

Bulletin 380

Development Policy & Practice

# Outsourcing agricultural advisory services

Enhancing rural innovation in Sub-Saharan Africa

Willem Heemskerk, Suzanne Nederlof and Bertus Wennink



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# Foreword

Ms Kanaga, a dynamic east-African farmer in her late thirties, started cultivating rice during the last growing season. However, before becoming involved in this new agricultural enterprise, she first spoke to her neighbours, who had also recently introduced rice into their farming system. They gave her useful advice based on their experiences. She discussed information on how to start a rice enterprise in the Village Women's Farmer Group, of which she is the vice-president. Some of the other members shared their experiences on rice cultivation with the group. She also met with the local extension worker, who in turn invited her to attend a field day in a neighbouring village, where fellow farmers showed her fields on which they had practiced integrated rice production management. She later visited the extension worker at the District Office, where he explained to her the district-based services and NGOs available, as well as the various people she could ask for additional advice.

On the basis of all this advice, Ms Kanaga then decided that the time had come for her to start growing rice. She visited the local credit and savings bank in the nearby town to apply for a small loan to buy seed and other necessities, and the bank officer gave her a lot of advice on how to later trade her rice and thus be able to repay her loan. With the money she obtained, she went to the local supplier in an important marketing area about 30 km from her village; this supplier also shared his knowledge on rice cultivation with her, based on his experience with the materials that he supplied.

Ms Kanaga also listened to a local radio programme on agriculture, where rice quality was discussed. She became slightly confused because the information given on the radio programme was different from the information she had received from the bank officer and the local supplier; she thus decided to visit one of the NGOs mentioned by the extension worker. She had to travel for about four hours to reach the NGO office but the visit was worthwhile. This NGO, which focused on enterprise development, offered her a short course on bookkeeping so that she would be more capable of negotiating with traders once her crops were harvested. While there she also visited the research station where new varieties of rice are developed.

This example shows that information on agricultural activities can be difficult to obtain and can be confusing for some, as it comes from different sources, and is sometimes contradictory. It also shows that pluralistic agricultural advisory services (AAS) are a reality, as indeed they are for most farmers in Sub-Saharan Africa (SSA). Ms Kanaga shows us yet another dimension of this situation when she explains: 'Although I have voted for the ward councillor (who is now a member of the District Council) and even

though I participated in the Farmer Fora to determine priorities for our village, I believe the district authorities could play a more proactive role in making sure that the agricultural advisory services required by farmers are actually available throughout the entire district. I believe that the district authorities should not only coordinate these activities but also contract agencies to provide services that are required but are not yet available.’ Ms Kanaga shows us the need for coordinating services and ensuring their general availability, especially for farmers who may be less dynamic and motivated than Ms Kanaga. In analysing her story we realize that the context in which the coordination of AAS emerges is one of decentralization, which requires a review of the roles played by farmers and other stakeholders<sup>1</sup>.

A recent trend that we are currently observing is that agricultural advisory services are sometimes ‘outsourced’, or ‘contracted out’. Since outsourcing advisory services is a rather new phenomenon there is little known about where it can be implemented, the conditions under which it is helpful, and how it can best be implemented. This bulletin discusses several cases concerning extension outsourcing so that we can learn how such outsourcing can benefit farmers like Ms Kanaga.

This bulletin is based on case studies about the outsourcing of agricultural advisory services in Tanzania, Mozambique, Uganda and Mali. These experiences in Sub-Saharan Africa are unique in the sense that they emphasize close collaboration and complementary elements between the public and private sectors. The bulletin is expected to expand knowledge on outsourcing between practitioners and policy makers in Sub-Saharan Africa. The lessons learned from the pilot programmes in the respective countries, as well as from Uganda’s National Agricultural Advisory Services (NAADS) Programme, are expected to guide the further expansion and up-scaling of outsourcing approaches and systems.

The public sector in Sub-Saharan Africa and beyond is generally looking for ways to involve the private sector in agricultural service provision and/or to privatize service provision. We therefore hope and expect that lessons learned on outsourcing agricultural advisory services will provide important guidelines and direction for all kinds of organizations involved in demand-driven service provision, be it in agriculture (credit, other financial services, staff training, input provision, etc.) or in the social sectors such as rural health and education.

Willem Heemskerk  
Suzanne Nederlof  
Bertus Wennink

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<sup>1</sup> This is a fictional case.

# Acknowledgements

The Royal Tropical Institute has developed this bulletin on the basis of lessons learned by its partners in Sub-Saharan Africa. The documentation process, of which this bulletin is a final product, was only possible through the financial assistance of the Dutch Ministry of Foreign Affairs and the time and other resources contributed by many associates in Sub-Saharan Africa as well as at the Royal Tropical Institute in Amsterdam.

This publication was developed on the basis of a number of case studies in Mozambique, Tanzania, Uganda and Mali, which were documented by authors from the respective countries. These authors are:

Uganda	Clesensio Tizikara, Prisca Ndagire, Francis Byekwaso and Dan Kisauzi;
Tanzania	Peniel Mwashu;
Mozambique	Custodio Mucavele;
Mali	Aboubacar Traoré.

Case studies could only be documented thanks to contributions by a wide variety of stakeholders in the respective countries, who participated bilaterally with the referred authors and through the local workshops.

This bulletin was peer reviewed by (and greatly benefited from the comments of) Prof. William M. Rivera, College of Agriculture and Natural Resources, University of Maryland, and Jacob Kampen, independent World Bank Consultant.

We thank Barbara Shapland for the language editing and Nadamo Bos for the graphics editing.

Willem Heemskerk  
Suzanne Nederlof  
Bertus Wennink  
(Editors)





# List of acronyms

AAS	Agricultural Advisory Services
AFAAS	African Forum for Agricultural Advisory Services
AIS	Agricultural Innovation System
AKIS	Agricultural Knowledge and Information System
AOPP	<i>Association des Organisations Paysannes Professionnelles</i>
APECAM	<i>Assemblée Permanente des Chambres d'Agriculture du Mali</i>
ASDP	Agricultural Sector Development Programme, Tanzania
ASP	(Agricultural) Advisory Service Provider
CAADP	Comprehensive African Agricultural Development Programme
CBO	Community-Based Organization
CORDEMA	Client-Oriented Research and Development Management Approach
CSO	Civil Society Organization
CRA	<i>Chambre Régionale d'Agriculture</i>
CTA	Federation of Economic Associations in Mozambique
DADP	District Agricultural Development Plan
DDA	District Agricultural Directorate (Mozambique)
DESC	District Extension Steering Committee
DNEA	National Directorate for Agricultural Extension (Mozambique)
DNER	National Directorate for Rural Extension (Mozambique)
DPA	Provincial Directorate of Agriculture (Mozambique)
FAAP	Framework for African Agricultural Productivity
FARA	Forum for Agricultural Research in Africa
FFS	Farmer Field Schools
FO	Farmer Organization
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
KIT	Royal Tropical Institute, Amsterdam
LGA	Local Government Administration
LLG	Local Level Government
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MINAG	Ministry of Agriculture (Mozambique)
MoU	Memorandum of Understanding
MVTWATA	National Farmer Organization Network, Tanzania
NAADS	National Agricultural Advisory Service, Uganda

NAEP	National Agricultural Extension Programme, Tanzania
NEPAD	New Partnership for African Development
NGO	Non-Governmental Organization
PASAOP	<i>Programme d'Appui aux Services Agricoles et aux Organisations Paysannes</i>
PIP	Pilot Initiatives Programme (Tanzania)
PMA	Plan for Modernization of Agriculture
PME	Participatory Monitoring and Evaluation
PROAGRI	'Programa de Agricultura', Sector-Wide Programme on Agriculture, Mozambique
PRONEA	National Agricultural Extension Programme (Mozambique)
R&D	Research and Development
SMART	Specific, Measurable, Acceptable/Assignable, Realistic, Time-bound
SME	Small and Medium-sized Enterprises
SSA	Sub-Saharan Africa
T&V	Training and Visit
TNA	Training Needs Assessment
TOR	Terms of Reference
ToT	Transfer of Technology
UNAC	United Peasants Union, Mozambique
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	US Dollars
WB	World Bank

Part I  
Outsourcing agricultural  
advisory services for  
innovation



# 1 Background

This chapter explains the justification for this bulletin and the rationale that led to the outsourcing of extension/advisory services becoming the main theme of this bulletin, which is divided into two parts. Part I presents the comparative analysis of lessons learned concerning the outsourcing of agricultural advisory services, both from available literature sources as well as from the case studies. Part II details the results of the case studies according to the outstanding issues enumerated in the section on the methodology and analytical framework (Chapter 3) in Part I.

## 1.1 Justification and focus

Democratic development, decentralization and economic and political liberalization have led to a more important role for local governments and a greatly increased number of rural development stakeholders. One of these stakeholders, the private sector (including private entrepreneurs, non-governmental organizations (NGOs) and civil society organizations), plays an increasingly important role in the rural development of Sub-Saharan Africa. A wide variety of both public and private service providers offer advice to farmers, while farmers gain their knowledge from many different sources. Therefore, a pluralistic advisory service system is already a fact of life for many farmers in Africa. In the context of globalization, with an emphasis on competition, innovation is a prerequisite for agricultural development and hence rural development. Innovation is about knowledge and is the result of an interactive learning process between stakeholders. As such, the diversity of local stakeholders is both a challenge and a major opportunity for enhancing innovation. We use this 'innovation system perspective' for that part of the innovation system that is represented by the agricultural advisory system.

Outsourcing services is a way of involving non-public services in pluralistic agricultural advisory systems. Responding to emerging needs expressed by farmers, such as demands for entrepreneurial and facilitation skills, knowledge about value chains and information on sustainable production methods, requires a variety of stakeholders. Decentralization is also a fact of life in many African countries, and it is anticipated that the public sector will increasingly focus on its key role of supporting inclusive local development and reducing poverty, as advocated by the national Poverty Reduction Strategy Papers (PRSPs). An adequate level of investment to support such advisory service systems will therefore remain necessary. One of the emerging questions is: How can the advisory services system improve and more efficiently enhance innovation, and contribute to the overall strengthening of the innovation system?

This bulletin focuses on Sub-Saharan Africa because this sub-continent has the highest incidence of rural poverty while also offering considerable opportunities for enhancing agricultural development (NEPAD, 2002; FARA, 2006). Nevertheless, lessons on outsourcing from other (sub) continents will also be used to analyse experiences in Sub-Saharan Africa. For example, the World Bank (WB) has produced an edited volume of 18 case studies entitled ‘Contracting for Agricultural Extension: International Case Studies and Emerging Practices’ (Rivera and Zijp, 2002) and these findings are used in this study. A range of agricultural services seem important to agricultural innovation for rural development; particularly advisory, training and research services. The diversity of stakeholders is greatest for advisory<sup>2</sup> services and this explains the need to focus on precisely this service, hence the focus of this study. However, a pluralist system will invariably also lead to diversification in research and training services. The outsourcing of agricultural research services has been addressed in a previous bulletin, based on the experiences with competitive grant schemes at meso level (Heemskerk and Wennink, 2005).

## 1.2 Rationale for this bulletin

Resource-poor farmers in Sub-Saharan Africa have only benefited to a limited extent from many efforts to improve their livelihoods and enhance agricultural development (Chambers, 1987; Nederlof *et al.*, 2004, Campilan, 2006). In the past these farmers received attention and assistance almost exclusively from the public sector in an often rather paternalistic manner. In the so-called ‘linear perspective’ governments, scientists and extension workers assumed they ‘knew’ what was necessary to increase production and productivity in order to help reduce rural poverty and secure household food supplies.

The acknowledgement that farmers have relevant knowledge, operate in unique local innovation systems and set their own priorities for development and livelihood plans, is slowly leading to changes in the attitudes of public stakeholders in general, and agricultural service providers (both the public and private sectors) in particular. This local and scientific knowledge can be accessed through interactive learning among stakeholders. Indeed, the linear approach is now gradually being replaced by the agricultural knowledge and innovation system (AKIS) perspective (Wennink *et al.*, 2006). Some countries, both inside and outside Sub-Saharan Africa, have recently taken a further step towards an even broader ‘Agricultural Innovation System’<sup>3</sup> (AIS). The AIS presents an appropriate framework for capturing the diversity of stakeholders that, in a given context, contributes to rural innovation through close and repeated interaction.

Farmers determine what they need and want on the basis of the information they receive through their ‘community networks and links’, such as contacts with fellow farmers, local

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<sup>2</sup> Agricultural advisory services help facilitate access to both tacit and codified knowledge and/or through interaction with information carriers.

<sup>3</sup> An innovation system can be defined as a network of organizations, enterprises, and individuals that focus on bringing new products, new processes, and new forms of organization into social and economic use, together with the institutions and policies that affect their behaviour and performance (World Bank, 2006).

and traditional authorities and elders, service providers, traders, etc. via posters, radios and mobile phones, as well as from many other stakeholders and media sources. Resource-poor farmers in some countries also benefit from agricultural advisory services to develop their ideas into ‘business plans’ and to receive information on markets, rural finance and other services in order to realize these plans. Although most farmers are not yet in a position to fully, or even partly, pay for advisory services, with rapid developments in information and communications they are increasingly in a position to decide what kind of services they want, where to get these services and from whom. In response to this demand, the variety of advisory services provided by the public (and private) sectors is increasing rapidly and, in turn, is generating greater and more diversified demand for such services.

In this new context, service provision is no longer solely determined by the available supply or by the government, but increasingly by the users’ demands; the ‘service chain’ is ‘reversing’ (i.e. from being orchestrated by the public sector to being driven by clients and users). The outsourcing of agricultural services is an institutional innovation in Sub-Saharan Africa, which facilitates both the supply and demand for services in an enabling policy environment.

Over the last few years, outsourcing has become increasingly important in several Sub-Saharan African countries and this bulletin takes the opportunity to learn lessons that can further guide this process. We analyse some of the recent experiences with outsourcing agricultural advisory services from an AIS perspective, and document the best practices and other lessons that can be learned. This analysis will subsequently be translated into guidelines on how to outsource agricultural advisory services more effectively and efficiently.

### **1.3 About this bulletin**

This bulletin is composed of two parts: Part I explains the background and presents a synthesis of the lessons learned from the case studies, and Part II describes the case studies in detail. After the introduction and rationale in Chapter 1, Chapter 2 starts with an overview of the existing literature on experiences with outsourcing agricultural advisory services. Chapter 3 briefly explains the methodology used to study the cases on outsourcing and discusses the analytical framework used to analyse the case studies. Chapter 4 presents an analysis of the best practices from an AIS perspective, as well as a synthesis of the lessons learned from each of the four case studies (Mali, Mozambique, Tanzania and Uganda). These lessons provide input for Chapter 5, which focuses on guidelines for outsourcing advisory services for agricultural development, as well as the consequences in terms of the need for capacity-strengthening programmes as part of public sector reform programmes.

Part II provides more detailed descriptions of policies and practices as well as the lessons learned within the context of the four case studies on outsourcing experiences in Sub-Saharan Africa. The case studies were prepared by practitioners from the respective countries.





## 2 Agricultural advisory service systems

This chapter discusses the trends that affect rural development in Sub-Saharan Africa in general, and the policy context that affects agricultural advisory services in particular. This section also includes the rationale for contracting out public services, and discusses precisely what the term ‘outsourcing’ means. We then review the key elements of a pluralistic agricultural advisory system before identify the emerging issues, which will be discussed in subsequent chapters.

### 2.1 Trends affecting agricultural services in Sub-Saharan Africa

The setting for rural development in Sub-Saharan Africa is rapidly changing due to increased democracy, liberalization, decentralization, privatization, urbanization and the ‘feminization’ of agriculture. These trends have led to more (and different) players being active on the scene, all involved in rural development, and all with their own knowledge, skills, experience and attitudes. These trends have also led to new opportunities due to innovative ideas contributed by the wider range of stakeholders and their interaction, as well as enhanced access to local and national/international markets.

In recent years, many agricultural programmes in Sub-Saharan African countries have adopted the agricultural knowledge and information systems (AKIS) perspective, which includes a pluralistic approach to agricultural research and advisory services (Farrington, 1994, Feder *et al.*, 1999, Carney, 1998, van den Berg, 2001, Alex *et al.*, 2002, Chapman and Tripp, 2003, Chema *et al.*, 2003, Qamar, 2005, WB, 2006). This implies that the sector is increasingly recognizing that private service agricultural service providers, and indeed many other stakeholders involved, have a role to play in the publicly supported agricultural advisory services system. Investments in service provision through the public sector consequently have to deal with the partnering of different service providers or outsourcing of services at both national, regional and increasingly also at local (district) level. Research services are mostly contracted through competitive grant schemes at regional and/or agro-ecological zonal level and only rarely at district level (Heemskerk and Wennink, 2004). However, advisory services are increasingly contracted out at the district level, within the framework of decentralization.

The private sector continues to invest more and more funds in the agricultural sector. At the same time, the public budgets for agricultural research and advisory services are under pressure, not only due to a lack of resources (from both the government and donors), but

also due to rationalization (rightsizing or downsizing<sup>4</sup> of the public sector), upward accountability and a result-oriented approach. Public investments in the agricultural sector are also decreasing due to changes in the priorities of national governments and international donors, notwithstanding repeated references to the agricultural sector as ‘the engine of development’ (NEPAD<sup>5</sup>, 2002; FARA<sup>6</sup>, 2006). Meanwhile the demand for client-responsive and flexible market-oriented agricultural research and advisory services is increasing within the context of enhancing rural livelihoods and value chain development, with consumer demands for higher traceability, food safety and sustainable production being of specific concern (Neuchâtel Group, 2002, GTZ, 2006).

Opportunities to enhance the quality and intensify the provision of agricultural research and advisory services to improve rural people’s livelihoods are being pursued in various ways.

Firstly, governments have embarked on a process of decentralization or devolution of governance to the local (often district, sub-district and village) levels. Simultaneously, the coordination of public service provision is often decentralized or delegated to the district level (in the case of extension) or to the provincial/zonal level (in the case of research). Full decentralization (political, administrative and fiscal) results in integrated planning at the district level and the financing of extension services from the local government budget, rather than from the agricultural budget managed by the central ministry (Rivera, 2001) Financing agricultural research services is often problematic because full financial decentralization has not yet occurred, and research therefore continues to be at least partly financed through the national agricultural budget. However, there are increasing situations where adaptive research is also financed by local clients, such as district governments or even farmers’ groups (FGs) through decentralized funds (Heemskerk and Wennink, 2005, De Silva, 2000, Vining and Gliberman, 1998).

Secondly, the liberalization of the agricultural sector in terms of markets, input supplies and other services, as well as the advancement of the role played by NGOs and farmers’ organizations (FOs), have also led to increased pluralism of service providers at the local level. The demand for advisory services by farmers that goes beyond teaching them how to implement a specific technology has meant that extension workers now need different skills, as they need to become ‘facilitators’ and ‘brokers’ of knowledge, rather than just acting as teachers.

Thirdly, farmers’ organizations and small-scale rural enterprises have been gaining strength and have increased their countervailing power, in part due to the opportunities provided by open markets and the presence of NGOs, which facilitates capacity development and empowerment. The stronger voice of farmers has led agricultural service providers to emphasize client-responsive approaches in order to increase customer ownership. This stronger client demand has also boosted the outsourcing of services by

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<sup>4</sup> Public sector reforms and the subsequent reduction in numbers of civil servants and the divestiture of some public sector activities.

<sup>5</sup> The African Union’s New Partnership for African Development.

<sup>6</sup> The Forum for Agricultural Research in Africa.

public agencies on the basis of both cost-sharing and commercial arrangements, which has (in turn) also enhanced competition between service providers. Simultaneously the accountability of public and private services being provided is shifting from upward accountability, as was the case under the old Training and Visit (T&V) system, to more downward accountability, looking directly to client beneficiaries.

## **2.2 Policy context**

Rural development has a high priority in all national Poverty Reduction Strategic Programmes (PRSPs) in Sub-Saharan Africa in order to contribute to the first Millennium Development Goal (MDG 1) – eradicate extreme hunger and poverty. Agriculture (including livestock production) is recognized by Africa's leaders as the engine that drives overall economic development. In the majority of African countries, most enterprises are created in the agricultural sector, and these act as the driving forces behind rural economic development. The Africa Union's New Partnership for African Development (NEPAD) has incorporated this view into its Comprehensive Africa Agricultural Development Programme (CAADP), which (in addition to natural resource management), views market access, food security, agricultural research, technology dissemination and adoption as the main elements for one of the four pillars for agricultural development (NEPAD, 2002). Policy and institutional reforms, as well as capacity strengthening, are key components of each of these pillars (see Box 1 for examples of policies necessary to enable outsourcing). In relation to the agricultural advisory service system the emphasis in CAADP is on decentralizing responsibility in order to improve responsiveness and accountability. The CAADP also anticipates that service quality will improve by outsourcing some, or all, field extension activities. In terms of funding, the main ambition is to develop cost-sharing mechanisms with the private sector and request users to pay fees to complement the national government budgets.

The Forum for Agricultural Research in Africa (FARA), in collaboration with others, has developed the Framework for African Agricultural Productivity (FAAP) as the mechanism through which the CAADP challenges can be achieved (FARA, 2006). FAAP highlights the importance of improving agricultural productivity, profitability and sustainability through innovation, which in turn will require institutional reforms, as well as enhanced and better coordinated total investment. Institutional reform requires both pluralism and integration of agricultural research, extension and training services, based on principles of subsidiarity and the empowerment of all stakeholders. The enhanced empowerment of farmers and performance-based contractual arrangements that are accountable to client farmers and based on interactive learning (FARA, 2006) are therefore central to the FAAP. In this context, governments in Sub-Saharan Africa are increasingly developing national innovation policies and reviewing the role of the state in agricultural service provision. Governments widely adopted to withdraw from marketing, input supply and credit services. The opening up of public research and advisory services systems to participation by other stakeholders is a more recent development.

