for Agricultural and Rural Cooperation) and the World Bank. In 2007 the NI was redefined as a competence network of professional specialists on agricultural advisory services instead of a donor-led consultation platform.

CTA
partageons les connaissances au profit des communautés rurales
sharing knowledge, improving rural livelihoods