From an AIS perspective, with a focus on interaction between stakeholders, development requires new thinking and a paradigm shift in relation to the role of the state. The state

### **Box 1**      **Examples of policies required to enable outsourcing**

- Flanking policies for advisory services to impact agricultural innovation, e.g. policies on input supply and marketing.
- Reducing barriers to the entry of private service providers by analysing existing providers and addressing problems such as ‘crowding out’, unstable policies, lack of policy clarity, limited career opportunities, lack of strong associations, lack of rural infrastructure, dependency mentality, poor understanding of diverse rural needs, bureaucracy, and by eliminating the irrational taxing of private enterprise (for creating and operating a private enterprise).
- Promoting private service providers, as well as through capacity development, investment etc.
- Developing explicit outsourcing procedures (transparency, legal contracts, operation manuals, clear terms of reference (TOR), advertising, setting up selection committees, arranging the prompt signing of contracts, smooth financial flows, and timely responses to feedback).
- Dealing with the conflicting and complementary interests of both the public and private sectors.
- Comparative cost-efficiency and impact effectiveness measures (making public service providers more cost-effective and providing better incentives for performance).
- Enhancing social inclusion and equity (how to provide pro-poor services) through client-stratification and building on the special ability of NGOs for contracting farmers in remote areas.
- Dealing with the trade-offs between effectiveness (not selecting the poorest farmers) and efficiency (not serving farmers in remote areas), and the need for inclusion and equity.
- Developing capacity within the public sector to manage the procurement of services, particularly at the local government level where it is often weak.
- Facilitating the planning, monitoring and evaluation (M&E) of service provision in agricultural innovation involving all stakeholders (Leeuwis and Van den Ban, 2006).
- Empowering client-organizations, including with regard to the control of resources in order to enhance downward accountability.

Source: Adapted from Birner *et al.*, 2006a, 2006b.

contributes to the strengthening of the AIS and ‘inclusive’<sup>7</sup> agricultural development. It is important to note that private stakeholders are also playing an increasingly important role in agricultural advisory services, particularly when it comes to value chain development. However, the public sector needs to strengthen its central role in funding, regulations (e.g. quality assurance), supervising contracts, as well as in contributing to capacity development and access to knowledge for private local agricultural service providers. In recent years, several countries in Sub-Saharan Africa have experimented with outsourcing agricultural advisory services at the local level (through pilot programmes), as well as with the scaling up of these pilot activities to cover increasingly larger areas and greater numbers of farmer beneficiaries.

Agricultural services were previously mainly provided through the public sector, for example via applied and adaptive research institutes and national agricultural extension programmes and organizations. As explained above, it is widely recognized that the agricultural sector develops through the introduction of new ideas, approaches and technologies, and that this requires technical, organizational and institutional innovation

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<sup>7</sup> i.e. not leaving anyone behind.

(WB, 2007). The development of such integrated innovation models is a multi-stakeholder process that requires interactive learning and the exchange of tacit and codified<sup>8</sup> knowledge between all stakeholders in the AIS. One of the key questions is: How can this shared knowledge be mobilized and made available to benefit all, including those who are poor and/or marginalized? In order for economic growth to lead to tangible development benefits for all actual and potential beneficiaries, the public sector must play a central role in providing pro-poor services.

In the public domain, outsourcing has been common in the public works sub-sector, as well as increasingly being used in government offices, such as for car maintenance, photocopying services, etc. However, a distinction should be made between outsourcing services and the privatization of services, as in the case of fertilizer supply or seed production. The outsourcing of agricultural advisory services by central and local governments, with 'calls' for proposals or tenders being issued by farmer and community organizations to both private for-profit and private not-for-profit organizations, is an increasingly important component of Agricultural Sector Development Programmes (ASDPs). Such trends towards outsourcing are led by national policies and are strongly supported by both multilateral (e.g. IFAD, World Bank) and bilateral donors. Outsourcing practices are particularly interesting in terms of their effect on enhancing pro-poor economic development, which is seen as an important mandate of the public sector.

Contracting out agricultural advisory services usually involves collaboration between (local) governments, service providers and beneficiaries. Governments increasingly focus on the public 'core' functions (planning, regulation and funding) while leaving the implementation of activities to autonomous public and private service providers contracted by the public sector, but based on demand and procurement by farmers (groups) and other beneficiaries. The difference between funding (through sector programmes), procuring (by local government on behalf of farmers) and supplying (by autonomous public services or the private sector) agricultural advisory services is increasingly becoming more distinct.

Outsourcing agricultural services for innovation (such as extension and adaptive research services) makes it possible to take advantage of all existing private sector talent, capacity, potential and experience available in the field without eliminating the essential roles of the public sector. An advantage of such outsourcing is that it allows the state to concentrate on its core business of 'governing' and that provides the opportunity to keep the public sector lean and small. The state can focus more effectively on policies, design and M&E, as opposed to direct interventions, while expanding the coverage and, potentially, the impact of any given R&D services programme.

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<sup>8</sup> Codified knowledge refers to written and other forms of documented knowledge that is exchanged through the media; tacit or 'not-documented' knowledge is exchanged through informal interactions between stakeholders.

### **2.3 Reasons for outsourcing public services**

The top reasons for outsourcing in industry have been quoted as:

- 1 cost reduction;
- 2 focus on core business.

However, other valid reasons can include an improved quality of services, enhanced market orientation, the introduction of new and innovative ideas and approaches, specifically in agricultural service provision (Thompson, Inova solutions, Douthwaite *et al.*, 2001). The stated reasons for outsourcing public-funded services include the enhanced demand for agricultural advisory services, the emphasis on new approaches, such as value chain development to boost economic development or the opportunity of contracting providers with knowledge and skills that are not always available in the public sector. From an AIS perspective, involving multiple organizations in agricultural advisory services can potentially lead to greater opportunities for interactive learning, and thus contribute to enhanced expertise and quality of service provision. Motivation will also depend on the concerns regarding the effectiveness of agricultural advisory service provision and the efficiencies to be gained by outsourcing such services.

The trend towards outsourcing is presumed to take place in an equitable and sustainable manner, and to be pro-poor by contributing to sustainable rural poverty reduction. Within the context of this bulletin, outsourcing arrangements for advisory services are therefore expected to:

- 1 improve the efficiency and effectiveness of service provision for enhanced pro-poor economic development;
- 2 involve an increased number of stakeholders (particularly from the private sector); and
- 3 improve the accountability of service providers.

Traditional ways of funding public advisory services are top-down approaches, and the internal chain of accountability for performance is a bottom-up system; so service users are excluded from this chain. Reversing the financial flow by providing funds directly to the producer to contract services from providers can change the entire incentive and accountability structure.

### **2.4 Outsourcing mechanisms**

The outsourcing mechanism originates from the private sector, particularly the Information, Communication and Technology (ICT) sector (Greaver, 1999). Outsourcing is a business process term that refers to the contracting out of tasks and services that are either not (or no longer) considered to be the core business of a particular enterprise, or that can be achieved more efficiently by contracting specialized agencies. Outsourcing is then an arrangement whereby an enterprise enters into a contract with an external supplier to provide goods and/or services that were previously provided internally. The contracted freelancer performs a specified task (or tasks) for an organization when that organization does not have the time or expertise to fulfil the task itself, or when the organization recognizes that there are alternative suppliers who can perform the task more effectively, efficiently and/or cheaply. In the case of agricultural advisory services,

outsourcing is a way of contracting private expertise (including NGOs and farmers' organizations) into an agricultural advisory services system that mainly deals with public goods.

Outsourcing is often combined with competitive tendering for the contract under which the goods and services are to be provided (Griffith and Figgis, 1997). Businesses of all types, both large and small, have been outsourcing activities for many years and have benefited from it; they know the value that outsourcing brings to their organization, as a tool to enhance and enlarge the business. Organizations that have repeatedly used outsourcing over a substantial period know that to sustain the positive benefits that it brings to the organization, it is also important to have a well-managed plan of action for the outsourcing process. This includes deciding which activities or tasks to outsource, which companies should be hired to perform these tasks, how to manage the outsourced 'project', how to agree on payment terms, and how to ensure that the desired results are achieved.

Box 2 presents the advantages and disadvantages of outsourcing (according to Griffith and Figgis, who base their analysis on the ICT sector).

### **Box 2      The advantages and disadvantages of outsourcing**

The possible advantages of outsourcing include the potential for: cost savings; increased accountability of service providers through contract specifications and performance measurement; better work and management practices; wider access to skills, knowledge or technology; more efficient use of capital and equipment; better service quality; greater flexibility in services; local industry development; and fewer industrial relations issues.

The potential disadvantages of outsourcing (government services) include: reduced accountability of government for contracted services; loss of privacy and confidentiality of personal information; collusive tendering or other tendering problems; loss of control by the government over the (quality of) contracted services; reductions in the quality of services; the costs of outsourcing; savings to government resulting from losses to other groups, rather than from actual increases in efficiency; and, negative effects on employment levels and on the wages and conditions of employees working for contractors.

Source: Griffith and Figgis, 1997.

## **2.5      Options for outsourcing**

Four options can be distinguished for providing agricultural advisory services (Rivera and Qamar, 2003) and within each option there are multiple ways of providing these services:

- public-sector extension service (public financing, public service provision, such as under the former national T&V (training and visit) extension programmes);
- private-sector extension service through outsourcing using state funding (public financing, private provision exemplified by the case studies reviewed in this bulletin);
- private-sector extension service through direct 'donor' funding (be it with NGOs or private companies, such as through international donors, NGOs and international

private agencies, increasingly bypassing the public sector extension by contracting services directly; and,

- private-sector extension services based on direct private funding (e.g. ‘contract farming’).

The provision of advisory services by private companies can be either via for-profit companies, not-for profit companies or civil society organizations such as farmers’ groups and community-based organizations.

Outsourcing of agricultural advisory services can use several modalities such as (Anderson, 2007):

- outsourcing by a national agency, for efficiency reasons, and thereby avoiding duplication in different sub-regions and enhancing effectiveness, involving strong national/international service providers such as national commodity boards, donor agencies, etc.);
- the contracting of advisory services by the local government at district level (Mozambique, Tanzania, and Uganda);
- contracting and procurement by client organizations using grants from the public sector, such as in Uganda and in the Farmer Field School (FFS) Programmes (Feder *et al.*, 2003, De Silva, 2000);
- ‘partnership funds’, which are used to stimulate and develop public-private partnerships, as well as other forms of public-private collaborations; and,
- privatization of extension services, where government-funded contracts are gradually reduced through increased cost-sharing by farmers.

## 2.6 Enhancing pluralistic agricultural advisory service systems

Various authors have concluded that agricultural advisory service systems are at risk of being ineffective if they do not involve all key stakeholders in the service provision system and thereby contribute to strengthening agricultural innovation systems (Birner *et al.*, 2006a, 2006b; Haggmann *et al.*, 2002; Rivera *et al.*, 2005). Analytical frameworks have been designed to analyse AIS in general (WB 2006, CTA/MERIT/KIT, 2005) and agricultural advisory service systems in particular (Engel *et al.*, 1987, Birner *et al.*, 2006a, 2006b; Haggmann *et al.*, 2002; Probst and Haggmann, 2003, Anderson, 2007; Chipeta, 2006).

Important challenges for the agricultural service providers, and indeed the entire innovation system, are listed below.

- 1 *Retaining the best of a learning knowledge ‘system’ and a competitive knowledge ‘market.’*  
An outsourcing system and, in particular, the tender procedures can lead to fragmentation through competition in relation to the AKIS and hence affect the learning mode which is central in the AIS. Competition eliminates service providers and they can collapse (or even disappear) as a result of severe competition. In such cases, the AIS cannot maximize the interactive learning opportunities due to this loss of knowledge. The closure of public sector R&D institutions in parts of Africa (Pardey *et al.*, 2006) is an example of this actually happening. This can lead to a fragmented



institutional memory and to learning-for-innovation barriers (secrecy and even patenting). The ability to exclude and subtract, or rivalry (see also Table 1), are conditions for developing a knowledge market but, in order to reach this state, transaction costs can become prohibitive. It is important to determine if this is due to a failing market or another phenomenon (Leeuwis and van den Ban, 2006; Steenhuijsen Piters *et al.*, 2003). The challenge is to introduce elements of competition in one phase of the process and effective interactive learning, also between service providers, in another phase of the same process.

**Table 1** Classification of agricultural goods and services

Type of goods and services		Excludability	
		Low	High
Rivalry	Low	<b>Public goods</b> Production, marketing and management information that is widely applicable and accessible	<b>Toll goods</b> Production, marketing and management information
	High	<b>Common-pool goods</b> Information embodied in locally available resources or inputs Information on organizational development	<b>Private goods</b> Client-specific information or advice Information embodied in commercially available inputs

Source: Adapted from Umali and Schwartz, 1994.

- 2 *Changing from upward accountability to partnerships and interaction.* An analysis of the AIS leads to the identification of the various stakeholders, their roles and performances as well as their capacity to interact and to invest in the opportunities for interactive learning in the system. A strategy can be developed for agricultural innovation development that includes the outsourcing of agricultural research and advisory services. Outsourcing strategies are aiming at complementarity, initiating flexible programmes to contract extension and fostering public-private partnerships. The challenge lies in developing these new partnerships effectively and expanding beneficiary ownership of advisory services by reversing funding and accountability, from a supply-driven knowledge chain to a demand-driven knowledge system based on participatory M&E (Birner *et al.*, 2006a, 2006b).
  
- 3 *Coping with the risks when opening up the system to private service providers.* One risk concerns the ‘substitution’ risk, where other goods are provided rather than the highest priority goods, as they are easier to market, which could include a stronger focus on market-oriented agriculture and less emphasis on subsistence/food farming, thereby increasing the vulnerability of many smallholder farmers. Other risks include the ‘relocation’ risk (clients obtain goods elsewhere without market structure), ‘exclusion’ risk (certain groups are excluded), ‘market’ and ‘continuity’ risks (some important providers may go bankrupt, as has already happened in Latin American Research Centres (Leeuwis and Van den Ban, 2006).

- 4 *Balancing and coordinating the way in which national and local priorities are addressed.* Special policy concerns may dictate a need to focus activities on a particular area, problem or sub-sector. The levels and types of interaction between the demand, formulated through national policies and from farms and firms, need to be evaluated and balanced. The type of service provided to the various target groups will vary between organizations implementing activities within the same region or province, taking account of issues such as complementarity, comparative advantage and competition, which will require joint planning and coordination.
- 5 *Strengthening 'good governance' of the system.* The transaction costs of outsourcing, in particular, can get out of hand through favouritism (i.e. not opening up the process to all service providers), corruption and political interference. This requires client empowerment to replace the controlling powers of the state by providing mechanisms for downward accountability to the users, capacity strengthening of agricultural service providers and local governments, as well as the development of demand authenticity within farmers' organizations (Chapman and Tripp, 2003, Wennink *et al.*, 2007).

# 3 Methodology and analytical framework

This chapter discusses the methods used to collect our data on outsourcing agricultural services and the analytical framework used to analyse the case studies. This in turn provides the basis for deriving this bulletin's lessons on outsourcing.

## 3.1 Approach

The case study methodology offers a means of learning about a complex situation through extensive description and contextual analysis. The results articulate how and why a particular situation occurred, and what one might usefully explore in similar situations. The case studies on outsourcing experiences for this bulletin were documented by national practitioners in the respective countries (see 'about the authors' in Part II). Case studies can generate a great deal of data that may defy straightforward analysis. For the purpose of this study the case studies are largely qualitative, as they are based on the experiences of stakeholders; best practices are documented and used to extract lessons learned. The papers are based on experiences with outsourcing, specifically on the arrangements for agricultural services provision for smallholders at the local level. The three main groups involved are:

- 1 those who express the demand, often farmers and their organizations;
- 2 the local government; and,
- 3 the agricultural advisory service providers (public or private).

The two-year process towards preparing for and completing this bulletin included the following steps:

- 1 implementing a desk study to find existing information on outsourcing advisory services;
- 2 identifying existing cases and potential authors to study the experience of these cases, based on a variety of criteria (see Section 3.2);
- 3 defining the main issues in outsourcing, together with the authors, through e-mail communication, bilateral discussions during field visits, and translating this into an analytical framework;
- 4 implementing field work for the case studies, which included interviewing stakeholders, focus group discussions, plus direct and participatory observations;
- 5 organizing local multi-stakeholder workshops to validate the information obtained and further discuss issues and main lessons learned (workshops took place in Mali, Mozambique and Uganda, with participants from the national Ministries of Agriculture, the national extension organizations, private and NGOs, service providers and farmers' organizations);

- 6 extracting best practices and lessons learned for each country on the basis of the analytical framework;
- 7 comparative analysis of the case studies using the analytical framework;
- 8 translating the lessons learned into guidelines for outsourcing advisory services;
- 9 international and national peer review of the final document.

### 3.2 Selection of case studies

Only a few countries in Sub-Saharan Africa have introduced the concept of outsourcing advisory service provision through public-funded national programmes. Experience with national outsourcing programmes is limited to countries such as Uganda but, from the late 1990s onwards, pilot programmes on outsourcing advisory services were also started in countries such as Mozambique, Tanzania and Mali.

The case studies were selected on the basis of existing documentation on evaluations of these pilot and national programmes. Other selection criteria included the diversity of experience presented by countries with diverse geographic and language backgrounds, and the familiarity by KIT staff with these ongoing cases, as well as the availability of authors to document these case studies and the potential for using the achievements of these programmes in follow-up phases and up-scaling efforts.

Authors were selected on the basis of existing contacts with KIT, as well as their relative impartiality, being either retired from the programme or never having been directly involved in the implementation of the outsourcing programmes. Terms of reference (TORs) were provided to the authors (see Box 3); during the preparation phase the KIT staff (i.e. editors of this bulletin) had regular e-mail contact with the authors of the case studies.

#### **Box 3 TORs for case study authors**

- Collect documentation on outsourcing experiences at the local level, with a specific focus on outsourcing agricultural advisory services for innovation (for example extension, adaptive research).
- Analyse the information and formulate challenges to improve the impact of outsourcing on livelihoods, by using the analytical framework.
- Organize small stakeholder workshops.
- Combine the findings into a case study report.

Source: This study.

The following case studies were selected:

- Tanzania: NAEP II Pilot Initiatives Programme (PIP).
- Mozambique: Outsourcing programme PROAGRI I (DNEA and INCAJU Pilot Programmes).
- Uganda: NAADS outsourcing programme.
- Mali: PASAOP outsourcing of agricultural extension (with particular focus on one pilot district).

Table 2 and Part II of this bulletin provide a more detailed description of the selected case studies.

**Table 2 Short description of selected outsourcing case studies**

Case	Tanzania	Mozambique	Uganda	Mali
Status	Pilot lessons ready for up-scaling in ASDP in 2007	Pilot ready for up-scaling in PROAGRI II/ PRONEA 2007	National programme from 2001 until 2009 and follow-up	Pilot ready for up-scaling in 2007
National enabling environment	Decentralization and deconcentration	Decentralization and pluralist advisory service provision	Privatization and value chain perspective	Decentralization and rationalization of the Ministry
Supply of AAS	Large public sector, but also similar size private sector	Govt. extension 1/3; public (e.g. NGOs) 1/3; and private, 1/3	Declining public sector, taken over by private sector	Public sector, parastatals and private non-profit sector
Demand for AAS	Through Farmer Fora at district level	District Consultative Councils	Through Farmer Fora and at sub-county level	Through village FGs/FOs and District consultations
Main financial support	ASDP (Government, WB, IFAD)	PROAGRI II (Government, IFAD, 7 bilateral donors)	NAADS (Government, WB and bilaterals)	PASAOP (Government, WB and bilateral donors)
Main trigger	Deconcentration of advisory service and demand	NGO and private sector capacity	Private sector involvement in chain development	Involvement of local governments and FOs in agricultural services
Focus	Livelihoods and chains	Livelihood and chains	Value chain	Livelihoods (and chains)

Source: This study.

### 3.3 Analytical framework

#### General context

The analytical framework allows us to look at agricultural advisory services from an AIS perspective. An AIS involves a far broader set of stakeholders that provide services to the clients within the sector than the traditional research and extension agencies. We assume that looking at outsourcing experiences from this perspective will provide us with additional insights and lessons about agricultural advisory systems and how to make these beneficial for the rural population. Innovation takes place throughout the entire economy and innovations often do not have their origin in formal science and technology (S&T) nor are they exclusively technical (Elliott, 2004; Anderson and Feder, 2004). Several authors assert that applying the AIS perspective results in the following features (WB, 2006, CTA/MERIT/KIT, 2005):

- A focus on innovation (rather than on research or extension as such) as its organizing principle and the concept of innovation can be used in its broad sense, i.e. the activities and processes associated with generating, producing, distributing, adapting and using new technical, institutional, organizational, or managerial knowledge.
- Conceptualizing research and extension as parts of the wider process of innovation; it helps identify the nature of the stakeholders involved and the scope of their activities, as well as the wider set of relationships in which research and/or extension are embedded.
- Recognition of the importance of both technology/knowledge producers and technology/knowledge users, as well as the continuum of knowledge production and use, and by acknowledging that their roles are both context-specific and dynamic, it escapes the polarized debate between proponents of the theories of technology 'push' versus demand 'pull'.
- Recognition that the institutional context of the organizations involved (and particularly the wider environment that governs the nature of their relationships) promotes dominant interests and determines the outcomes of the system as a whole. This aspect is extremely important for introducing a focus on poverty. The framework thus provides a means of examining and revealing which agendas are being promoted, highlighting those arenas in which the voice of the poor can be promoted. Organized facilitation becomes a core intervention at all levels to unleash the cooperative energy of stakeholders through a compelling vision to work (and learn) together.
- Recognition that innovation systems are social systems. In other words, the focus is not only on the degree of connectivity between the different elements, but also on the learning and adaptive processes that make such systems dynamic and evolutionary.

Inevitably, transforming service provision mechanisms becomes a multi-stakeholder change and learning process (Hagmann *et al.*, 2002). This change cannot be imposed from the outside, but requires internalization and depends on the free will and energy of the various stakeholders.

## Components

Most authors (Hagmann *et al.*, 2002; Birner *et al.*, 2006a, 2006; Ribeiro *et al.*, 2006; Engel and Salomon, 1997) recognize the complexity of the institutional configurations in innovation systems. Analysis of the effects of particular changes in such systems, such as outsourcing of advisory services, will consequently focus on both service provision and demand groups of stakeholders, as well as those responsible for creating a facilitating enabling environment. Somewhere between institutional configurations for innovation and performance of the system lays the processes and functioning of the system, both in terms of administrating the outsourcing tool and the capacities of the primary stakeholders, plus its contribution to linking stakeholders and their interaction. Four main components therefore form the basis of the framework for analyzing the use of outsourcing in agricultural advisory services in the innovation system context (see Box 4). These are:

- the enabling environment for outsourcing;
- the advisory system and outsourcing of services;
- outsourcing operations;
- performance of the advisory system and services.

## **Box 4      Framework for analysing the use of the outsourcing tool in agricultural advisory services**

### **1 The enabling environment for outsourcing**

- Policy and legislation: innovation policy, decentralization, private sector capacity, and rationale for outsourcing
- Institutional reform: deconcentration of sectors, role of other stakeholders
- Competency development: changing roles (state and non-state stakeholders)

### **2 The advisory system and outsourcing services**

- Organizing the demand:
  - Client differentiation and inclusion
  - Quality of demand
  - Articulation of demand
  - Managing diversity and demand aggregation
- Responding to the demand:
  - Type of services
  - Organizational capabilities versus pluralism
  - Platform establishment and coordination
  - Competency and capacity
- Role and responsibilities of the various stakeholders

### **3 Outsourcing operations**

- Procurement:
  - Identification of priorities
  - Tender or call for proposals
- Funding:
  - Co-funding arrangements
  - Competition
  - Length of contracts
  - Disbursement arrangements
  - Incentives
- Implementation:
  - M&E (performance indicators)
  - Long-term versus short-term issues
  - Exit strategies
  - Interactive learning mechanisms

### **4 Performance of the advisory system and services**

- Efficiency and effectiveness
- Performance of agricultural service providers
- Sustainability of the system

Source: Adapted from Birner *et al.*, 2006a; CTA/MERIT/KIT, 2005; Hagmann *et al.*, 2002; and Ribeiro *et al.*, 2006.

### **3.4 Enabling environment for outsourcing**

#### **Policy context**

Essential conditions for the successful delegation and outsourcing of agricultural research and advisory services for rural innovation include policies, legislation and a conducive institutional environment (Birner *et al.*, 2006a, 2006b). Examples of this include the political will to delegate, which implies a change in the role of the state and also the political trust to promote extension and adaptive research reform. Reforms require adequate and timely funding, willingness to cooperate with non-state stakeholders in the AIS and to make services truly client-responsive and demand-driven. Some specific policies (see e.g. Box 1) must be in place in order to effectively support the public outsourcing modalities. A policy decision to open up the knowledge market by bringing in other stakeholders that also use public funds is crucial and must be accompanied by other policy measures.

In order to achieve proper functioning of outsourcing these services, special attention should be paid to a number of core issues for which a vision needs to be developed. For example: the requirements of the poor, women and marginalized groups; differentiation in modalities for low and high agricultural potential zones, livelihood systems, value chains; plus maintaining links between (national and international) research and a variety of public and private advisory services.

#### **Institutional reform**

The government needs to clearly understand the intricacies of systems for outsourcing services as well as the crucial need to separate funding, procuring and supply of agricultural advisory services. The public sector is shifting towards a more coordinating, regulatory and funding role, with the private sector (in the broadest sense) evolving into an implementation role. Clarity of these new roles forms the basis for effective collaborative planning and conflict management, with the government being responsible for public aspects (such as training administrators of agricultural advisory services, supervising contracts, programme M&E and overall strategies), with the private sector handling goods and services of an increasingly private nature (such as information on inputs, markets and value-chain-related services).

#### **System competency development**

A wide variety of agricultural advisory services are required (from the private sector, civil society and farmers' organizations) in order to ensure that there is adequate capacity in pluralistic service provision, as well as the capacity to choose between these providers. Any perceived lack of choice needs to be addressed and normally 'invisible' or unknown providers and services need to be promoted adequately. The required capacity to provide advisory services needs to be developed. At the same time a functioning system also requires the effective demand for public and private advisory services to be strengthened.



Governments usually continue to provide funding for most contractual arrangements but public-private partnerships (PPPs) and cost-sharing arrangements between governments, farmers and the private sector are increasingly prevalent. Cost-sharing schemes can be greatly facilitated when farmers are involved in selecting, monitoring and evaluating the extension agents, and in determining the scope and content of the programme. A capacity for contract M&E is crucial, and time-based milestones should be included in all contracts. This requires both organizational capacities and enhanced skills of farmers' organizations and their staff.

### **3.5 Advisory service system and outsourcing**

The main categories of stakeholders in the AAS are those demanding the services, the service providers themselves, the parties leading the governance of the system (such as local and central governments), and the facilitators of the interaction between supply and demand. Local governments can facilitate the learning process between advisory service organizations and FOs, as well as with other services or with contracting these services out, for example to NGOs.

#### **Organizing the demand**

Community-based organizations (CBOs) and farmers' organizations are critical in voicing their demand for agricultural advisory services. These organizations provide economies of scale and a mechanism for promoting small farmers' interests. The existence, as well as the competence, of these organizations is therefore important in dealing with agricultural service providers. In general, farmers' education and training are crucial in enhancing agricultural development over the long term. Other important elements in organizing the demand for advisory services include, for example, the level at which rural disadvantaged groups are included, the involvement of farmer innovators, and an emphasis on organizational and institutional innovation, besides technical innovation (Hagmann *et al.*, 2002). Community characteristics, such as access to resources (financial, market and natural), capacity (level of education), and social and gender roles (level of cooperation and emancipation) are key conditions for effectively expressing this demand. The dynamics of the community and its farming households, in terms of livelihood capacity development (i.e. social, human, financial, physical and natural capital), decision-making capacities on innovation and willingness to change practices, are all instrumental in developing effective demand.

As a consequence of market liberalization and more widespread democracy, the voice of the smallholder farmer is increasingly being heard. After all, farmers do have the 'veto-power' to accept or reject the 'technologies' proposed (by either using or not using them). Articulating this demand for services requires further capacity strengthening of farmers' organizations and CBOs. In turn, this will require large-scale emancipation of the rural poor and other disadvantaged groups, such as rural women and people affected by the HIV/AIDS pandemic. Better articulation of this demand will increase rural household ownership of the development processes and, eventually, will enhance the quality (i.e. relevance and adequate analysis of needs) of this expression of the demand. At the same time, individual demands are aggregated at higher levels, which involve the risk of

overlooking the priorities for the rural-disadvantaged (Hagmann *et al.*, 2002). Specific points that will therefore need attention include:

- 1 client differentiation and inclusion;
- 2 quality of demand;
- 3 articulation of that demand; and,
- 4 management of demand diversity and aggregation (Wennink *et al.*, 2007).

The key questions here are:

- 1 who is facilitating the development of this demand and how is it achieved? and
- 2 can such services be part of the outsourcing modality?

## Responding to the demand

The response to the expressed demand is framed by the type of services available, the organization and management capability, the pluralism in the services provided, the existence of stakeholder platforms and other coordination mechanisms, as well as the overall competencies and capacities (Hagmann, *et al.*, 2002). The response is further determined by the characteristics of the agricultural advisory services in government structures, the management qualities and the advisory methods used. In particular, the latter aspect shows a broad diversity, e.g. approaches focusing on technology transfer through T&V, participatory extension, FFS programmes, ICT-based extension, and school programmes.

### *a Addressing the demand*

A major advantage of outsourcing systems is the opportunity to involve a variety of stakeholders that contribute to interactive learning for agricultural innovation. Private research service suppliers, for example, might include multinationals, national companies, family enterprises, commodity boards, non-profit NGOs, individual farmers and farmers' groups.

### *b From extension to advisory services*

The goals of agricultural extension have traditionally included transferring information from the global knowledge pool and from national and local adaptive research programmes to farmers, enabling them to clarify their own goals and opportunities, educating them on how to make better decisions, and stimulating desirable agricultural development.

Agricultural advisory services aim to become more client-oriented and demand-driven than the traditional extension services. Effective advisory services therefore involve adequate and timely facilitation of access by farmers to a broad range of relevant information sources. The emphasis has recently shifted to interactive learning between all stakeholders, in a system in which the extension workers facilitate the interaction between farmers and all the relevant stakeholders – from research and advisory services, through to market and financial services. Furthermore, most farmers in Sub-Saharan Africa currently receive information from many sources. Public service providers are one source, but are not necessarily the most knowledgeable or efficient. Therefore, although public advisory services can contribute to the productive efficiency of the agricultural sector, the virtues

and limitations of alternative and complementary options should also be considered by assessing their cost-effectiveness.

### *c Public–private partnerships*

An important indicator for the degree of pluralism in the mode of operation is the number of partnerships and contractual arrangements with a variety of clients (i.e. ‘contracting in’). Separating public funding and service provision has created greater opportunities for diversification in implementation. Strong emphasis is given to public–private partnerships, with special attention being paid to complementarity. Services for cash crops are often contracted out to the private sector, while the crops grown primarily for subsistence are being addressed by the public sector, although usually cash and subsistence crops are both integral parts of a farmers’ livelihood (Steenhuijsen Piters *et al.*, 2005; DFID, 1997).

Private service providers operating in the open knowledge market mainly provide services as a private element. However, agricultural advisory services for smallholders are essentially public goods; they are nevertheless already subject to considerable outsourcing by government to the private sector. Developing a demand for small-scale enterprise-specific advisory services, where the extension officer is a business development advisor, often contributes to the privatization of advisory services (see Table 2).

## **Roles and responsibilities**

The interaction between the expressed demand by local communities and farming households and the response by municipalities and districts requires both multi-stakeholder platforms at the district level as well as large-scale effective empowerment at the community level. At the same time, a need exists to support the generation of conducive responses at the provincial or national levels; e.g. networking that contributes to policy change and enhanced organizational development. Therefore outsourcing services leads to a change of roles and responsibilities within the agricultural advisory services system (see Table 3).

The state’s role changes from providing services to ensuring the quality of services provided under contract, when publicly financed public services are outsourced. The M&E (or quality-control function) extends beyond contract oversight to addressing issues such as the effectiveness of links between service providers and support services that ensure, for example, the quality of advice (i.e. service provider certification, R&D training, and M&E). The principal risk is that private contractors will fail to achieve a contracted services objective for a project, although comparison with the public sector may show that they run an even higher risk in failing to meet the given objectives. Several measures can help to minimize this risk, such as conducting a comprehensive selection of proposals, limiting the number and scope of projects, and insisting on adequate monitoring arrangements.

**Table 3**      **Changing roles and responsibilities**

<b>Stakeholder group</b>	<b>Old roles</b>	<b>New roles</b>
Central government	Financing, planning, M&E	Regulation
Local government	Implementation	Planning, M&E, coordination
Public agricultural service providers	Provision of national programme services Upward accountability 'Teaching' rather than facilitation	M&E of services through performance contracts Complements other services Downward accountability Facilitation of multi-stakeholder configurations for learning
Private advisory service providers	Provision of private goods	Contracted by local government for advisory and facilitation services Complements public services
Farmers' organizations	Collaborative arrangements at farmer-group level Vehicle for consultation and dissemination	Participatory planning. Procurement and M&E of services Providing advisory services to members
Entrepreneurs providing output and input services	Supply chain role	Role in value chain development (interacting with other players) Cost-sharing of advisory services

Source: This study.

### 3.6 Operations

#### General

Procurement, funding and the actual provision of advisory services are key operations in outsourcing (Birner *et al.*, 2006). In agricultural advisory service systems and AISs, system functions are implemented by different stakeholders and through different institutional configurations (Engel and Salomon, 1997). These functions relate to the supply of, and demand for, agricultural services, as well as to facilitating the interactions and the interactive learning that takes place between stakeholders (Hagmann *et al.*, 2002). Special attention should be given to the interactions between the key stakeholders and the institutions that govern and support these, as well as to the facilitation strategies used.

Three main operational issues need to be addressed with regard to all modalities of outsourcing (see Section 2.5) and advisory service contracting in general:

- *Performance-based contracting.* Performance needs to be included in contracts by establishing monitorable targets, both for public and private sector providers.
- *Competitive bidding/selection.* Competition can be used to select private service providers. However, negotiation and coordination may be more fruitful when contracting farmers' organizations and public-sector agencies.
- *Inclusion in outsourcing.* One of the major dilemmas is that the users who most urgently need agricultural advisory services are often the weakest stakeholders in the contracting process. These users often cannot prepare good proposals and/or provide

co-financing, demand greater social impact versus economic impact, with different contracted projects competing for the same target group. This sometimes leads to situations in which public authorities (have to) act on behalf of the ultimate clients.

### Procurement-related activities

A selection process identifies organizations capable of implementing a task that is (to be) outsourced. The steps involved in an outsourcing operation are generally as follows:

- **Identification:** identifying the types of services to be outsourced; determining the focus of the effort; the key recipients; registration of advisory services, both in the private sector and in civil society (based on established criteria); and establishing mechanisms for service provider classification and short-listing.
- **Actual procurement:**
  - *Distributing the invitation:* preparing the terms of reference; defining selection criteria and procedures; defining the services AAS demanded; plus the call for tenders/proposals.
  - *Selection:* evaluation and ranking of proposals, with or without the participation of farmers and their organizations.
  - *Contracting:* involving farmers' organizations in contracting procedures; rules for payment/cost-sharing of extension costs and hence involving tripartite contracts.
- **M&E:** identifying objective and verifiable indicators; involving farmers and their organizations, the local government and other stakeholders in M&E.
- **Ex-post publicizing the results** in order to ensure transparency and allow for learning and scaling-up of the processes and results.

There are two main approaches to procuring agricultural advisory services and these are reflected in two selection modalities: 1. *tender*; or, 2. *call for proposals*:

- 1 *Tendering* is a common procedure where the project is designed to be funded through specialized consultancy firms, and subsequently the assignment is offered out to tender in order to select the particular agencies to implement the specified project and provide the relevant services. It is possible to use either 'open' (accessible to all) or 'closed' tenders (based on a short-list).
- 2 An open *call for proposals* is another possibility; here a public institute defines the broad area of intervention and the objectives (based on farmers' priorities) to be pursued, while indicating the desired strategic orientation and guiding principles of the interventions to be funded. In this second alternative, the exact identification of the project and the partnerships to be established are generally left to the competing entities.

In the last approach, effective and close M&E are essential for interactive learning purposes, since major revisions during project implementation can, and often will, take place. Adapted management based on interactive learning and feedback is a strong argument in favour of this modality.

Competitive selection procedures are desirable to ensure fairness in contractor selection and to establish competitive prices for contracted services. Both approaches are valid; each has advantages and disadvantages under a specific set of conditions (see Table 4).

**Table 4 Advantages/disadvantages of procurement arrangements**

	<b>Advantages</b>	<b>Disadvantages</b>
Tender	<ul style="list-style-type: none"> <li>• Intervention clearly defined</li> <li>• Objective evaluation and selection of the implementing firm for the specified intervention because 'like is being compared with like', i.e. all the proposals received and evaluated have the same focus</li> </ul>	<ul style="list-style-type: none"> <li>• The closed nature of the process does not facilitate innovation or interactive learning</li> <li>• The often time-consuming and expensive nature of the process incurs the risk that, by the time the intervention is implemented, the situation may have changed, possibly making the project less relevant</li> <li>• Tendering does not encourage partnerships</li> </ul>
Call for proposals	<ul style="list-style-type: none"> <li>• A more demand-driven process, leaving space for innovation, flexibility, experimentation, and a variety of approaches</li> <li>• In principle, the time required for processing, identification and contracting is shorter</li> </ul>	<ul style="list-style-type: none"> <li>• Less competition for quality</li> <li>• Greater danger that professional proposal writers will take over</li> <li>• Risk of nepotism and compromised transparency</li> </ul>

Source: Adapted from ProAGRI II, 2004 (in Part II) and Rivera *et al.*, 2000.

Clear procedures and accountability mechanisms, such as competitive contracting processes, independent broad-based selection committees, regular reporting and routine financial audits, are essential for enhancing transparency.

### Contracting and funding

Funding includes the budgeting and financing of outsourced activities. One of the objectives of outsourcing is to contract more efficient and effective service providers, based on their competitive or comparative advantage. Some of these issues are listed below (Heemskerk *et al.*, 2003; Heemskerk and Wennink, 2004; PROAGRI II, 2004 in Part II):

- In order to facilitate competition and increase the variety of service providers, mechanisms may need to be considered to provide financial compensation for work relating to the preparation of project proposals by unsuccessful bidders or introducing two-step approval mechanisms ('concept note' or 'expression of interest', followed by a full proposal).
- Budgets need to be made according to activity rather than having an itemized budget, so that activities can be compared. This is therefore referred to as 'activity-based budgeting'.
- Cost/benefit estimates and cost accounting: where applicable, proposals should indicate unit costs per beneficiary and describe how these have been calculated.
- Contracts should stipulate that payment will only be made on satisfactory completion of outputs (which may provide special incentives for efficiency or effectiveness in completion). Disbursement may be arranged in different types of instalments; for example linked to the completion of certain phases or milestones. Contracts can also provide specific incentives based on achieving results or 'impacts' by the contracted

services (e.g. increased producer incomes, productivity, or even a contribution to poverty reduction).

- The level of cost-sharing and/or co-financing needs to be defined, as well as establishing the relationship with ownership and effectiveness of the assignments.
- Contracts that ensure client participation in decisions on content and service provision strengthen demand-driven systems and often increase the relevance of the services provided. A broad range of stakeholders are interested in, and need to be consulted on, defining these agricultural advisory services and identifying the primary clients.
- Outsourced projects falling within the livelihood system intervention areas need to emphasize working with farmers' associations, as opposed to working with individual farmers. In the context of value chain development, working with individual entrepreneurs may sometimes be considered.
- Since the beneficiaries are mostly heterogeneous, the contract proposals will ideally need to equitably balance support for farmers with strong economic potential and assistance to the very poor households. More specifically, tailored services may need to be provided for different types of households and farming systems.

## Implementation

Once the authorities move decisively towards outsourcing, the number of contracts will initially be limited, thus causing a situation where contracted service providers may be engaged on a part-time basis. However, this situation also creates opportunities for a gradual build-up of capacity within public agencies to run the new process. Managing contracted services requires skilled staff with the capacity to monitor, supervise, and evaluate the work of contractors. Financial management and administration systems in many state agencies also often require strengthening in order to handle contracted services. When the government issues a contract, responsibilities for supervision and regulation must be spelled out clearly, along with the agreed procedures at all levels (central/provincial/and local) for monitoring and evaluating the contracted service providers' performance.

M&E mechanisms must allow both performance of contract service providers and the impact of the contracted services to be monitored. Farmers, farmers' groups and associations and other stakeholders should be involved in monitoring and evaluating the work of the agricultural service providers. Finally, it is useful to follow a 'programme approach' and develop a system that always uses the outsourcing tool, rather than have many different types of projects and approaches. Outsourcing arrangements create opportunities for service providers and other stakeholders to share experiences and resources, as well as to engage in collaborative planning and interactive learning, which encourages local ownership and tends to enhance programme effectiveness.

### 3.7 Performance of the outsourcing mechanisms

#### General

The performance of the outsourcing system and mechanisms includes contributions to the AIS, the role of the contracted agricultural service providers, as well as the results and impact of the investment. Three proxy indicators are used to assess the contribution of

the outsourcing tool to publicly financed advisory service provision for smallholder agricultural innovation, i.e.:

- *Enhanced operational efficiency and cost-effectiveness* of the agricultural advisory system based on the comparative advantage of different stakeholders in the various roles, the relative concentration on core functions, as well as the achieved reduction of costs.
- *Enhanced performance and sustainability of the system*, particularly through participation of the private sector, contributing to more innovative ideas and thus strengthening the AIS and facilitating involvement of a greater number of stakeholders with diverse capacities.
- *Improved performance of agricultural service providers*, resulting in enhanced user-responsiveness and accountability, as a result of transparent contracting procedures between providers, financiers, as well as beneficiaries, which are all based on joint planning and hence ownership of the stakeholders in the AIS.

The results of outsourcing agricultural advisory services, as appreciated by both the demand and supply sides, are expressed by the:

- 1 impact, or the degree to which the contents of the services provided (in terms of needs and opportunities) are being addressed;
- 2 targeting of the different priorities and groups of clients;
- 3 feedback and accountability from (and to) the beneficiaries, including transparency;
- 4 timeliness of agreed actions;
- 5 relevance;
- 6 effectiveness, and
- 7 efficiency and cost/benefit ratios.

### Efficiency and effectiveness

Efficiency and effectiveness need to be seen in relation to the baseline situation, when all services were still provided by the public sector. A comparison can also be made between districts (with or without outsourcing) and between different services for different assignments. In practice, however, comparison will be difficult as different providers will address different issues and also have different functions. The introduction of advisory service provision outsourcing would probably have the main short-term effect of enhancing cost-effectiveness and efficiency of the services provided. For others it would simply mean a way of attracting more funds for agricultural advisory services, either through enhanced donor support and bringing NGO extension into the system, or through cost-sharing arrangements with more market-oriented farmers and their associations. A more significant, long-term envisaged benefit is the contribution made by outsourcing, through wider stakeholder interaction and hence enhanced learning on rural innovation.

It is useful to be aware of how much extension services cost, and to improve the awareness and understanding of the expected benefits. Although this will be closely related to the context, as well as the content of the agricultural advisory services, a cost in the range of USD 5-25 per contacted household per year is often used as a realistic figure in planning the provision of agricultural services (Andre, 2004, Ribeiro *et al.*, 2006). Others argue that different services and approaches can be more expensive, but that the



real comparison has to be in the effectiveness and the contribution to rural innovation (Nederlof, 2006; Rivera *et al.*, 2005).

**Table 5**      **Expected effects of outsourcing agricultural advisory services**

<b>Effects of outsourcing</b>	<b>Efficiency</b>	<b>Effectiveness</b>
Positive contribution to	<ul style="list-style-type: none"> <li>• Possible reduction of permanent public sector staff</li> <li>• Deployment of scarce resources for high priorities</li> <li>• Involvement of special skill providers.</li> <li>• Greater clarity in objectives and outputs</li> <li>• Use of comparative advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility in responding to needs</li> <li>• Partnership and development of relationships with other stakeholders</li> <li>• Greater variety and quality of ASPs (advisory service providers), due to accountability and competition</li> <li>• Allows performance-based contracting</li> </ul>
Negative contribution to	<ul style="list-style-type: none"> <li>• Heavy initial costs (e.g. staff redundancies, retirement packages)</li> <li>• Risk of increased bureaucracy in local government</li> <li>• Strengthening financial and administrative systems</li> <li>• Loss of key government staff</li> <li>• Training costs of supervisory bodies (i.e. the costs of these improved management skills)</li> <li>• Potential for nepotism (local level) and corruption (higher level)</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of institutional memory (costs)</li> <li>• A greater variety in specialized ASPs may lead to a lack of overall expertise</li> <li>• New information and experience not passed on due to discontinuity in contracts</li> <li>• Breakdown of the interactive learning processes due to the fragmentation of the knowledge market</li> <li>• Private sector less accountable to smallholders due to decreased emphasis on inclusive participation</li> </ul>

Source: Adapted from Rivera *et al.*, 2000, and WB, 2005.

### Performance of the system

The performance of agricultural advisory service systems is largely determined by the way in which public, private and third-party stakeholders interact, as well as the intensity and effectiveness of this process. The mix of implementing stakeholders can be matched by a mix of stakeholders that fund the services, as well as through joint procurement of required services for strengthening rural livelihoods or product value chains. Other elements relate to maintaining and developing the capacity of the system, system learning mechanisms, using suitable exit strategies, institutional memory and continuity, as well as external or public sector dependence.

### Performance of agricultural service providers

Outsourcing requires local government procurement offices to define clear outcomes and outputs as well as ‘SMART’<sup>9</sup> indicators. However, this is no guarantee for strong downward accountability of the contracted service providers on their performance and the quality of services provided. The better connection between supply and demand

<sup>9</sup> Specific, Measurable, Acceptable/Assignable, Realistic and Time-bound.

(achieved through outsourcing) should improve accountability, but the beneficiaries are often not the actual clients, as the contracts are signed between the public sector (at best accountable to the farmers) and private service providers (Leeuwis and Van den Ban, 2006). It is important to find ways of getting the clients more closely involved as the real demanding party, e.g. through having a direct say in the outsourcing itself, selecting the service providers, allocating financial resources, and in the participatory assessment of the results. The FFS approach uses elements of community performance-based management based on participatory M&E<sup>10</sup> (Feder *et al.*, 2003). In CORDEMA, tools are used to compare the perceived performance of research clients with the self-assessment of the research organization implementing the contract<sup>11</sup>. Similarly, community-based performance management allows clients to use the community 'scorecard' to assess service provider performance and to compare this with self-assessment data for interactive learning<sup>12</sup> (Heemskerk *et al.*, 2003).

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<sup>10</sup> [www.farmerfieldschool.net/document\\_en/FFS\\_GUIDE.doc](http://www.farmerfieldschool.net/document_en/FFS_GUIDE.doc)

<sup>11</sup> [www.kit.nl/smartsite.shtml?id=SINGLEPUBLICATION&ItemID=1500](http://www.kit.nl/smartsite.shtml?id=SINGLEPUBLICATION&ItemID=1500)

<sup>12</sup> [www.roboroz.ca/scorecard/index.html](http://www.roboroz.ca/scorecard/index.html)

# 4 Lessons learned

## 4.1 General

The best practices and other lessons learned in the four case studies conducted in Mozambique (PROAGRI I), Tanzania (PIP), Uganda (NAADS) and Mali (PASAOP) were analysed according to the four dimensions of the analytical framework presented in Chapter 3, i.e.:

- 1 enabling environment;
- 2 advisory services system;
- 3 outsourcing functions;
- 4 performance.

See Table 2 in Chapter 3 and Part II of this publication for more detailed descriptions of the case studies. This chapter includes a summary of the overall lessons learned from the four case studies. As an introduction to this chapter, a number of more general issues that were raised through the case studies are also discussed, such as the rationale for outsourcing, the need for learning before up-scaling, and the notion that there are no specific blueprints for introducing and up-scaling of the outsourcing concept.

### The rationale for outsourcing

Why is outsourcing of AAS taking place? The case studies analyse the need for outsourcing from the public sector perspective, especially since this is the main financier of such programmes. Some countries may not have certain competencies and capacities available within the public sector, and therefore a decision may be made to acquire these capacities through outsourcing rather than to develop the required capacity within the public sector (as is currently the case in Tanzania). In other countries (Mali) and in the minds of some stakeholders involved in Mozambique, outsourcing is a convenient vehicle for recruiting more people to increase AAS coverage; this situation can lead to public-private advisory service competition. In Mozambique the outsourcing of entire AAS programmes within districts was partly based on the (false) expectation that contracted district agricultural advisory services would be a less expensive option for the government than the funding of public services.

Other reasons for outsourcing include the perceived need that agricultural advisory service provision urgently needs to achieve greater impact (as concluded from the results of negative evaluations), and hence must become more demand-driven in response to the greater diversity in demand (as was the case in Mali after the evaluation of the World

Bank funded T&V programme). This diverse demand leads to the need to outsource services for which new knowledge, skills and mindsets are not yet available in the public sector. This is one of the key purposes behind outsourcing the new 'national' advisory service programmes within the ongoing programme in Uganda and, more recently, in Tanzania and Mozambique.

The vision to move from a linear system of 'training of trainers' (TOT) to a more systemic AIS, and thus involve a greater number of stakeholders in the overall learning process through outsourcing, is shared by several countries. It is the main objective behind the new agricultural advisory service programmes in Tanzania, Mozambique and Mali. The case studies showed that, before services are contracted out, it is advisable to define a common goal, at least between the demand for services and local governments.

### Learning as a prerequisite for up-scaling

Outsourcing agricultural advisory services with public funds is not 'business as usual' – it involves new roles at different levels in the public sector, new stakeholders and different processes. It goes without saying that learning lessons from the experience gained on pilot programmes is a prerequisite before the up-scaling of the outsourcing process can start with confidence.

Contracting out services involves major strategic choices in terms of privatization of service provision, demand-orientation and decentralization. In all of the four cases studied, pilot outsourcing programmes were designed to serve as action-learning experiences and the gradual introduction of outsourcing was planned on this basis. However, not all pilot experiences were adequately documented with respect to best practices and lessons learned, and also not all such projects involved regular interactive learning between the key stakeholders. There is only scant information available on pre-planned learning mechanisms on the use of these pilot projects, and programmes are often scaled-up on the basis of only a limited understanding of the lessons learned.

Since the pilot experiences gained under the WB-financed Agricultural Extension Programme (AEP 1991-1996), which were hardly documented, the NAADS programme in Uganda has scaled-up a system of outsourcing services to an almost nationwide programme, admittedly with much 'learning by doing' during the early stages of the programme. Nationwide up-scaling is currently being implemented in the other countries involved. As demonstrated in Uganda, it is clearly realized that even during this up-scaling phase there is a continuous need to document best practices and lessons learned, since (due to decentralization and deconcentration) difference experiences will exist simultaneously in different districts. It is also necessary to have a clear strategy for introducing outsourcing, plus well-formulated learning points and moments. For example, the starting point for up-scaling needs to be clearly defined, whether starting with pilot districts (Mozambique and Mali), projects (Tanzania) and/or value chains (Uganda).

## A blueprint does not exist

The enabling environment and the institutional and organizational context of the agricultural advisory services determine the choice, modes of implementation and envisaged impacts of service provision. Contracting out some of the services to private providers is a choice made locally in view of the local demand and institutional environment. This can vary (from district to district) as shown in the study case in Uganda and, increasingly, in Tanzania.

The principle of outsourcing may meet opposition if services are contracted out indiscriminately – bypassing existing capacity and experiences – as has already happened in some areas of Uganda<sup>13</sup> and Mozambique. The initial approach in Uganda, as in Tanzania, was based on using new practices in agricultural advisory service provision by contracting out some of the functions. Specific differences call for ‘best fit’ approaches to achieve the right mix of functions between agricultural service providers, farmers’ organizations and local government (Birner *et al.*, 2006a, 2006b). Consequently, there is no single prescribed ‘model’ for agricultural advisory service provision, the trap into which the T&V-based extension management system fell. Reaching a ‘best fit’ situation is only possible through strong interaction between the (public and private) service providers, within and between districts (in order to learn from new approaches and methods), as well as with local governments and farmers’ organizations. Documenting the interactive learning between these stakeholders will mean documenting the entire process and identifying specific ‘learning moments’. The documented case studies pay little attention to the process of learning. Instead, the focus is mainly on the extension message and its potential impact.

### 4.2 Enabling environment

#### Policy and legislation

Outsourcing advisory services by the public sector requires demand-driven priority setting as well as downward accountability to create a client-driven service provision system. In order to make this happen, decision-making has to be brought closer to the clients. Decentralization of planning, procurement and M&E of agricultural advisory service provision at the local level are essential to make participation possible (Beynon *et al.*, 1998; Cox and Ortega, 2004). Full decentralization in terms of political decision-making, administration and finances is, in practice, rarely completed concurrently. In the absence of political decentralization (e.g. Mozambique), accountability mechanisms and local decision-making remain weak, while the absence of full administrative decentralization (Uganda, Tanzania, Mali) leads to local conflicts between priorities in the different sectors and poor integration of these into district plans. A lack of financial decentralization does not strengthen efforts for local revenue collection, cost-sharing and co-financing of service provision (Mozambique and Mali), while abrupt changes in

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<sup>13</sup> Due to political interference, NAADS in Uganda in 2007, was temporarily shut down, with potentially devastating effects for the credibility of the programme.

legislation concerning local revenue collection (such as in Tanzania) do not contribute to local financial autonomy and cost-sharing.

The required legislation on decentralization, privatization of agricultural service providers, and the establishment and operation of farmers' and community-based organizations requires corresponding regulations on deconcentration within sectors and beyond. Registering agricultural service providers and clarifying the legal position of farmers' organizations in quality assessment and transparency form the best method of contracting out services. In general, outsourcing policies can be decided at the national level, but the level of outsourcing and required conditions must be defined at the local level.

### Institutional reform

In each of the case studies, the principle stakeholders in outsourcing advisory services are: local government authorities, (public and private) agricultural service providers, and farmers' groups/organizations. A desired future scenario in many countries is a situation in which farmers' organizations directly contract service providers without interference from local government authorities (except to provide funding). Some countries hope to move from a situation where NGOs play a strong role in agricultural advisory service provision to one with a 'best fit' mix of public and private service providers (also involving small and medium-sized enterprises) at the local level, which is financially supported by farmers and the public sector.

The changing roles of the three main stakeholders require funding, procurement and service provision functions to be separated, thus leading to the need for institutional reform. New relationships between governance, agricultural service providers, farmers' organizations, and evolving demand will eventually lead to adaptation in the types and numbers of certain service providers. The move towards a pluralistic system will probably lead to 'rightsizing' of the public agricultural service providers, such as planned 'retrenchments' in Tanzania, 'de-layering' in Uganda, 'privatization' in Mozambique, and 'rationalization' in Mali. In the case of Uganda, failure to adjust to a pluralistic advisory system has led to a partially superfluous and dormant relatively large publicly financed advisory service capacity. An opportunity (and advantage) in the case of Mozambique is the relatively small size of the public extension system.

All case studies point to the need for a major mindset change among all stakeholders: particularly by farmers, in terms of demand; by services, in moving from training to facilitation; and by all agricultural service providers in expanding their value-chain orientation. Equally important, the local government administration will need to develop a management attitude, with administrative and agricultural officials changing from an implementation role to that of facilitating stakeholder interaction.

### Competency and capacity development strategies

A system of advisory services that uses outsourcing to acquire new knowledge and experience via new stakeholders requires strong emphasis on capacity development to promote the further evolution of these institutional innovations. Institutional capacity

development to enhance the interaction between the three main stakeholder categories is urgently required. Strengthening the capacity of farmers' organizations is also a priority in all cases, as well as the need to develop local government capacity to administer a system based on outsourcing and performance contracting.

Capacity development of farmers' organizations is often left to NGOs (Mozambique, Tanzania,) or channelled through the 'Chambers of Agriculture' (Mali).<sup>14</sup> Farmers' organizations are supported in order to develop their role in planning and contracting services, as well as in actual service provision. Outsourcing gives farmers' organizations the opportunity to play a greater role in contracting services, e.g. through the Farmer Fora in Tanzania and Uganda. Farmer Fora are based on local farmers' groups, which often require substantial strengthening in themselves<sup>15</sup>. Multiple approaches have been used by the various agencies (in Uganda and Tanzania) contracted to develop farmers' groups. In some cases exchange visits and meetings resulted in continued information flow, learning and sharing knowledge and experiences between groups, and contributed to stronger Farmer Fora.

However, not all outsourcing programmes follow a systems approach in which capacity development of all stakeholders involved is seen as a priority. In Mali, for example, capacity development of contracted private agricultural service providers is not directly supported, while it is an explicit part of the contracts in Uganda. The public sector sometimes also provides technical support services for training contracted (public) extension workers on the way to privatization. Tanzania and Mozambique have special programmes that involve credit schemes to allow former extension officers (from both NGOs and public sector) to start their own agricultural advisory enterprises.

The agricultural service providers, both public and private, greatly depend on knowledge (both technical and social) that is relevant to the problems and opportunities raised by farmers. Hence, there is a pressing obligation to improve training and documentation by research service providers, both in terms of message (availability) as well as language (access). Continuous interaction is also required between stakeholders, especially in the AIS context (resource services, research and advisory services, farmers' organizations, and market parties) with an emphasis on learning. Most case studies include few details on the interaction with research service providers; with the exception of Mali, where the same (PASAOP) programme also supports the creation of regional agricultural research and extension committees, which should facilitate information flows and interaction between research and extension. Given the dependency of the entire system on the continuous introduction of new information, this is considered problematic.

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<sup>14</sup> Chambers of Agriculture focus on consultation and information sharing between farmers and national governments on national policies. The Chambers have a legal mandate to represent the constituency of all farmers (Bingen, 2004).

<sup>15</sup> Farmer Fora at ward, district, zone and national levels play a role in articulating the demand and contracting ASPs to respond to this demand.

### 4.3 Advisory services system

#### Organizing the demand for outsourced services

In all case studies the agricultural advisory services system is moving from a situation in which demand is determined by the public sector (e.g. through the T&V system), to a system in which other stakeholders (notably NGOs) but also farmers' group and organizations are influencing the agenda of the overall system. The demand for advisory services can be further mobilized by supporting the collective action of farmers, while the resulting programmes also need to be tailored to the varying needs of specific farmer categories. All case studies have opted to operate in a context where there is some form of collective action by farmers to demand advisory services through various participatory planning approaches. The target group is the small-scale farmer who needs empowerment to enter into the system; however, little (if any) differentiation is made between poverty categories. In practice, the farmer groups and fora are often platforms for different farming and community groups, without much emphasis on bridging social capital (see glossary).

*Client differentiation and inclusion.* All smallholders are considered poor and frequently, at best, the only differentiation is between gender and age categories. However, special programmes have been put in place to make sure that female farmers, disadvantaged farming households, and families affected by disease are well represented in the Farmer Fora (Uganda, Mozambique, Tanzania, and Mali). These fora are seldom represented at, and linked with, other levels or to existing farmers' organizations with a larger exposure and influence. As other stakeholders are also organized vertically, the national farmers' federations (such as UNAC in Mozambique and MVIWATA in Tanzania) need to play a much stronger role in articulating demand at all levels (community, district and provincial or zonal) to ensure the necessary coherence of that demand. Although a public system may use outsourcing as a means to provide public or private-based advisory services, it does not follow that these services will be particularly directed towards disadvantaged groups. These groups are increasingly recognized in terms of group composition (particularly in relation to gender), to some extent during the planning process (in terms of HIV/AIDS-affected families), but far too little in the eventual provision of services, including via the outsourcing of services.

*Quality of the demand.* The challenge of appropriate demand articulation by smallholders is to strengthen market access and their empowerment in the value chain, while respecting and enhancing their livelihood systems. In Uganda three criteria are used to set priorities for advisory services:

- 1 relevance to livelihoods;
- 2 potential impact; and,
- 3 the local research and advisory service capacity.

In other cases the effective demand for economic development priorities in district development plans is limited (Mozambique, Mali) or needs to be protected through 'earmarking' or 'setting apart' of funds (Tanzania)<sup>16</sup>. Farmers' groups need help to express

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<sup>16</sup> In Tanzania referred to as ringfenced funds, that can not be used by other sectors.



this demand by sub-sector e.g. with regard to crop, livestock and environmental issues. Technical groups such as FFSs are sometimes not linked to the planning system (Tanzania, Mozambique), while other farmers' groups often demand 'more of the same', such as production-oriented technology demonstrations (Mali); there is mostly only limited demand for market-driven technologies, although such demand is increasing, if facilitated (Uganda).

At the local level there is a need for additional knowledge and information ('what is available') to avoid asking for known services, opportunities and technologies. In other cases (e.g. Mozambique) the targets for the outsourced services are set too high due a lack of priority setting. However, in a number of cases, farmers' groups have passively (Mozambique) or actively (Uganda) rejected a number of technologies that were considered irrelevant or did not address enhanced access to markets. In general, farmers' priorities are moving away from a production focus to more chain-related priorities, or farmers are emphasizing the need for accompanying services such as market and financial services (Mali).

*Articulating the demand.* In order to allow for proper client participation in the planning and M&E of advisory services, much more effort is needed to develop a level playing field in which farmers and their organizations play the role of the client who is demanding quality and, if unsatisfied, is in a position to effectively influence service provision. Examples of this are occurring in Uganda within the context of the enterprise selection approach, which highlights the range of actions by a variety of stakeholders that are required to fully develop all aspects of a value chain. There is some evidence of effective platforms in which the demand for specific services can be expressed proficiently; in addition to Farmer Fora, some multi-stakeholder committees also play this role, such as in Mozambique and Mali.

The way in which the various demands are expressed has broadened the scope of agricultural advisory services. Farmers increasingly ask for market advisory services, financial advisory services, etc., in contrast to the usual agronomy and animal husbandry issues that were the traditional domain of the public agricultural extension services (Mali). In the past farmers were generally passive recipients of services and were not actively engaged in the decision-making process. Although articulation of farmers' demands has improved it is still not sufficiently strong, unless combined with powers over resource allocation and involvement in overall decision-making, as illustrated by the Ugandan case study.

*Managing diversity in demand.* The expression of genuine demand by smallholders (both production and market-oriented) is still weak, and both priority setting and aggregation are needed to develop realistic plans for AAS supply. All advisory services are knowledge-based and do not provide inputs or equipment. A balance has to be found in addressing short-term (e.g. immediate cash crop benefits) and long-term constraints (often livestock and environmental issues), or aspects perceived by farmers in terms of direct and indirect benefits. There is a danger that geographic and social issues and opportunities may be lost due to the high level of aggregation, as services are contracted on the basis of districts, sub-counties or communes, and not at the local/village level (Mali). On the other hand,

there is sometimes limited aggregation in issuing contracts for many small services due to a fragmented programme with high transaction costs (Uganda). In practice, local government administrations are tempted to aggregate demand for ease of contracting, also in part due to limited analysis of the issues (Mali) and sometimes because of local political interference. The contracting of services needs to take into account the specific characteristics of the demand, e.g.:

- 1 location and group, as well as household category-specific problems;
- 2 interaction with other services; and
- 3 the balancing of long-term and short-term benefits.

This is an enormous challenge for the local management of an outsourcing programme, as well as for the farmers and facilitators to express and analyse demands in a sufficiently detailed demand.

### Supply capacity development for responding to the demand

*Variety of service providers.* In response to this broad-spectrum demand, additional stakeholders can be brought in via outsourcing, as well as through new knowledge on technologies, markets and approaches and other hitherto untapped capacities with existing agricultural service providers. A wide variety of agricultural service providers outside the public sector have emerged; although most of these are national and international NGOs and donor-financed projects. The case studies list many types of service providers (private sector, NGOs, farmers' organizations), as well as the criteria developed for their registration (technical and financial capacity, links with research and other service providers). Overall, there is a limited availability of private sector agricultural advisory service providers, mostly consisting of large export commodity organizations, local stockists and input suppliers. Farmers' organizations are mainly providing services on farmer group formation, as well as on advocacy and lobbying.

*Organization and pluralism.* The new pluralism in agricultural advisory service providers has, to some extent, enabled public sector providers to break free from their more restrictive administrative controls and, in some cases, to actually go private (e.g. stimulate extension agents to go 'private' in Uganda and Mozambique). Consequently NGOs have been receiving most of the new outsourcing contracts, although the choice in Uganda to focus on the priorities of certain value chains has also led to greater involvement by small private agricultural service providers.

The absence of a large public extension service in Mozambique and the development of alternatives through international public funding in Mali are clear illustrations of how outsourcing can contribute to the development of a pluralistic system of service provision. The first step is to carry out a survey on what is happening at district and provincial levels, which includes taking inventory of farmers' organizations and service providers. The next step is to provide coordination mechanisms, followed by actual funding of the best available services for the local priority demands. The service providers listed can be activated through public tendering and/or calls for proposals. At the same time some sort of certification is needed – similar to the existing systems for public works service providers – and most countries have started working on a register for agricultural

advisory service providers. The system of contractor certification subsequently requires additional capacity in order to assess and register providers, which is essential in establishing a registration system of pre-qualified agricultural service providers.

*Interaction and coordination.* The public sector is slowly coming to grips with reality as it realizes that the sector, unlike in the past, primarily has a complementary role to play in direct service provision. An important role for the public sector is to facilitate planning and M&E, primarily emphasizing equitable access to services. International agencies and NGOs often have other agendas than those of the public sector, based on their own background, strategies and sources of funding. These organizations challenge the public sector coordination mechanisms, resulting in enormous and persistent local capacity development problems, a local 'brain drain' from the public services to other stakeholders, and no clear exit and sustainability strategies for the various projects and activities (Uganda and Mozambique). Another challenge is the required contribution to institutional development and the involvement of all agricultural service providers, including the contracted services, in institutional learning.

Agricultural advisory services need to have strong links with national and international knowledge institutes (in both the public and private sector) in order to be able to offer up-to-date advisory services. The public sector can play a role in facilitating close and frequent interaction with public research services; as with the regional agricultural research and extension committees in Mali. Based on this interaction with knowledge and information sources, a 'supply-push' approach can be made in order to demonstrate the importance of issues and/or enterprises that stakeholders have not (yet) demanded or thought about previously (or have ignored because there seemed to be no immediate or direct benefits).

*Competency and capacity.* The public agricultural advisory services system increasingly acknowledges the role of the end-user as a decision maker and driver of the process. It is the end-user who assesses the performance and quality of the services providers. Continuing decentralization has made this possible and brought the management of agricultural services closer to the client. At the same time, local platforms allow for interaction between agricultural advisory service providers, local government, farmers' groups and other stakeholders. The platforms can take many forms (District Consultative Councils in Mozambique, District Development Committees in Uganda and sometimes Farmer Fora, and Technical and Multi-stakeholder Committees in Mali) but have in common the fact that they generally function at the district level and are linked with District Councils. As a consequence, District Councillors are sometimes tempted to interfere in both the priority-setting process (in themes and locations), and in the contracting process (Uganda). In Mali, farmers are also represented in platforms through the Chamber of Agriculture, which is a national platform with regional and departmental branches (and is central to the PASAOP programme). In general, multi-stakeholder platforms at local level (including both civil society and private sector stakeholders) are not yet equipped with strong coordination mandates in relation to outsourcing, e.g. with respect to allocating public resources for outsourcing, similar to competitive funds for research (Heemskerck *et al.*, 2005).

As a general consensus and an important lesson from the case studies, it is clear that service provision needs to be mainly based on comparative advantages and complementarity, rather than on replacement and competition. Opening up the system should lead to clients having access to new skills in business orientation (NAADS-Uganda and pilot projects in Mozambique), multi-stakeholder facilitation, community development, farmer empowerment, agro-processing, mindset change, a change in learning and a new attitude ('business unusual'). Involving new stakeholders is also expected to contribute to interactive learning, although skills in this field are difficult to find at the local level (Uganda). On the other hand, no general vision has emerged on how to meet the need for interactive learning among agricultural service providers; hence there is no expressed concern about the effects of the unavoidable competition between service providers during the tendering process. The need to resolve the issue of identifying facilitation skills to ensure high levels of interaction among various stakeholders and the effective transfer of knowledge between providers, users and other incidental beneficiaries, is critical. A deliberate effort must be made to help the weaker service providers to acquire the capacity to participate in the outsourcing system based on realistic contracts.

### Roles and responsibilities

*Supply.* The private services have often demonstrated poor interaction with (frequently public) research services and with local government, resulting in concerns about continuity, exit strategies for time-based contracts, institutional memory and learning. Private services are sometimes even operating in different, barely overlapping, AKISs (e.g. export crops or new products such as flowers and medicinal plant chains). Complementarity, also in terms of the exclusion risk of the private agricultural service providers rather than competition between service providers, is often the key word. The public extension service is increasingly being assigned the role of the 'default' service (Mali). The overall challenge is to transform the agricultural extension services from the old stereotype of connecting researchers and farmers, to the new innovative mode of discussing and working with farmers, researchers and the business community in a participatory manner to identify viable solutions.

*Demand.* Under earlier extension systems, farmers were often accustomed to receiving many things free of charge, including inputs and advice. Conditions and mentalities have changed and many farmers are now willing to invest, but farmers' priorities for advisory services are still affected by the level of inputs provided for on-farm demonstrations (Uganda). Co-financing, in real terms, remains limited but contributions in terms of labour, meeting time and land for verification/demonstration plots have become more accepted, although coordination is needed to harmonize approaches in terms of incentives (Mali).

All cases discussed concluded that empowering farmers' groups is essential – not only for planning and M&E, but also for procurement, co-financing and (eventually) direct contracting of services. In practice, farmers' organizations have often acquired a role in planning and are being effectively represented, but they still have little influence over the actual contracting process. The case studies here show limited evidence of direct contracting of agricultural service providers by farmers' organizations (with public funds);

the only examples are some FFS and the role of farmers' organizations in procurement processes in Uganda. The different levels of farmer empowerment (community, village and district) need stronger interaction (i.e. bridging social capital<sup>17</sup>) and the role of national farmers' organizations could be enhanced so that farmers can learn to demand services more effectively. Farmer Fora at district and sub-district level are more consultative and are not linked to institutionalized social capital, such as the national farmers' organizations.

*Governance.* Outsourcing of agricultural advisory services has started at the national level (Mozambique, Tanzania), but it was quickly concluded that only contracting at the local level (with strong involvement by the local government) allows for downward accountability and transparency. However, agriculture often remains a separate sector with only deconcentrated local departments that are not fully integrated into district programmes. The central government is increasingly limiting itself to a regulatory role, while services that are managed by local government have an implementing role. The provincial government often plays a supervisory role in outsourcing, as well as for actually contracting services for issues that go beyond the individual districts. Important challenges for the local government remain, such as building capacity to manage a pluralistic outsourcing agricultural advisory services system, as well as enhanced accountability and private sector involvement. Strong capacity is crucial for programme and contract management at the local level. As confirmed by World Bank experience (WB, 2005), special key elements in this process include: contract negotiation, contractor performance, compliance monitoring as well as financial control.

*Facilitation.* A major challenge is to show a shift in power from a narrower to a wider set of stakeholders, as well as changes in governing resources to prevent 'capture' by any one interest group. This was particularly clear from experience in the NAADS programme, where local power struggles have emerged. This process requires the availability of competencies at the local level for multi-stakeholder facilitation, which traditionally only existed in some NGOs and was limited in terms of encouraging private sector involvement.

Facilitation capacity for interaction between farmers' organizations, research and service providers, entrepreneurs and other stakeholders, needs to be perceived as neutral. The public sector needs to identify qualified facilitators for multi-stakeholder learning in the innovation process. This process takes time, and therefore often encounters scepticism (Mozambique, Uganda). The need for quality and impartial facilitation implies that former public extension service personnel are under pressure to increasingly change from trainers to facilitators (as shown most clearly in the Mozambique case). At the same time, public extension moves to the extension management role, with the emphasis on supervising and contracting services. District level public facilitators play a role in the learning process, both within contracts and also between contracts. However, the latter has not been developed in the present case studies. There is also limited experience with interactive learning between the decentralized districts for inter-district learning, requiring strong (but often unavailable) facilitation.

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<sup>17</sup> A type of social capital that refers to the interaction and links between farmers' groups.

## 4.4 Outsourcing operations

### Procurement

*Farmers' involvement.* Ideally the client of agricultural advisory services, the farmer/entrepreneur, the farmers' organization or the community, recruits and contracts the service provider directly, but smallholders in Sub-Saharan Africa often lack the necessary means, capacity and power to supervise procurement of the required services. However, farmers are becoming more involved in the procurement of services in countries such as Uganda. Based on the subsidiarity<sup>18</sup> principle most services, and indeed many agricultural services, can best be contracted at the district level, with some services contracted even at the community level. Unfortunately, research services are generally contracted at the provincial or national level. Another step towards farmer empowerment in this process concerns involving farmers' groups in identifying priorities, selecting agricultural service providers and monitoring their performance, as happens in Uganda and with the FFS Programmes, and also in some cases in Mozambique, Tanzania, and Mali.

*Tendering.* An element of competition has been incorporated into all the different outsourcing arrangements. For example, the tendering procedure of comparing alternative proposals for complete extension coverage (in two districts in Mozambique) led to the selection of two different service providers; the expectation was that these would be better and cheaper than the existing public system. Most case studies have developed a mix between tenders and open calls for proposals. In many situations, the public extension service is maintained exactly as it was before and is not given a completely new mandate to facilitate extension planning, M&E and contract management. Contracting out agricultural advisory services is not only meant to fill any gaps in expertise (especially in Uganda, Tanzania) or coverage (particularly in Mozambique, Mali), but also to bring in new knowledge and skills. The question is: how can these can be best procured by the demand side?

A large number of potential agricultural service providers are still excluded from the contracting system for a variety of reasons (e.g. a lack of tender preparation skills or familiarity with procedures, costs, location, etc.). Some service providers are more effectively linked to the procurement systems and may appear to be favoured. In Mozambique, Mali and Uganda the criteria for the short-listing and final selection of contractors include experience and track record, as well as evidence of both technical and financial capacity; although such conditions may also exclude critically important newcomers. The dominance of a few successful agricultural service providers may lead to other competitors 'withering and dying' due to lack of revenue.

Another consequence that has been observed is the formation of strategic alliances and collusion by some potential bidders so that they have a higher chance of winning; this can lead to greater complementarity but less competition. The contracted service provider needs to mobilize a qualified team that remains the same throughout contract

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<sup>18</sup> Actions need to be taken by the stakeholders and at the level where these can best be achieved.

implementation and cannot be changed without approval of the contracting district. This avoids situations in which a good and winning team is presented during contract negotiation, while less qualified, and often less expensive, substitutes are actually used for the field work. Such situations have led to a debate as to whether contracting should be based on individual agricultural service providers rather than on implementation by corporate entities (e.g. in Uganda and Mozambique).

*Competition.* A competitive bidding process can be fully open or can be based on a short-list that is prepared based on registered suppliers and the specific type of services requested. The general observation that the tendering process at the district level is relatively costly, resulting in high transaction costs, which can be partially reduced through short-listing, as well as by involving farmers in the process. The dynamics of the competitive process can be complicated: on the one hand the competitors need to learn from each other and develop partnerships while, on the other hand, the process encourages providers to keep knowledge to themselves. In Mozambique and Uganda additional measures were needed to regulate the formation of alliances for learning and implementation; these needed to be fixed for the contract period. Competition needs to be limited to the call for proposals, and should not affect implementation or cause problems for interactive learning. Premature formation of local alliances (see above) can also threaten the competitive element. A major general concern is the control of transaction costs for the competitive process, hence the need to use short-lists based on local registration of agricultural advisory service providers.

### Funding the provision of advisory services

In the case of contracting, funding is separated from procurement and the actual provision of these services. This is in contrast to the situation in which the deconcentrated district extension service waits for its government contribution disbursed through the Ministry of Agriculture. Changes also include the introduction of transparency and accountability mechanisms, as well as the emphasis on co-financing, timely disbursement of funds, performance and incentive management.

*Co-financing.* In order to achieve a strong level of demand-driven motivation in services provided, co-financing of agricultural service provision is considered crucial as it leads to commitment (in the case of the service provider) and performance monitoring (in the case of the client; e.g. 20% by the district in Mali). The World Bank (WB, 2005) and IFAD (ASP, 2006 in Part II) argue that even smallholders and marginal farmers can contribute between 5-25% to the costs of services, although almost entirely 'in kind'. Initially, before the deconcentration of advisory services, a contribution by the local government was considered co-financing (e.g. 5% in Uganda), although later this began to include contributions from farmers' organizations at district and community levels.

The lack of full decentralization that is often encountered in the agricultural sector limits the possibilities for co-funding by the local government. In Tanzania and Uganda the funds for outsourcing agricultural advisory services are transferred to the district, but are 'set apart' in the sense that these funds are not part of the district's normal budget and can only be allocated for agricultural purposes. In Tanzania, FFSs contributed up to one-

third of the costs of their own establishment (USD 200, in kind), while farmers' organizations in Uganda contributed up to 2% towards regular service contracts, with contributions from farmers' organizations and municipal authorities in Mali at 20%, though mainly in kind. This in-kind contribution, in the form of labour, time to participate in meetings and land for demonstrations, is often considered a token gesture, as the opportunity cost is low. However, in some instances, even in-kind contributions cause the exclusion of some household categories (e.g. those with little land and labour resources).

Co-financing of services by private agricultural service providers is limited, although the emphasis of advisory services on value chain development in Uganda provides new opportunities. The challenge for real co-financing lies in the contribution by farmers, farmers' organizations and private agricultural service providers through public-private partnerships (for example, as occurs in the export commodity sector).

*Length of contracts.* Most agricultural advisory service contracts are of a relatively short duration (generally just a few months). Attention needs to be paid by the facilitators of the priority-setting process on not focusing on too many short-term concerns so that the impact becomes diluted. However, not all issues raised by farmers are of a short-term nature. Addressing long-term issues, such as environmental and natural resource management constraints, require stronger governance and often the involvement of provincial authorities, as these also address cross-border constraints.

The challenge is to achieve a balanced mix of direct benefits from short-term services and indirect benefits from long-term services. Most of the contracts with service providers are short-term (an average of 90 days in Mali) or of a low-budget nature (USD 15,000 in Tanzania), which is caused by the type of problems raised as well as by their multitude. The numerous agendas of farmers' groups and their representatives in the Farmer Fora often resulted in the selection of too many short-term priorities to maintain the peace and to spread the available funds over contracts that address the constraints of as many stakeholders as possible. Such large numbers of short-duration contracts did not always provide the critical mass of effort required for successful enterprise development. Nevertheless, farmers point out that the small contracts ensure that the risks (of defaulting or sub-standard service) are spread across a number of agricultural service providers.

Mozambique took a different approach, and entire district extension programmes were contracted out for a three-year period or for entire provinces (for a particular commodity). Consequently, these were large contracts managed at the provincial and even national levels. A proper mix between contracts for short-term and long-term activities is needed, as well as a good balance between growth and development orientation. In a transitional phase many of the outsourcing contracts are of a tripartite nature (Tanzania, Mozambique, and Mali) in which provincial or national governments sign contracts between local governments and agricultural service providers. At the local level new tripartite contracts are developing between local governments, farmers' organizations and agricultural service providers. This symbolizes a move from upward accountability towards downward accountability, as central government is replaced in the contracts by farmers' organizations.



In general, there is a tendency to have short-term contracts to accommodate all priorities, while long-term contracts have been criticized for not allowing sufficient flexibility to facilitate the learning process. There is some concern about the lack of addressing long-term issues through outsourcing, which is due to:

- 1 administrative emphasis on, and preference for, short-term contracts; and,
- 2 mostly demand from the farmers' organizations for short-term involvement by agricultural service providers.

A major remaining challenge is to strike a balance between the short-term direct benefit issues/contracts and long-term/indirect benefit issues/contracts, with the latter possibly contracted at a higher (i.e. provincial or national) level.

*Disbursement arrangements.* Agricultural service provision requires, more than any other service, a stable level of financing with timely disbursements in order to avoid disruption of the, mostly seasonal, programmes. The co-funding party clearly must play a role in the disbursement arrangements (as illustrated in the Mali case), while in Mozambique it is argued that qualified and certified agricultural service providers need to have a basic financial capacity to provide a minimum liquidity level. Experience from Uganda and Mozambique suggests that, particularly with longer-duration projects, the sequence of disbursements needs to be linked to achievements and performance, as perceived by clients. This approach is already common for incentive payments to extension workers in Tanzania and Mozambique who are involved in the FFS programme, although these are already perceived as performance-oriented services.

It is important to ensure that disbursements are linked to performance without disrupting implementation. In practice, disbursement is often problematic only for administrative reasons, requiring some financial muscle with the agricultural service providers to guarantee continuity of services. This leads to the conclusion that outsourcing programmes require capacity strengthening in management at the local level, together with total fiscal decentralization, in order to avoid disbursement problems.

*Incentives.* Clients may perceive agricultural advisory services as mechanisms to access money, either directly (through incentives obtained during on-farm demonstrations) or indirectly (through benefits from meetings, study tours, etc.). If these are not regularly forthcoming, farmers' interest in initially promising concepts such as 'partnership', 'demand-driven agendas', and 'client-orientation' (which have different meanings for different people), may be lost.

A special issue concerns the provision of incentives for potential agricultural service providers who are still attached to the public extension system (e.g. because they have not been paid their severance package, as in Uganda). Such providers are often not facilitated adequately to provide services, although special programmes to establish small-scale advisory services have started in Tanzania and Mozambique. Therefore, the issue of service providers' incentives and creating capacity also needs to be seen in the context of good governance and institutional reform.

Contracted agricultural service providers are considered well paid, which leads to observations by the public sector that private service providers are too expensive.

A complete analysis is required of all costs (including overheads) by public agricultural service providers in order to enable a fair comparison. The need for service provision in remote, distant areas and for problematic target groups, that is difficult to meet through public services, could be another reason for providing additional incentives for implementing contracted advisory services (Uganda). As indicated earlier, performance-related incentives are also increasingly becoming part of the approaches followed by the public sector (e.g. FFS), in addition to outsourcing contracts.

### Providing advisory services

Most outsourcing programmes are initially implemented as a learning process, but there is often too much pressure to achieve short-term poverty impact at the expense of thoroughly documenting the procedures and methods followed, learning specific lessons and converting these into generalized enhanced practices that are relevant to others practitioners. This process requires well-established learning strategies, as well as exit strategies (particularly in the case of short-term contracts) and effective M&E to ensure continued opportunities for 'learning by doing'.

*Learning and exit strategies.* The fact that many countries (i.e. all of the case studies), started with pilot projects in agricultural advisory service outsourcing before up-scaling underlines the fact that such programmes evolve over time through a learning process. However, as demonstrated by the case studies, adequate mechanisms for this learning are seldom in place and/or effectively utilized. The general recommendations derived from the various pilot programmes emphasize the requirements for harmonizing implementation approaches between contractors and the provincial and district (agricultural) authorities, as well as the need to deal with risk mitigation and with exit and sustainability strategies.

Exit strategies are a key concern in relation to outsourcing, in terms of sustainability and the establishment of institutional or collective memory. Capacity development of all stakeholders in the AKIS is essential for effectiveness and sustainability. This includes, for example, involving farmers' organizations to support local social capital (as practiced in Tanzania) and establishing the new roles for the public and private sectors through partnerships and co-financing (evolving in Mali and Mozambique).

A central recommendation is to strengthen M&E, not only in the design of the programme but also to follow the performance of the various stakeholders involved, thereby updating the exit strategy (if necessary), and facilitating both capacity development and final hand-over. Lesson learning by all stakeholders involved means creating mechanisms to make this happen, such as exchanging experiences with other extension networks, developing the capacity for provincial and district monitoring with enhanced human, financial and material resources, etc. The M&E processes always provide useful management information that allows for programme adjustment and enhanced bylaws for governing and managing the outsourcing system, as well as for updated manuals and procedures. Although NAADS and the pilot project in Mali, for example, were initially designed as learning processes, there was inadequate (or zero) allocation of resources specifically to learn and draw conclusions. Effective learning-by-doing requires capacity strengthening and ownership development by all, also through co-financing and process

documentation. Learning includes a number of aspects: learning from local pilots, learning between levels (district, province and central), learning between stakeholders, and establishing the required capacity to facilitate all these elements. Finally, the learning process for enhanced effectiveness and efficiency needs to be structured and resourced in a much better way.

*Monitoring and evaluation.* Close coordination is necessary between the contractor, farmers' organization and district administration, requiring the contractor's office to be located at the district headquarters. Regular extensions of the contract or disbursements should not be automatic, but based on quality and performance, hence on enhanced (participatory) monitoring.

An M&E system, SMART output and outcome indicators and data-collection strategies are essential before starting an outsourcing scheme. Participatory M&E is important in a situation where several agricultural service providers are providing advisory services to farming communities. Participatory planning at district level requires downward accountability and hence participatory M&E of the performance by the various service providers. In Mozambique's FFS approach, farmers' groups have been given the authority to monitor the performance of services rendered. The FFS provides a report on the performance levels of the extension officers involved, who then earn an incentive fee based on this. Several tools are available, such as Community Scorecards and Community-Based Participatory M&E based on centrally provided performance indicators and complemented with indicators identified by farmers. M&E of outcome and impact requires close supervision and guided monitoring, but sometimes this bordered on 'policing' to ensure compliance with contract terms and timelines (Mozambique).

Periodic meetings, reviews and/or retreats and exchange visits for key stakeholders enable documentation of best practices for immediate replication, and identify the gaps for quick corrective action based on lessons learned. Adequate stakeholder capacity and attitude changes are needed to achieve this.

The involvement of political structures is of particular interest and has often involved heated debates on resource control and impact assessment. Engaging politicians seems to be mostly driven by how they perceive clients (electorate) and the allies they need to secure future votes (Uganda, Tanzania). Up-scaling the programme is often largely driven by local political demands rather than realism based on available resources (Uganda). Furthermore, such interference requires intensified M&E to shift from upward to downward accountability. The local government authorities play an important role in controlling contract performance and also with regard to feedback from the target groups, although these functions are generally not yet linked to actual agricultural service provider performance.

## 4.5 Performance of a system using outsourcing

### Operational efficiency and effectiveness

Efficiency enhancement is expected to be achieved by making use of the entrepreneurial and other skills which are envisaged to be more widely available within private, rather than public, agricultural service providers, while attracting at least some modest levels of co-financing from the organizations and clients involved. Effectiveness can be enhanced as contracting is related to performance management and clear targets must be agreed, while contracting non-public service providers brings in new knowledge and skills, achieving enhanced results through complementarity.

*Efficiency.* In Mozambique the outsourced district extension was designed to cost the same as public extension in terms of annual costs per household. However, in practice, outsourcing resulted in costs that were at least three times higher, due to reduced (but more effective) coverage. For the cashew advisory service contracts in Mozambique, the costs of just the spraying and advisory services were similar to the cost of general extension. Some argue that these costs are irrelevant unless more is known about the effects and impacts of the advice and the rate of diffusion and adoption.

In Uganda the costs of the NAADS outsourcing programme are considerable in terms of transaction costs, with NAADS staff at the sub-county level not yet fully integrated into the local government staffing. In order for the outsourcing system to work effectively, processes must be simple and widely understood. Additional costs are associated with the proactive interventions necessary to induce a wide range of stakeholders to work together and to strengthen the weaker elements of the system. Realistically, these are investments in capacity development rather than 'overheads' that need reducing. There are also costs involved for the competitive tendering and planning processes. Further monitoring and enhanced transparency is required through financial auditing at the local level.

*Effectiveness.* A main advantage of outsourcing is the contractual establishment of clear targets, which allows for performance management based on progress-related disbursements. In Tanzania it is argued that extension provision through the public sector is cheaper and that its performance could be enhanced by using the same mechanisms as those applied to the private sector. Farmers greatly appreciate the services provided through outsourcing contracts (as demonstrated in Mozambique and Mali) but feel that effectiveness can be further enhanced through accompanying measures, such as the facilitation of credit facilities and market opportunities.

The outsourcing instrument can contribute to capacity development and, at the same time, can stimulate the public sector to change its way of working, reducing its operations in the process and hence improve effectiveness. The availability of advisory service coverage has improved through outsourcing, both geographically (Mozambique, Mali) as well as thematically (Uganda, Tanzania). The main effect of outsourcing has to be found in complementarity and synergy of the various agricultural service providers (Tanzania, Mozambique, and Mali). However, M&E of the contribution made by the

outsourcing tool to the complementarity and interaction of the stakeholders has, until now, been neglected.

The current development of pluralistic agricultural advisory services demonstrates that extension coverage has increased due to the complementary elements of various service provider categories (Mali, Mozambique). However, in Uganda, it was concluded that larger projects are needed in order to achieve more widespread effects. Export commodity advisory services can be privatized as the value chain or produce board can finance these through export levies. Similarly, NGOs and national farmers' organizations can provide effective services to guide farmer group formation and provide general facilitation of multi-stakeholder processes (Uganda). In many cases, complementarity becomes even more evident if a gap analysis is undertaken, with subsequent contracting of agricultural advisory service providers based on comparative advantage, co-financing capacity and track record.

Most of the observations on the effects of the outsourcing tool refer to the cost of the process as well as the level of fees paid to private service providers – there is very little attention paid to the effects. Baseline surveys have focused mainly on the expected impact rather than on process indicators, such as the type of farmers reached, interaction with market actors, etc. A greater effort is required to analyse the costs of the system, also in relation to the expected short-term results, such as client satisfaction, coverage, etc.

### Performance and sustainability of the system

*Enhanced rural innovation system.* A system whereby the various stakeholders interact on the basis of the function(s) they do best in relation to the targets of the innovation system, is expected to enhance innovation. As shown in the case studies, an agricultural advisory services system based on outsourcing foresees a clear separation of the funding, procurement and service provision operations. Farmers and other small-scale entrepreneurs are expected to gradually take over the procurement function, develop capacity for the contracting and at least partially share the funding function. Advisory services will best be provided by those who are locally in the best position to do so, providing the 'best-fit' option for every situation, community and district; although some services are better contracted at district level and others at provincial (or national) level. Gradually, the situation in which the public extension services are dominating will develop into a scenario in which private agricultural service providers, entrepreneurs, non-profit organizations and farmers' organizations will take over the lion's share of responsibility for providing the services required. However, the public sector will continue and will improve its tasks to coordinate, manage and finance the system. Such an ideal situation is then expected to create enhanced innovation through effective interactive learning between the various stakeholders involved.

As yet there is little information available on the impact of the outsourcing experiences on rural innovation, primarily because most cases are still at the pilot phase and have had too little time to develop and mature. In Uganda the outsourcing programme has a larger scope and has had more time to develop; evaluation reports there suggest that the more market-oriented services have contributed to yield increases and enhanced household

income (NAADS, 2006a in Part II). The main focus of the case studies has not been on their impact, but rather on the key steps required for enhanced innovation, the two most important being: capacity development for interactive learning, and a sustainable environment in which such learning for innovation can take place.

*Need for capacity development.* As most case studies illustrate, the present situation still falls far short of a scenario in which there are balanced and well-implemented roles between local government authorities, farmers' organizations and agricultural service providers in outsourcing agricultural advisory services. Although the contracting-out of services is increasingly taking place, major challenges have yet to be overcome. All case studies indicate that the main gap is the required capacity at organizational level (local government authorities, farmers' organizations and non-public agricultural service providers), as well as the need for institutional capacity development, including more efficient stakeholder configurations and sustainable programme funding.

The institutional configuration of the three main stakeholders (farmers, service providers and local government) is still far from optimal and, in all cases, is still developing at the local level. Achieving the interactive learning expectations of the rural innovation system depends on:

- 1 the effectiveness of the interaction in place (local, village and district level); and,
- 2 interaction (in time) to ensure the continuity of the learning process.

Intellectual competence to facilitate and coordinate (through a secretariat, including outsourced expertise) is crucial for maintaining overall quality assurance and lesson-learning mechanisms. Also central to the learning process is the development of new approaches other than the more traditional T&V, e.g. in Mali where (despite outsourcing) agricultural extension, whether public or private, continues to operate along ToT and T&V principles. This again will require an exchange of experiences between public and private providers.

The actual contracting of services is also a learning experience for all involved, including the private agricultural service providers (Mozambique). Agricultural development programmes in Mozambique and Tanzania recommend a careful capacity needs assessment, bearing in mind the variable state of affairs in each district, in order to arrive at a situation-specific best-fit scenario.

*Sustainability.* In Uganda the continuity of the learning process is an issue that involves supporting value-chain development, which is often fragmented into many small contracts for different agricultural service providers, due to the current low budget levels and open tenders. This often results in farmers' perception of duplication, with new contracts contributing to the work of previous or ongoing contracts. In many instances this is seen as repetition (especially by farmers) when in fact it evolves from the current restrictions on funding levels and contracts that cannot be designed to cater for the entire enterprise cycle or the range of issues involved.

The NAADS programme demonstrates that interventionist approaches to service provision, strengthening system capacities and engaging the public and private

agricultural service providers, need to be adequately facilitated if any impact is to be seen. Decentralization means that districts and lower local administrations manage their own funds and programmes. In terms of overall programme management, delegating both funding and decision-making on the principle of subsidiarity is working well, especially in circumstances where there is a high degree of trust and good governance by the local administrations.

Some of the aspects of the new system need more specific monitoring, as data concerning important areas is rarely available, such as with regard to the level of co-financing by farmers, service providers and/or other stakeholders in the chain or AIS (Mali). Political interference is one of the major threats to a pluralistic agricultural advisory service system that is publicly funded and managed at local level (Uganda, Mozambique). In such cases, the emphasis on transparency and downward accountability can be counter-productive. Other risks include the emphasis on competition for obtaining contracts, which under certain conditions can limit the information sharing and learning.

Competition has also had implications for the up-scaling options of the locally learned lessons on approaches and contents used by the various agricultural service providers. Finally, competition can also result in the loss (availability) of certain products or services for which no capacity is maintained in the public system (WB, 2005). The question is whether or not the public sector is expected to maintain those residual services for which there is less effective demand and that are not easily commercialized. A crucial remaining role by the public sector is to provide services for which there is an advisory service market failure. Clear public sector roles need to be established in terms of functions, thematically and geographically, in order to avoid collapse and discontinuity, hence the urgent need to develop unambiguous, locally owned policies.

### Performance and accountability of the agricultural service providers

Performance by agricultural service providers is monitored by all stakeholders involved in the contracting process; by local government authorities (as the contracting and funding party) as well as by farmers and their organizations (as clients). With the opening up of the agricultural advisory service system through decentralization and involvement of new stakeholders, the role of the ultimate beneficiary, the farmer, has become stronger. On the other hand, in all the case studies reviewed, most emphasis is still placed on monitoring the performance of the agricultural service provider by the contracting agent, generally the local government authorities. However, monitoring by local multi-stakeholder committees, such as district level Farmer Fora in Uganda, Tanzania and Mozambique (District Consultative Councils), is also developing. The control function is mostly based on progress report reviews in relation to pre-determined indicators specified in the contracts and monitoring through field visits, if budgets are available. In some cases this has led to contracts being terminated and agricultural service providers (Uganda) being blacklisted. However, in most situations, attempts were made to modify the specifics of contract implementation and/or the administration of the contracts (Mozambique, Mali).

Obviously, good governance, strong local government authorities and transparency are required in order for the process to work, including a well-established participatory

planning and M&E process. The ultimate indicator of agricultural advisory service system performance is the satisfaction level of small-scale farmers and entrepreneurs with the services provided. Satisfaction by other stakeholders, such as local government authorities, research organizations and other chain entities responsible for facilitating interactive learning, is equally important. Downward accountability means empowering communities and farmers (bonding, bridging and linking), as well as using participatory M&E tools, such as those involved in community-based performance management. Although these tools are being used in Uganda, the participatory M&E tools have generally not yet been institutionalized.

Mozambique has positive experience in using FFS-based performance management of extension officers, while village groups in Mali hold extension officers accountable for their performance. Tripartite contracts between farmers, agricultural service providers and local government authorities can further enhance this process. Only limited information is available on the structural differences in the performance of public, private or third-sector agricultural service providers. In Mozambique, attempts were made to compare the performance of public and private service providers, but again, apart from the costs of the contracts there was insufficient data available.

Outsourcing, in itself, is a main feature in improving agricultural service provider performance, irrespective of whether the provider comes from the public or private sector. For the more entrepreneurial, market-oriented and high-quality management of services, the private sector clearly has a comparative advantage over the public sector. However, the public sector is generally stronger in advisory services on primary production and effective rural outreach, as well as information on regulations and standards. NGOs have a facilitating role to play, as well as a responsibility in strengthening farmers' organizations. The key role for development agencies and programmes is often related to strengthening the capacity of local government authorities.

The case studies suggest that greater emphasis is needed on downward accountability of contracted agricultural advisory service providers. Farmers' organizations and other clients are the only stakeholders who can effectively monitor the performance of these service providers. Consequently, empowerment of farmers' organizations (also in terms of resources) is essential to implement this monitoring function, which will probably result in the farmers' organizations eventually becoming the contractors. It is promising to see that farmers' organizations in Uganda have started blacklisting and terminating contracts with agricultural service providers that are not performing adequately, as well as rejecting some of the services offered. At the same time, local government authorities need the capacity to effectively monitor and control procedures, qualifications and contracts with the agricultural service providers.



# 5 Guidelines for enhancing advisory service provision through outsourcing

## 5.1 Introduction

The preceding chapters have analysed experiences with outsourcing agricultural advisory services from an AIS perspective in several countries in Sub-Saharan Africa. Outsourcing experiences remain scarce, but more and more stakeholders understand the benefits of outsourcing and would like to implement the practice. However, because these experiences are few and still of short duration, little is known about how to actually achieve good outsourcing practices. Based on the AIS perspective, and thus on the premise that successful interaction between stakeholders determines the success of outsourcing, we have added additional lessons with regard to broader issues (for general lessons on outsourcing see Rivera *et al.*, 2000; WB, 2005; DFID, 1997; Anderson, 2007; and Chipeta, 2006). General guidelines for outsourcing by the industrial private sector, where the outsourcing principle originates, include the ‘seven essential steps’ identified by Greaver (1999); we have adapted these steps for the public sector with respect to outsourcing agricultural advisory services (see Table 6).

Based on lessons learned from recent experience collected in Uganda, Tanzania, Mozambique and Mali and more broadly in other countries both inside and outside Sub-Saharan Africa, this chapter presents additional guidelines that may help in establishing an effective system for outsourcing and its implementation. These guidelines can be grouped into three categories:

- 1 guidelines for developing the context, including purpose, policies and the enabling environment focusing on the first three of the seven steps and discussed in Section 5.2;
- 2 guidelines for managing the outsourcing system itself (steps 4-7), discussed in Section 5.3; and,
- 3 cross-cutting guidelines for capacity development (step 8), both in terms of institutional and organizational aspects, as well as the development of individual capacities, skills and attitudes for service provision based on outsourcing (see Section 5.4).

These guidelines are directed at the public sector, more specifically the local level managers of the public system of agricultural advisory services, operating on the basis of demand by farmers’ organizations within the context of (central and local) government policies for contracting out agricultural advisory services to private service providers.

**Table 6** Eight steps to successful AAS outsourcing by the public sector

<b>Main steps</b>	<b>Activities</b>
<b>I Developing the context</b>	
1 Planning	Assess the risks of various outsourcing policies; announce the initiatives outsourcing initiative to all stakeholders and collect feedback; form and train the outsourcing team in the agricultural sector; engage advisors and facilitators; identify and acquire resources, information and project management capacity; set objectives; organize the planning process for priority activities or services to be outsourced
2 Exploring strategic implications	Understand the existing advisory service programme and its organization: vision, core competencies, structure, transformation tools, value chains, strategies; and define decision rights, contract length, termination dates, etc.; as well as alignment of the outsourcing initiative with other programmes
3 Analysing costs and performance	Measure activity costs and estimate future project costs, as well as opportunities for cost-sharing; measure existing and estimate future performance, as well as the cost of poor performance; determine costs/performance benchmarks, as well as specific risks, asset values, total costs, pricing models, final targets
<b>II Managing the outsourcing system</b>	
4 Selecting agricultural service providers	Set qualifications and evaluation criteria; identify providers; screen and certify providers for short-listing; draft and organize calls for proposals; evaluate proposals based on qualifications and costs; perform due diligence; select a provider (based on total costs and the short-list of providers), and review with stakeholder management committee.
5 Negotiating terms of contracts	Plan negotiations between relevant parties, involving higher levels; prepare terms of reference for all parties; negotiate contract: scope, performance standards, pricing schedules, terms and conditions and announce relationships between stakeholders (MoU)
6 Transitioning of roles and resources	Adjust roles of all stakeholders and plan transition to new roles; Address transition issues such as communication, human resource development, availability of inputs and resources; interact with staff managing the outsourcing system, service providers and farmers' organizations; provide facilitation capacity; start the contracting process
7 Managing relationships	Adjust management styles; organize supervision and M&E; communicate and interact with all stakeholders; define and design the learning process (meeting agendas, meeting schedules, performance reports); perform supervisory role; confront stakeholders with poor performance; solve problems in the outsourcing system; build partnerships
<b>III Capacity development</b>	
8 Cross-cutting	Strengthen capacities to implement all seven steps; individual capacity strengthening based on knowledge skills and attitudes; organizational capacity strengthening of the key stakeholders; institutional capacity strengthening and capacity to interactively learn and innovate. Central to this is the 'performance data collection/evaluation/feedback/improvement loop', which is based on downward accountability and client assessment of services provided

Source: Adapted from Greaver, 1999.

## 5.2 Development of the context

### Development of the rationale and purpose of outsourcing

#### *1 Develop the overall policy framework*

National agriculture and rural development policies and short-term budgetary concerns determine the extent to which the public sector will invest in the provision of agricultural advisory services. Thus a policy decision needs to be taken on the desired and feasible level of advisory service provision by the public sector. The public sector can take the lead as the sole agricultural advisory service provider, as has been the case in Sub-Saharan Africa's agricultural sector since the independence of most countries, or the public sector may prefer to intervene only in the case of market failure in service provision; the latter policy leads to a combination of both public and private services based on public and private funding. In such a situation the public sector may opt to outsource some of the priority services (such as agricultural advisory services) to the non-public sector, hence the need to develop a system of outsourcing agricultural advisory services.

An outsourcing system can be oriented towards a number of purposes, as has been illustrated in the various case studies, i.e.:

- Outsourcing for efficiency reasons: non-public sector stakeholders are expected to be more cost-effective in implementing certain services perceived as priority by the public sector in its agricultural sector strategy.
- Outsourcing for effectiveness: the public sector does not have sufficient capacity and therefore needs to either recruit non-public services or increase its own internal capacity.
- Outsourcing to enhance the AIS: outsourcing as a mechanism to bring in a greater number and more diverse stakeholders, with new knowledge and skills, contributing to accelerated and enhanced rural innovation.
- Finally, outsourcing can also be chosen for political reasons, such as to avoid increasing the number of civil servants, maintaining flexibility, avoiding long-term costs, etc.

#### *2 Identify the major objectives and elaborate the desired outcomes of outsourcing*

Once the policy framework for outsourcing has been developed at the national level, the main objectives of an outsourcing system need to be identified and elaborated into outcomes, targets and indicators. Obviously these will vary significantly depending on the main purpose(s) of outsourcing.

The overall policy background includes a number of key long-term visions for the agricultural advisory services. A long-term vision is needed on the role of the state, the implementation of the desire to finance all services by the public sector itself and the need for a gradual move to funding by clients or farmers and other small-scale entrepreneurs through co-financing and cost-sharing schemes. In addition, views on public sector responsibility for pro-poor economic development and equitable rural livelihood strategies also need to be developed. Some key decisions, each with significant institutional implications relate to:

- decentralization of governance and deconcentration of service provision, leading to a situation in which services substantially shift from being upwardly accountable (to the Ministry of Agriculture) to downwardly accountability (to farmers and other clients);
- developing a private sector agricultural advisory service capacity, enlarging and improving public sector service provision, or a mix of these;
- making users of advisory services that are at least partially responsible for the financing of such services;
- the role of the state in guiding processes and decisions, such as when it should step in (i.e. at which level of market imperfection).

### 3 *Accompany a clear definition of targets by a vision on interactive learning processes.*

A clear definition of targets, based on an integral concept of outsourcing, needs to be accompanied by a vision for interactive learning of innovation in order for this learning to actually take place. The old linear system of technology transfer, which was used under T&V, has been widely discredited but viable alternatives now need to be determined and tested. Pilot projects can be used to test approaches as well as to explore the mechanisms for outsourcing in this context. Such pilot projects also require a clear vision, corresponding targets and learning objectives in order to avoid some of the pitfalls described in the country case studies, such as duplication, cost-effectiveness and demand authenticity, rather than complementarity, cost-saving and top-down planning, respectively (see Chapter 4 and Part II of this study). An important step in the learning process for enhanced agricultural advisory service provision through outsourcing is therefore to establish a clear road map for up-scaling and out-scaling based on the institutional lessons learned in pilot projects.

## Enabling environment

### 4 *Involve key groups of stakeholders*

An enabling environment for establishing an outsourcing system means involving key groups of stakeholders, such as the central and local governments, public and private agricultural service providers, as well as farmers and local agro-entrepreneurs and their organizations. An important key step in the development process is to analyse an AKIS for a value or supply chain, theme or geographic entity, and to identify the primary stakeholders as well as their functions. Such an analysis goes beyond the widely propagated need to make inventories of farmers' organizations and other forms of social capital as well as inventories of (potential) agricultural service providers. The analysis also needs to look into the policy environment, the level of interaction, the functions and capacities of the various stakeholders, as well as their performance in relation to the system objectives. Useful tools for such an analysis include the Rapid Analysis of Agricultural Knowledge Systems, 'RAAKS', (Engel and Salomon, 1997), the Analysis of Agricultural Innovation Systems CTA/MERIT/KIT, 2005) and others such as those referred to in the CORDEMA Approach (URT, 2004b in Part II, Heemskerk *et al.*, 2003). A special focus here will be on the role that the identified stakeholders can potentially play in an outsourcing system (to be developed), and to determine the potential mechanisms for interaction.

### *5 Analyse experience of outsourcing*

Based on the analysis of the existing experience of outsourcing in the current and other systems, an analysis can then be made of the required enabling environment. This analysis can have local (at the district level) as well as national dimensions (policy aspects). Particularly important are the contextual factors that determine stakeholder functions in relation to the anticipated functions in a system that uses outsourcing. The use of stakeholder-function matrices is recommended, as these help to highlight the conditions for success.

The required performance of the system depends on the main purpose of outsourcing and should be measured in terms of efficiency and effectiveness of advisory services. Furthermore, interactive learning for innovation will often require drastic changes in the context. Examples of policies, legislation and regulations to be developed are: policies on the empowerment of different stakeholder categories, criteria development and registration for contracting purposes of all qualified agricultural service providers, as well as policies on the roles of the local government (and local service provision) in relation to the private sector, farmers' organizations, and the central government (see also Box 1 in Chapter 2).

## **5.3 Management of the outsourcing system**

### **Interactive learning and accountability**

#### *6 Enhance learning through M&E*

The increase in the provision of services by involving a wide variety of agricultural service providers, based on farmers' demands, can only lead to sustained and enhanced performance if these same farmers take a strong role in monitoring and evaluating these service providers. Farmers' feedback on the performance of service providers (based on articulated demand), combined with self-assessment by service providers (based on the agreed contract), is facilitated by local programme managers (implemented directly by the contracting agency or contracted out) and leads to learning on enhanced service provision. At the same time, a key service that should also be provided concerns interactive learning for agricultural innovation. Contracted agricultural service providers facilitate the interactive learning of stakeholders in the chain (producers, traders, processors, etc.). Monitoring is therefore essential for downward accountability and client-orientation of the service provision, as well as for interactively following the progress of learning for innovation.

#### *7 Accountability and control*

A third monitoring element is needed for upward accountability of the agricultural service provider towards the contracting agency and relates to the control and auditing function. The contractor analyses whether contracts are being implemented as agreed based on feedback from clients. This can also be used in connection with the decisions concerning payments of next instalments in the contracts, which should be based on the timely achievement of identified milestones. Monitoring contract performance for accountability reasons also requires special guidelines that are different from the monitoring for learning purposes.

## Management procedures

The various outsourcing programmes referred to in the national case studies have developed guidelines for implementing the functions related to outsourcing services. However, their quality and depth varies substantially. Some examples are given in Box 5. Table 7 illustrates the wide variety of the required sets of guiding instructions for the various stakeholders in agricultural advisory service provision within the Tanzanian ASDP.

### **Box 5 Existing outsourcing management manuals**

#### **Mozambique**

- Manual for the outsourcing of extension in Mozambique (12 pages). Draft Version
- Preliminary guidelines in the Sector Strategy (PROAGRI I, 2003) and the National Extension programme (ASP, 2005) (In: Part II Mozambique case)

#### **Uganda**

- National Agricultural Advisory Services (NAADS): Programme Implementation Manual (79 pages); five sections, with two on outsourcing of services (NAADS, 2001) (In: Part II Uganda case)

#### **Tanzania**

- ASDP. District Implementation Guidelines: Volume 2: District Level Interventions. September 2005 (130 pages) (URT, 2006) (In: Part II Tanzania case)

#### **Mali**

- Procedure manual for the pilot on transferring agricultural extension to the non-public sector (12 pages). Draft version (MDR, 2002) (In: Part II Mali case)

The main steps in the management process, all of which require a role by the various stakeholder categories, are as follows:

### *8 Registering and selecting agricultural service providers*

A system of registering service providers for different services at different levels needs to be developed based on the previously prepared inventory of service providers, including the quality and performance standards required. Agreement is needed on the type of contracting process to be followed. A balance or 'best-fit' scenario needs to be developed, based on available demand and supply of services and the need for additional capacity development. Special programmes might be required in order to develop a local capacity of (private) agricultural service providers.

### *9 Negotiating contractual terms*

It is important to develop procedures and manuals for implementing a system of outsourcing agricultural advisory services. This will involve negotiations between stakeholders concerning the expected quality of service provision criteria, the level of remuneration and the contributions by the various stakeholders in terms of co-financing and cost-sharing aspects.

### *10 Transitioning resources*

The main emphasis in this step is to develop a capacity strengthening programme for all parties involved, based on agreement between all relevant parties and stakeholders on the

roles to be played by each participant in the new system. Equally, the source of the facilitation capacity needs to be clearly identified at this stage and be developed and/or contracted.

### 11 *Managing relationships*

Additional elaboration of the various M&E mechanisms for interactive learning and further partnership development is also required. Agreement with regard to clear roles for all parties involved in the learning process can be stipulated in contracts such as a Memorandum of Understanding (MoU).

**Table 7 Main contents of the Management Guiding Instructions for district level provision of agricultural advisory services in Tanzania**

<b>Topic</b>	<b>Instructions for:</b>
Farmer group empowerment	<ul style="list-style-type: none"> <li>◦ District sensitization workshops</li> <li>◦ District Memorandum of Understanding: Training of district teams, Needs Assessment, Targeting</li> <li>◦ Service contracts;</li> <li>◦ Training FFS</li> <li>◦ Curriculum workshop, Training of facilitators</li> <li>◦ FG strengthening and establishment</li> <li>◦ Study tours</li> <li>◦ Farmer networks and Farmer Fora</li> <li>◦ Ward Farmer Fora</li> <li>◦ Ward Agricultural Resource Centres</li> <li>◦ District Farmer Fora</li> <li>◦ Technology development</li> </ul>
Advisory Service Provision	<ul style="list-style-type: none"> <li>◦ District awareness</li> <li>◦ Identification and registration of private agricultural service providers</li> <li>◦ Contracting modalities</li> </ul>
Management by the Local Government Administration	<ul style="list-style-type: none"> <li>◦ Building information management capacities</li> <li>◦ Participatory planning and M&amp;E</li> <li>◦ Formulation of village plans</li> <li>◦ Disbursements</li> <li>◦ Financing services</li> <li>◦ Public procurement regulations</li> <li>◦ Voucher or coupon contracts<sup>19</sup></li> <li>◦ Procurement process and cycle</li> <li>◦ Implementation of the procurement management unit</li> <li>◦ Training needs assessment</li> </ul>

Source: URT, 2006, in Part II.

<sup>19</sup> Using vouchers or coupons and/or a graduated fee system to facilitate the fair distribution of services over various clients (URT, 2006a. In: Part II Tanzania case)

## 5.4 Capacity development

### Background

Agricultural innovation requires interactive learning between stakeholders in the AIS. Institutional, organizational and individual capacity development is needed in order to make this happen. An effective outsourcing system contributes to enhanced agricultural innovation if these capacities are sufficiently strengthened. A balanced approach entails a careful needs assessment of the required capacities for effective interaction between the critical stakeholders (local government authorities, agricultural service providers and farmers' organizations), the enhanced role of the organizations themselves, as well as specific competencies within these organizations. Apart from the three main levels of capacity development indicated, cross-cutting needs also exist, such as the coaching of individuals and organizations, neutral facilitation of interactive learning processes between key stakeholders in the value chain (for learning with regard to value-addition and productivity) as well as between stakeholders in the agricultural advisory services system (for process learning). The entire capacity development component and the way to analyse, plan and implement such a programme, needs specific guidelines that can be based on defined targets for each of the three levels, and the use of action learning and learning by-doing tools to improve the process.

### Institutional development

#### *12 Establish roles and responsibilities of the stakeholders involved and mechanisms for interaction*

Institutional capacity development requires clear roles and responsibilities to be assigned to all parties involved (see Section 5.3) as well as mechanisms for useful interaction. The funding of these interactive mechanisms and the resulting actions also requires (at least) joint agreement on how the available funds should be used. Such funds are generally administered at the district or sub-national level (provincial/zonal) administration, as is often the case with competitive research funds. Some type of multi-stakeholder management of the financial resources can best serve the ownership and transparency of the use of such funds. This will require agreement on the purposes, modalities and guidelines for operation (Heemskerk *et al.*, 2005). This institutional capacity development will have a direct influence on the performance and quality of the outsourcing system; its monitoring is another element that needs to be agreed upon between the key stakeholders (WB, 2005); see also Box 6.

As emphasized earlier, a major risk of the tendering process, which is generally part of the outsourcing mechanism, is the limited information sharing between potential competitors. This influences essential institutional learning, which is important not only in terms of the functioning of the AIS, but also with regard to the performance of the outsourcing mechanisms.



## Box 6 Some important elements of institutional capacity development

The following list includes some of the elements to be addressed and agreed upon by local stakeholders in outsourcing services.

- Multi-stakeholder analysis of the system, contributing to a consensus on the needs for intervention and the roles and purposes of outsourcing.
- Development of a local multi-stakeholder platform in which roles and responsibilities are determined.
- Agreement on the joint management of public funds for the outsourcing of AAS and the contribution of each actor to these funds.
- Achieving transparency in the administration of the funds.
- Agreement on the interaction with other districts and similar platforms.

Source: This study.

## Organizational development

As illustrated earlier, institutional innovation (such as the outsourcing of agricultural advisory services) can only be implemented successfully if the corresponding stakeholders (such as local government authorities, agricultural service providers and farmers' organizations) have sufficient organizational capacity to play their envisaged roles.

**Table 8 Stakeholder-function matrix in agricultural advisory services outsourcing systems**

<b>Stakeholder-functions in managing outsourcing systems</b>	<b>Central and local government</b>	<b>Public and private agricultural service providers</b>	<b>Farmers' organizations</b>
Planning, budgeting and funding	<b>Regulations at central level, local level enforcement</b>	Co-funding of service provision by private companies (input/output marketing)	Cost-sharing
Demanding services and procurement	Bring long-term issues into view and ensuring funding	Bring in some entrepreneurial issues	<b>Key role in demanding and identifying types of services</b>
Service provision	Management and facilitation services	<b>As part of contract and based on ToR</b>	For contracts and through co-financing in kind
Monitoring and evaluation	Overall <b>quality control</b> , regular field visits and report analysis	Supply of progress reports; <b>self-assessments</b>	Feedback on ASP; <b>performance monitoring</b> ; participatory M&E

Source: This study.

Organizational capacity development with regard to outsourcing is relevant in relation to the four main functions (see Table 8): management (facilitating the planning, budgeting, funding); demanding services and procurement; implementation and provision of the

required services; as well as overall monitoring and control. In other words: the capacity of farmers to demand, the capacity of service providers to supply and the capacity of local public authorities to manage the interaction between all parties for learning (WB, 2005).

#### *13 Develop the capacity of farmers and their organizations to demand services*

Developing the capacity to demand rests with the farmers' organizations, the community or a representative CBO. This aspect is crucial for effective implementation of this system in which deconcentration and demand-driven are key words. Empowering farmers' groups by strengthening their capacity in terms of agricultural innovation development is also critical (Heemskerk *et al.*, 2004, Wennink *et al.*, 2006, 2007).

#### *14 Develop the capacity of providers to supply services*

Similarly, the capacity to supply services needs to be improved by developing an inventory of agricultural service providers, developing criteria for registering the various categories and related capacities of service providers, as well as the gaps where improvement and strengthening is needed. The guidelines would therefore include contractor certification procedures, required capacity to comply and to register, as well as a registration system for pre-qualified agricultural service providers. Capacity development of service providers will also include aspects such as the development of new competencies in areas such as business management skills, new enterprises and value chains, farmer group empowerment and rural livelihood strategies.

#### *15 Develop local government capacity to manage interaction*

Local government authorities (in particular) and national governments (in general) will have to adapt to new roles of programme and contract management rather than programme implementation. Special competencies to be developed include contract negotiation, contractor performance and compliance monitoring, as well as financial control. The transition from public agricultural service providers, such as moving publicly employed extension workers into privately operating agencies and businesses, forms a special challenge that will require major attitude changes. Based on the principles of farmer-to-farmer extension, as well as action-learning principles (such as the FFS concept), farmers' groups and organizations can also develop into agricultural service providers, although this will require substantial support.

## **5.5 Concluding remarks**

The main reason for introducing an outsourcing mechanism for agricultural advisory services to effectively contribute to enhanced agricultural innovation is to achieve interactive learning at the local level. In order for the system to function, all relevant parties and stakeholders (i.e. local government authorities, farmers' organizations, plus public and private agricultural service providers) need to be involved from the very beginning in establishing the purpose, objectives, roles and implementation guidelines.

In summary, the main additional guidelines (from an AIS perspective) relate to the establishment of this joint development of agreed stakeholder roles, the required attitudes and resource allocation in the learning process for enhanced agricultural innovation, to which outsourcing (as an institutional innovation) can make a significant contribution.

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# Glossary

**Outsourcing (or contracting out)**

Contracting out of private services on public funds. Outsourcing is the act of giving a third party the responsibility of running what would otherwise be an internal system or service

**Insourcing (or contracting in)**

Acquiring private funds for public services

**Innovation**

Accessing and applying knowledge for improved practices. Appropriate mix of the technology, the institutional and organizational arrangements and the attitudes and mindsets

**Agricultural Innovation system**

System of various stakeholders and functions that enhance technological, organizational and institutional innovation. A network of organizations, enterprises, and individuals that focus on bringing new products, new processes, and new forms of organization into social and economic use, together with the institutions and policies that affect their behaviour and performance (World Bank, 2007)

**Excludability**

Degree to which users can be excluded from using services through payments

**Subtractability**

Degree to which the use of services subtract from the user's ability to obtain the same product

**Institution**

Rules of engagement between stakeholders

**Best-fit**

Situation-specific option rather than a blueprint or blanket solution

**Subsidiarity**

Implementation of a function at the level or stakeholder where (or who) can do so the most efficiently

**Capacity development**

The process by which individuals, groups, organizations, institutions, and societies increase their ability to perform core functions, solve problems, define and achieve objectives, as well as understand and sustainably deal with development issues (Babu and Sengupta, 2006)

**Social capital**

Institutions, relationships, attitudes and values that govern interactions among people and contribute to economic and social development





Part II  
Case studies on  
outsourcing agricultural  
services



# 1 Outsourcing experiences in Uganda

Clesensio Tizikara, Prisca Ndagire, Francis Byekwaso and Dan Kisauzi

## 1.1 Context

Uganda's major transformation towards economic growth and poverty reduction began in the late 1980s with the adoption of the 'Vision 2025 Strategy', which set out the broad national ambitions (Tizikara *et al.*, 2006). The 'Poverty Eradication Action Plan' (PEAP) outlined the necessary policy actions for social transformation. The low productivity in the agricultural sector was diagnosed as resulting from poorly functioning farmer-market-extension-research linkages and the lack of sustained success by the research and extension systems to respond to the real needs of the farmers (Tizikara *et al.*, 2006).

In response to these issues a comprehensive 'Plan for the Modernization of Agriculture' (PMA) was adopted in order to address the factors that undermine agricultural productivity, namely: poor husbandry (crops, livestock and natural resources), minimum use of improved inputs, limited access to technical advice, inadequate access to credit, poor transport, communication and marketing infrastructures, and insecure land tenure and user rights. Reforms to the national extension system by establishing the 'National Agricultural Advisory System' (NAADS)<sup>1</sup> became the main driving elements behind the implementation of the PMA. The joint-donor/government-financed NAADS programme focused on increasing farmers' access to improved knowledge, technologies, information and associated services that would address the needs and opportunities of (mainly poor smallholder) farmers in a sustainable manner.

Core aspects of the NAADS programme include the shift from public to private extension service provision and giving smallholders access to relevant services, which is also achieved by 'outsourcing', i.e. the contracting out of services by the local government administration on the basis of these farmers' demands.

## 1.2 Enabling environment

### Policy and legislation

In order to make this coordinating role of outsourcing services possible, NAADS was set up as a statutory parastatal organization with a stakeholder Board and an Executive Secretariat. The tendering and contracting procedures at local (district) levels were

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<sup>1</sup> At the same time the National Agricultural Research System (NARS), mainly represented by the National Agricultural Research Organization (NARO), was also reformed.

### **Box 1      The national agricultural advisory services programme in Uganda**

The main NAADS principles are: client-empowerment, decentralization, efficiency drive, roles for the private sector and civil society, contractor-provider accountability, separation between extension service management and provision, diversity in funding, incentive systems and partnership development. Among other things, NAADS was designed to:

- 1 create alternative options for financing and providing advisory and technical services appropriate for various types of farmers;
- 2 shift from public to private advisory service provision, while ensuring more decentralization, to bring the control of advisory services closer to the farmers;
- 3 empower subsistence farmers to access private extension services and market information;
- 4 develop private sector service capacity, professional capability and systems; and,
- 5 enhance the commercialization of agriculture, including intensifying production and specialization.

Source: GOU/NAADS, 2000.

modified to allow for sufficient farmer control over the awarding of contracts for services. Quality assurance standards, regulations and guidelines, as well as procedures for routine technical audits, were developed as mechanisms to check compliance, competence and capacity of advisory service providers (ASPs). Private ASPs were expected to register, based on the 2004 Guidelines for Registration of ASPs<sup>2</sup>, which require an application fee and annual registration fee. The relevant parliamentary legislation provided for recognizing and registering farmers' organizations (FOs) and platforms at various levels, and their empowerment to manage public funds and contract service providers within the decentralized administrative framework. Farmers come together in informal groups that are then facilitated to form FOs (i.e. comprising Farmer Groups (FGs) at parish, sub-county or district level), which are legally registered under the NGO Statute (NGOs registered at district level) or community-based organizations (CBOs), registered at sub-county level), or under the Cooperative Act (primary societies).

### **Institutional reform**

The shift from a public extension service system to a more pluralistic advisory services system (based on contracting services using public funds) required major changes in the relationships between stakeholders as well as organizational reform. The key stakeholders in the outsourcing process are the governments (at local and national level), FOs and the ASPs. The responsibilities of public employees have shifted from being service providers to quality assurers, by developing quality standards, registering ASPs, monitoring and evaluating (M&E) the effectiveness and impact of programmes, and technical auditing.

The administrative and governance structure within which the NAADS programme is being implemented consists of the National and Local Council (LC) structures<sup>3</sup>. Sub-

<sup>2</sup> [www.naads.or.ug/publications/guidelines](http://www.naads.or.ug/publications/guidelines)

<sup>3</sup> The local government structure comprises districts, counties, sub-counties, parishes, and then villages.

county councils are the leading local government entities for fulfilling the key functions in outsourcing: planning, implementation, funding/contracting, monitoring and evaluation.

Through elective representation, the FGs constitute 'Farmer Fora' (FFs) at different levels in the local government structure. At sub-county level the FFs are responsible for contracting ASPs as well as monitoring projects to ensure that farmers get value for money from the contracts (NAADS, 2005a, 2005b; Tizikara *et al.*, 2006). The process of empowering FFs has sometimes been characterized by conflicts between their leadership and the local political elite and/or leadership of other FGs. Some elected councillors do not see the need for a parallel group of farmers taking procurement decisions. The farmers, for their part, insist that politicians often take decisions based on vested interests.

An initial inventory of existing ASPs was carried out at the start of the outsourcing process. The study indicated that there was only a limited number of competent service providers available at national level and, in the districts and sub-counties, these mainly consisted of international NGOs, a few local NGOs, commercial consultancy companies, and professional associations. A register of eligible ASPs was then created and maintained at the national and lower administrative levels. Only registered ASPs were eligible for contracting, implying that mainly firms, and not individuals, could be contracted. The process and cost of forming official companies excluded several potential ASPs. Few, if any, had an existing capacity to provide a diverse range of advisory services over a large geographic area or for multiple enterprises, but they did have specific expertise relating to a particular production system. The minimum educational qualification for inclusion on the outsourcing register was set as a first degree, except for some enterprises (e.g., a bee-keeping company).

### Competency and capacity development strategies

In order for the outsourcing mechanism to work, massive capacity development was required for FOs, service providers (advisory and facilitating agencies) and local government administration. NAADS has facilitated both the strengthening of the demand (farmers' groups and organizations) as well as enhancing the supply of advisory services (FOs, private ASPs, and NGOs). As a strategy to achieve the privatization of agricultural advisory services, NAADS sought to empower FOs to become the central stakeholders in the new outsourcing system. FO development within the sub-county focused on:

- 1 identifying existing FGs;
- 2 forming new ones based on common interests;
- 3 capacity development of groups; and
- 4 formation and capacity development of FFs.

NGOs and community-based facilitators were recruited to facilitate this empowerment process. Empowered FOs collectively articulated their own needs and were also able to invest in, and contribute to, payment for services provided through direct financial contributions or by donating their time for meetings and training. FOs demanded value for money and were able to exert effective demands for agriculture-related services. Training was a central part of the process to ensure that groups acquired skills to run their affairs efficiently and effectively. Support also focused on learning and capacity development for poor farmers (especially women farmers and other vulnerable groups),

to innovate, use appropriate technologies, and organize themselves to make effective demands.

An initial inventory was conducted to assess available ASP capacity, identify eligible service providers that satisfy minimum standards for various types of assistance, as well as to identify good practices (NAADS, 2005c). The empowered and organized FGs have seriously strained the capacity of the advisory services available. The majority of the FGs are demanding know-how for enterprises in which they lack previous farming experience or where they lack access to information and technologies for profitable farming. Linked to this is the affordability of available technologies and the ability of ASPs to easily access the required information. Service providers are expected to bring themselves up to the capacity and standards necessary to provide satisfactory services. However, NAADS supports orientation and capacity building of ASPs and other relevant stakeholders in order to facilitate satisfactory provision and financing of advisory services. As a result of prior public-sector dominance in providing advisory services, support was also given to national organizations so they could reorient their mindsets towards private sector service provision, retrench (called 'de-layering') and 'retool' (or retrain) extension staff, and develop public service provider technical skills and training. Apart from 'learning by doing', training for private sector ASPs is only included in a few well-defined areas.

The capacity development strategy for local government administration (LGA) focuses on the technical and administrative staff, as well as local politicians and district tender board members. The emphasis is on contracting services, clarifying institutional issues (i.e. the 'rules of the game') and these officials' roles and responsibilities, as well as on encouraging the facilitation of direct links between farmers and the market sector.

An LGA communication and information strategy requires content, skills and links between ASPs, facilitators and end-users. Access to information by community members and emerging commercial farmers requires facilitation. The use of community-based facilitators/mentors provided hands-on experience, counselling and moral support, and the adaptation of information. Mentorship complements and reinforces advisory services implemented under short-term contracts, which often do not provide for follow-up and consolidation. The advisory services need to be knowledge-based and be sufficiently flexible to be able to respond to new demands. Strategies are needed to ensure that the facilitation skills required for priority setting, impact assessment, adoption, and providing an enabling environment are actually available. Incentives need to be part of contracts to attract the skills necessary to articulate demand and provide advisory services, particularly in distant and conflict-ridden areas.

### **1.3 Advisory services system**

#### **Organizing the demand**

Three main criteria were used to set priorities in the planning process at farmers' level, i.e.:

- 1 livelihood systems and strategies, market conditions and policies, institutions and risks;
- 2 potential impact of a technology/enterprise; and,
- 3 research and advisory services capacity, given available resources.

This process allowed a portfolio of enterprises and cross-cutting issues (such as gender and natural resource management), as well as the research and advisory service requirements to be identified. At the community level, issues of inclusiveness, while also recognizing client differentiation (gender, common interest, especially in enterprise selection, group formation, etc.) became serious implementation concerns. Farmers are shifting from subsistence cultivation, through to market-oriented production and commercial production. The diverse nature of rural households in terms of wealth, people with diseases, life-cycle stages, production systems and access to information and markets implies that the clients demanding research and advisory services cannot be assumed to be homogenous. The needs of the various types of farmers need to be separated, and different approaches identified for providing them with adequate agricultural advisory services. Moving women farmers (in particular) further out of poverty, entails identifying various types of services to be contracted out.

The contracting arrangements specifically target poor and female farmers through supportive gender-responsive procedures and guidelines for accessing contract services. A dual approach is followed based on enterprise development/promotion, as well as strategic enterprise development. This is aimed at promoting agricultural intensification and strengthening the integration of farmers and local entrepreneurs into attractive commodity value chains through agribusiness cluster formation, such as out-grower schemes. An 'agribusiness cluster' consists of the farmers and entrepreneurs (including FGs) that are involved in the 'same' industry, and all the related (specialized) business development and financial services within a well-defined target region. Without being organized into commercially oriented and viable farmer organizations, small farmers cannot be effectively integrated into the value chains involving production, agro-processing, traders and trader organizations and commercial-oriented entities. Constraints to integrating smallholder farms into the supply chains of selected enterprises and commodities can be divided (Tizikara *et al.*, 2006) into:

- 1 access to knowledge and skills;
- 2 access to technologies and information on product quality measures;
- 3 economies of scale and market transaction costs;
- 4 access to credit;
- 5 advisory services transaction costs; and,
- 6 incentives for innovation.

### Responding to the demand

Both public (agricultural research and extension) and private services (export and input market-oriented) have been responding to the farmers' demands for advisory services. The Ministry of Agriculture has been providing agricultural extension services down to the parish level through publicly-employed extension workers using the training and visit (T&V) extension management system. The provision of private extension services existed simultaneously and was largely practiced for tobacco, sugar cane, cotton and non-traditional export crops e.g. vanilla, fruits. Private extension was based on voluntary contracts between farmers and private processing/input-supply companies, which also often provided technical assistance to small-scale farms. Although financed by the

company these services were eventually, although indirectly, paid for by the farmers, as is the case with present-day export levies destined for research and advisory services.

The emergence and rapid expansion of NGO-supported activities marked the geographical expansion of wider experimentation with private extension models. NGOs transformed themselves from providers of emergency assistance to implementers of development programmes, attracting increased donor support for agricultural development. Traditional multilateral and bilateral donors believed that national/international NGOs were more efficient, effective and flexible than the public extension service, and NGOs became dominant (among others) in developing farmers' organizations. However, many of the national NGOs do not have adequate technical and financial management capacity to plan and implement projects and programmes, hence their interest in outsourced (small) contracts. NGOs generally play an important facilitating role by:

- 1 mobilizing and organizing farmers;
- 2 providing training in organization and management, literacy and numeracy;
- 3 providing technical and financial assistance to FOs;
- 4 supporting local technological innovations; and
- 5 raising support for FO activities.

The quality of services is still improving as NGOs gain experience through the outsourcing programme. The capacity of ASPs has generally been strengthened and most have acquired offices, office equipment and transport facilities as well as elaborate management structures. Service provision by NGOs is now reaching a wide majority of farmers throughout the district (Tizikara *et al.*, 2006).

### Roles and responsibilities

The introduction of outsourcing advisory services has led to dramatic changes in the roles and responsibilities of the various stakeholders, which has led to the need to reconsider the relationships of the private sector, including those of farmers, with the (decentralized) government structures. The LGA is assigned a more proactive role in facilitating (non-market) coordination mechanisms and complementary investments, e.g. in specialized research and development (R&D) activities for specific agribusiness clusters, as well as making strategic choices of target locations and commodities. The approach empowers local stakeholders (farmers, entrepreneurs, women, men, and the younger generations) to develop new ideas – and put them into practice. A wide array of stakeholders (NAADS, NGOs, FGs, LGAs and the private sector) participates in priority setting, informed by the real opportunities that each group has.

Advisory service providers require an effective mechanism for quickly absorbing the most recent information on shifts in markets and other livelihood opportunities, and need to function as a flexible organization which can respond to new demands and inform stakeholders, the local community and funding agencies in a timely fashion. Innovative approaches for mobilizing, managing and providing advisory services were developed in the NAADS context in terms of new stakeholder relationships; funding arrangements; government, donor and public-private sector relationships; process management; and organizational development. The changes affected entrenched behaviour, attitudes and



procedures and demanded a complete change in mindsets. The noticeable changes concern process pathways and institutional behaviour and arrangements; working methodologies and attitudes; institutional capacities and development (see Table 1). Farmers' roles, capacities and their relationships with ASPs and the LGAs are the most significant of these changes.

**Table 1** Changing roles of key stakeholders in the outsourcing process

<b>Partners</b>	<b>Original situation (pre-NAADS, 2001)</b>	<b>Target situation (2009 and beyond)</b>
Farmers at the grassroots level	<ul style="list-style-type: none"> <li>• Not organized</li> <li>• Only recipients of services</li> <li>• Focus on food self-sufficiency</li> <li>• No influence on use of public funds</li> <li>• Not contributing funds</li> </ul>	<ul style="list-style-type: none"> <li>• Organized FGs</li> <li>• Managing natural resources</li> <li>• Engaged in service provision</li> <li>• Farming taken as business</li> <li>• Managing services provision</li> <li>• Contribute significant funds</li> </ul>
Civil Society Organizations (CSOs) and Non-Governmental Organizations	<ul style="list-style-type: none"> <li>• Through public extension workers</li> <li>• Production input supply</li> <li>• Farmer capacity building</li> <li>• No integration with LGAs</li> <li>• Varying interests and points</li> </ul>	<ul style="list-style-type: none"> <li>• CSOs as service providers</li> <li>• Support private input supply</li> <li>• Institutional development</li> <li>• Part of government plans</li> <li>• Based on farmers' needs</li> </ul>
Agricultural Advisory services	<ul style="list-style-type: none"> <li>• Non-existent or only NGOs</li> <li>• Little linkage and insufficient capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Fully privatized</li> <li>• Optimal capacity established</li> </ul>
LGA and Local Councils	<ul style="list-style-type: none"> <li>• Information dissemination</li> <li>• Recruitment of extension personnel</li> <li>• Financial management</li> <li>• Overall coordination</li> <li>• Approving plans and budgets</li> <li>• Participation in campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination of information flows</li> <li>• FOs and LGAs fund services</li> <li>• Less coordination responsibility</li> <li>• Harmonization</li> <li>• Downward accountability</li> <li>• Increased political support</li> </ul>

Source: Adapted from Tizikara *et al.*, 2006, Obaa *et al.*, 2005.

## 1.4 Outsourcing functions

### Background

Three main functions exist in relation to outsourcing, and these relate to the three main stakeholder categories: FOs and procurement, LGAs and funding, and ASPs for implementation. The LGA funds, contracts and supervises the the agricultural advisory services provision through demand-driven procurement by FGs within a geographic location or value chain. The management of such a programme of outsourcing services is decentralized along the principle of subsidiarity, to district and sub-county level administration, depending on the issues at stake. The NAADS programme provides for the development of procedures and guidelines for contracting advisory services and the corresponding key functions and processes (NAADS, 2001). The Operations Manuals define: administrative procedures, sanction requirements, delegation of authority, procurement procedures, fund flow systems, accounting and auditing requirements,

disbursement procedures, operation of the Special Accounts<sup>4</sup>, formats, terms, conditions and standards for Contracts and Memoranda of Agreement between various participating agencies, as well as M&E arrangements.

## Procurement

The NAADS approach to articulating demand for potential outsourcing consists of combining participatory assessments by farmers with updates from informed facilitators of the potential opportunities available within a specific enterprise. This priority-setting strategy for future interventions is to target opportunities of greatest potential or highest returns/impact and likelihood of success. Priorities relate to opportunities for rural communities to intensify, diversify, add value or benefit from employment and small-business creation.

Identified activities are generally implemented by outsourcing services, either through contracts or via a variety of partnership agreements. Services are outsourced from specialized departments, institutes or programmes, plus from NGOs and the private sector. FG Procurement Committees have actively participated in contracting ASPs of their choice based on qualifications, experience and track record. The terms of these contracts cover all inputs and allow for capacity strengthening of the client organizations and the service-providing agencies concerned. Contracts are rewarded for effective performance and include reasonable margins for services that allow agencies to build up their presence and capability. However, there are also penalties for failure and inadequate service provision or insufficient impact. Having appreciated that procurement of goods is guided by a set of conditions that must be fulfilled by the supplier, farmers have often rejected technologies that do not meet certain specifications.

The exact size and configuration of the contracts varies from case to case and some are handled by a joint venture of agencies with a mix of specific skills. Some of the large-scale contracts are awarded for community mobilization and planning activities, while the majority cover the provision of advisory services and other downstream FG support to a large number of clients and/or over a wide area of coverage, including national and multi-district operations. Smaller and shorter duration contracts are applicable for supplying specific training, research and technology development inputs and for providing professional management consultancy or advisory services to individual FGs or small associations.

Cumbersome procurement periods sometimes affect the effective timing of service provision and their synchronization with farmer empowerment activities. In a number of cases the quality of services has been compromised by including the CVs of qualified individuals only during the tendering phase and not for the actual implementation of duties. Core groups of eligible providers are being contracted to identify gaps in skills, and to train and mentor other potential providers in order to meet the standards required

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<sup>4</sup> A special account is opened as a NAADS District/Sub-county Account to collect NAADS conditional grant funds and the District/Sub-county matching contributions. The accounts are operated and accounting documents kept at the respective levels in accordance with the Local Government Financial and Accounting Regulations.

by NAADS. This increases the number, spread, and competition among ASPs and reduces reliance on a few (largely international NGO) service providers.

## Funding

The national government and donors have developed a long-term agricultural sector support programme that harmonizes the funding structure for NAADS and foresees 77% of all expenditure at sub-county level, 9% at district level and only 14% at national level. Some of the bottlenecks that affect local level budgeting and disbursements for awarded contracts relate to the medium-term expenditure framework (MTEF), which constrains expansion, causes a low level of co-funding by the districts and sub-counties, and reduces the number of districts and taxes imposed on contracts and partnerships with the private sector.

Fund allocation formulae, while ensuring equitable distribution to LGAs, need to guard against the movement of funds to districts without the necessary implementation capacity, such as a lack of stakeholder participation mechanisms to maintain accountability to clients. The district and sub-county administrations fund the outsourcing of services to third-party ASPs. Smooth disbursement of funds to contractors is essential to the success of the outsourcing system. Linking the disbursement of funds to achievements ensures that constraints to contract implementation progress can be rapidly identified so that corrective action and training can be provided.

Monitoring data suggests a need to pay service providers in instalments based on their attainment of well-defined outputs/deliverables, without disrupting the continuity of service provision. The incentives for different stakeholders to participate vary widely and include enhanced productivity/profitability for farmers, enhanced publication records and promotion of sustainable production methods for researchers, research institutes and NGOs, and income for ASPs. NGOs and CBOs aim at working with farmers' groups towards demand-driven service provision but are sometimes also inclined to provide material incentives to achieve quick results. On the other hand, farmers sometimes tend to form groups in order to extract the immediate material benefits rather than to gain more long-term social and environmental benefits – this affects the sustainability and innovative performance of FGs. However, as a result of the new transparency, farmers also look at the costs of contracts (the average is about USD 2,500) and demand to be paid for attending meetings and training sessions organized by ASPs.

## Implementation

The service provision programme is implemented by various ASPs that have been awarded contracts, all based on the agreed approaches, activities and progress indicators specified in their contracts. Implementation is monitored by both the local administration (as custodian of the contracts), and the farmers (through the various FFs) as the clients and beneficiaries of the services provided.

At the level of community, village and FG activities, farming ASPs and all participating agencies have M&E responsibility as part of their contract obligations, with FF

representatives and/or sub-county Production Department personnel operating as the focal points for recording. Parish Coordinating Committees have been established to mobilize demand for outsourced activities, coordinate planning and information flow, supervise community-based facilitators, and monitor and evaluate the implementation process and its outcomes.

At sub-county level, the Production Department Head, Accountant and Chief all have supervision and oversight responsibilities as part of their routine duties to report to the Sub-county Development and Investment Committees on programme progress.

At the district level, the Production Department Head assesses data from the sub-counties and reports on farmer service contract activities. District specialists are responsible for ensuring that the services and goods provided conform to the required contract standards. Service providers are oriented towards the expected standards of service provision and given additional training where necessary. The partner platforms participate in joint review meetings and help to foster cross-institutional learning to enhance collaboration and to reduce the negative effects of competition.

Apart from these upward-accountability processes, a community-based participatory M&E methodology (NAADS, 2003) has also been developed and piloted. The methodology aimed at deepening the M&E system for contracted advisory services by establishing procedures and mechanisms for M&E at the community and farmer group levels. Specific programme evaluation takes place every three years to assess the major tasks completed, productivity and other increments obtained, and benefits accrued, compared to baseline data and targets. The scope for continuation, adaptation, expansion and replication of programme activities is specifically highlighted in these impact assessments. Many achievements (especially relating to process) and impacts are not adequately captured, documented and shared.

It is important for the programme to develop tools that will enable districts to adequately and timely capture and document impacts, especially at household, group and community levels. The use of participatory M&E approaches based on joint learning and joint decision-making is particularly important. Nevertheless, the large number of FGs, ASPs and sites involved in the programme causes logistical difficulties for the M&E system. By and large, M&E should be viewed as a chance to identify constraints and provide technical and logistical support, as well as an opportunity to identify clear dissemination pathways based on best practices.

## **1.5 Performance**

### **Effectiveness**

By the end of 2006, the NAADS outsourcing programme was operating in 532 sub-counties located in 64 districts. By 2005, over 12,000 FGs in 280 sub-counties had been registered through the programme (out of the existing 20,000), while 73% of these FGs reported receiving outsourced advisory services based on their own involvement (Byekwaso *et al.*, 2004). In addition, gender as well as youth had become an important

consideration in FG formation and enterprise selection, and in 2005 women comprised 53% of FG membership.

The effectiveness of FF functioning at district and sub-county levels varies greatly, also in terms of their capacities and credibility (NAADS, 2004). Outsourcing is based on the premise that private sector advisory service provision is more effective than public extension provision, and even where the latter is still maintained, the private sector plays a significant complementary role. Lessons are learned during implementation, which are then used to improve performance and further reduce public-sector involvement in the provision of extension services, and even in their funding.

The public sector roles hinge more on articulating a vision and strategy for promoting the emergence, consolidation and development of a pluralistic and deconcentrated (to the community level) extension system that is ultimately effective and financially sustainable. Farmers are positive about the system in the sense that their participation in defining which services they require has improved. Both male and female farmers also state that they have been empowered to judge the quality of good and poor ASPs and exert some influence over the contracting process (NAADS, 2005d). Up to 400,000 households (representing 30% of total households) have been reached by the NAADS programme. The value of crop production per acre in 2002/2003 was 15-27% and the income per capita was 41% higher for households that participated in the NAADS outsourced services programme compared to those that did not. Average yield increases by enterprises reported as a result of adopting new technologies/improved practices rose by 31% for cassava, to as high as 140% for beans, 158% for groundnuts and 177% for cooking bananas.

### Efficiency

Decentralization has meant that the agricultural extension programme planning and budgeting functions are now integrated into the LGA. The process was meant to be accompanied by staff rationalization. Functional powers, means and competence by the public sector were to be transferred to farmer-controlled structures and private sector ASPs. Although the local governments are now able to plan their activities and prepare their own budgets, staff rationalization continues to pose considerable challenges to the management and provision of services. Lots of people with high-quality advisory service skills are still 'locked' into the public service.

One of the main reasons why rationalization has not taken place in districts is that, besides advisory services, other agricultural functions are still performed by the district-level staff, such as: control of diseases, pests and vectors; regulatory services; inspection and certification; product quality standards; quality assurance; agricultural statistics and planning. These functions were minimized in the initial proposals for full staff rationalization but have now been recognized by the functional analysis. The outsourcing of services is also not adequately synchronized with the rest of the government's programmes and has remained an alien function.

A series of assessments conducted in 2005 (NAADS, 2005a, 2006a) indicated that it costs around UGX<sup>5</sup> 91,000 per sub-county for FO development (equal to around UGX 16-24 per household) for providing advisory services. When the cumulative incremental benefits for the first three years of the programme are compared to the actual costs of the programme to date, the overall results show that an extra income of USD 10 million per year was generated by the NAADS programme. The extra income currently being generated could easily increase 20-fold to USD 200 million a year, or around USD 10 million per district, through better extension coverage, higher adoption rates and increased acreage.

A number of FGs have claimed that private ASPs are highly paid for the value of services they provide. However, there is no agreed mechanism on how to value the services provided and the fees to be paid to the professional providers. The level of co-financing for the programme has been limited; on average farmers are currently (2006) contributing 2%, with local governments contributing 5% of the costs. The total NAADS budget allows for 77% to be used at sub-county level, 9% at district level and only 14% at national level. It is not possible to compare the efficiency of the public and private ASPs based on the available data. If such an analysis is considered essential, some assumptions need to be made, service quality needs to be valued and additional data needs to be collected

### Quality of ASPs

Farmers identify their needs, which are then translated into contracts. Farmers always elect their own leaders, right from group level up to sub-county level; these leaders ensure that farmers' needs are addressed. This has made it very easy for farmers to take action to resolve their problems and follow them up in a collective manner (NAADS, 2005d). Farmers have continued to benefit from appropriate technologies that are expected to directly address their specified needs in both the short and medium terms. Some farmers are increasingly realizing the importance of meetings in sharing experiences and challenges, and finding ways to overcome them.

Technology Development Sites (TDSs) have been established and farmers are proud to host these and do take responsibility for managing them. Some farmers are being empowered to train fellow farmers, either individually or in groups. While some farmers have willingly co-funded the programme as a result of appreciating the goods and services provided, others have yet to appreciate the rationale of co-funding by different stakeholders. The concept of enterprise selection by farmers has motivated them to engage in the most profitable enterprises for which advisory services are provided, resulting in increased farmers' incomes. Farmer involvement in the contracting process and in M&E of contract performance has resulted in the capacity to translate their experience with both good and bad quality service provision into follow-up actions. This has led to the termination of contracts, blacklisting of poorly performing ASPs, refusal to approve payments and the compelling of ASPs to compensate for days lost during training (NAADS, 2000a, 2005c).

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<sup>5</sup> 1 Euro=2000 UGX (Ugandan Shilling) in 2006.

As a result of these developments, the quality of advisory services has steadily increased. A coordination gap with sub-county FFs and FGs was identified and farmers pushed for the formation of committees at lower, or parish level. These have greatly contributed to mobilizing farmers towards training, co-funding, planning and monitoring programme performance. Some farmers appreciate that the lack of knowledge, information and technologies is one of the key constraints to profitable farming. Improved skills in planning and report writing mean that FOs and platforms are now participating in making detailed work plans and reports. When drawing up training programmes, sector specialists consult the farmers on the appropriate training venues and time. Improved record keeping, with farmers maintaining an attendance list and signed visits by ASPs, eases follow-up and payment approvals, and is a step towards performance-based management.

Farmers, both in their respective groups and through regular training sessions, are gradually developing their own work plans, which are approved by farmers' leaders at the sub-county level, who also guide implementation and monitoring. Farmers now often set their own time and schedule for training by ASPs. Women farmers are gradually taking on enterprises/activities that were formerly only conducted by men, and hence also demand the related advisory services. Farmers have full powers to decide on how to handle the TDSs, which require management and administration. Formation of new (sub-sub-county level) committees was a result of stakeholders' (especially farmers') dissatisfaction with the efficiency and effectiveness of services in reaching out and mobilizing farmers to actively participate.

### Overall performance summary

The overall conclusion on the performance of the outsourcing system in Uganda, as part of NAADS, is that it works. Agreement exists, also by farmers, on the programme's effectiveness through complementarity and joining forces. Progress has been made in the number of FGs and farmers involved, while more relevant priorities have been addressed based on farmers' needs. Needless to say, all this was only possible through considerable investments, which go beyond the normal level of public funding, and come closer to the targets set by NEPAD. Challenges remain in relation to efficiency, which is based on the need to improve on institutional, organizational and individual capacity development (NAADS, 2005a, 2006b; Benin *et al.*, 2005).

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# 2 Outsourcing agricultural advisory services in Mozambique

Custodio Mucavele and Willem Heemskerk

## 2.1 Context

Agriculture in Mozambique is dominated by 3.2 million small-scale farms, each with an average size of just 1.1 ha of land (PROAGRI, 2004; ASP, 2005). This so-called 'family sector' contributes 20% to the country's GDP and 80% to exports, while employing 80% of the workforce. Given this overall situation, the challenge is to mobilize the latent productive capacity of 3.2 million family farms and to transform agriculture in Mozambique from a largely subsistence production system to a more market-oriented system, while also improving national and household food security. Mozambique used to have a commodity-based extension service for commodities such as cotton and cashew, before 1975 under the old colonial rule. Extension systems for general smallholders' livelihoods did not exist, although the local shops ('cantinas') often marketed production surpluses, provided input, and advised farmers on crop production and marketing. In the early years of independence agricultural extension for smallholders was limited to a number of externally funded development projects (Walker *et al.*, 2006)

The public extension service was institutionalized in 1987, within the Ministry of Agriculture (DNER, 1997; Gemo and Rivera, 2001, Gemo *et al.*, 2003). Public extension focused on the smallholder family sector and the T&V model was adopted and financed by the government of Mozambique, the International Fund for Agricultural Development (IFAD), World Bank (WB) and the Food and Agriculture Organization (FAO) (DNER, 1997). A large number of extension providers from the public, private and 'third' (NGO, CBO) sectors have been involved since the 1980s. International donors, bilateral and multilateral as well as international NGOs, continue to fund extension services, both through the public system (some 50%) and through off-budget projects and NGOs.

Private sector extension is mainly funded through the corresponding supply chains such as those involved with tobacco, cotton and cashew. Agricultural service providers (ASPs) are either contracted directly by the cash crop institutes that are funded by levies (e.g. the Cashew Company of the Ministry of Agriculture (MINAG), Cashew Institute (INCAJU), for cashew and the National Institute of Cotton (IAM) for cotton) or through donor funds. Farmers' organizations (FOs) are equally involved in agricultural extension, but more on a voluntary basis or as individual farmer promoters.

Since early 1975 Mozambique has always had an advisory service capacity outside the public sector, although often funded by the international public sector. During the first comprehensive agricultural sector programme (known as 'PROAGRI I', 1998-2005), a decision was made to invest public funds not only in the Ministry of Agriculture's public advisory services but to also contract other non-public services. For this reason, outsourcing pilot projects were started in a few districts and within the context of a few export commodity programmes.

This section looks into the experience gained through these pilot projects on outsourcing agricultural advisory services in Mozambique. More specifically the study focuses on two case studies:

- 1 the outsourcing of advisory services in two districts by the National Extension Programme involving provincial and district governments as well as NGO and private ASPs; and,
- 2 outsourcing in the cashew sector managed by INCAJU and implemented by NGO service providers.

## **2.2 Enabling environment**

### **Policy and legislation**

Mozambique is changing from a rather public-sector-dominated centralist agricultural extension system to a more pluralistic, decentralized advisory services system in which civil society organizations, the private sector, and the public sector operate together, based on principles of subsidiarity and comparative advantage (Eicher, 2002a, 2000b). The government structure<sup>6</sup> is increasingly being decentralized with emphasis on the role played by districts in district development plans (also for agriculture), rooted in plans made by the Community Development Committees (CDCs) (MPD, 2005, 2006).

Public contracts with other ASPs were first developed under the first Extension Master Plan (1999-2004), which was based on Unified Extension Services and the development of an integrated National Agricultural Extension System. This involved outsourcing as well as the use of public extension staff by NGOs, so-called 'insourcing' (Gemo *et al.*, 2003). Under the new Agricultural Extension Master Plan (2007-2011) i.e. the next phase of the comprehensive agricultural sector plan, outsourcing advisory services at the local level is further elaborated and scaled up, along with emphasis on developing a multiple service provider system, producer empowerment and partnerships with the private sector. This emphasis on multi-stakeholder interaction has gone hand in hand with the ongoing decentralization of the government structure, as well as the emphasis given in government policies to the role of the private sector in rural development. At the same time, the long-awaited deconcentration of agricultural research services to the sub-national zonal level is taking place. This too is based on a more interdisciplinary approach

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<sup>6</sup> Mozambique is split into: 33 Urban Municipalities, 128 Rural Districts and 394 'Postos Administrativos' (sub-districts), 1,071 'Localidades' (Localities), and 10,025 'Comunidades povoações', (communities and traditional chieftainship). Each community is a cluster of small hamlets and villages ('Aldeias'), of which there are an estimated 40,000 in the rural areas.

to research and, in some cases, is subjected to mechanisms of competitive funding and outsourcing at the provincial level, as well as insourcing by NGOs and the private sector.

Legislation has been developed to allow the Ministry of Agriculture as well as the local governments to contract NGOs and private ASPs for service provision at all levels. New legislation has also been developed to facilitate the formal registration of farmer associations and cooperative groups.

### Institutional reform

The National Agricultural Extension System developed under the first Extension Master Plan is the system under which all extension providers interact, such as the Ministry's National Extension Programme and other public extension agencies, as well as NGOs, Private Sector ASPs, Producer Organizations (POs) and farming communities themselves. In the absence of public extension service providers in most parts of the country, private and third-sector extension service providers (NGOs and civil society organizations) filled the gap through third-party funding but were, to some extent, coordinated by the national extension programme, particularly since 1992.

The pluralistic provision of extension services was formally recognized in 1998 in the (then approved) Extension Master Plan. It was anticipated that the pluralistic provision of extension services would contribute to greater cost effectiveness and enhance farmer responsiveness compared with the situation where public sector extension is the sole provider. This could be considered as a system in which ASPs from the public and non-public sector were contracted and financed by national and international public funds. Decentralization of governance and deconcentration of service provision led to a stronger role by provinces and districts, and hence also under this new pluralistic extension system. However, the District Agricultural Development Plans, on which this system should be based, are frequently of poor quality (or non-existent) and do not contemplate the often complementary roles played by different extension service providers, contracted through outsourcing and based on competitive advantage and principles of cost-effectiveness and sustainability.

### Capacity strengthening

The priorities for capacity strengthening in the agricultural innovation system (AIS) and in particular in the public advisory system have traditionally been based on individual capacity building (Gemo, 2006). The emphasis on capacity development is also increasingly shifting to other stakeholders in the system, e.g. farmers' and community organizations (mainly induced by NGOs) and private sector organizations (by some international NGOs and donor-supported projects). Equally the interaction between these service providers, clients and the local government has been subject to capacity development in a variety of decentralization projects.

Mozambique is a country emerging from conflict and therefore facing enormous challenges in terms of individual, organizational and institutional development. For some time now attempts have been made to establish a nationwide public extension system

with government-employed extension workers. However, staff shortages have made this difficult and the focus now is on strengthening the entire agricultural advisory system. The context of implementation – such as decentralized operations, stronger roles for FOs and civil society – require new competencies/skills and capacities. Local training institutes are adapting to these new challenges as their graduates are no longer automatically entering the public sector and/or require specific competencies, such as facilitation and communication skills.

## **2.3 Advisory services system stakeholders and outsourcing**

### **Background**

The agricultural advisory service system in Mozambique is composed of:

- 1 a wide variety of FOs that express a demand for services;
- 2 advisory service providers from the public sector, private sector and NGOs; and
- 3 local governments.

These all play a role in the outsourcing system.

The National Extension Programme and the wider sector programme still perform regulatory, coordinating and institutional development functions.

### **Demand**

Mozambique has several different types of farmers' associations (Bingen *et al.*, 2000) such as:

- 1 simple commodity contract associations that are based initially on the financial investment capital of a company or traders, where the services available to smallholders are supply-driven (e.g., associations set up by cotton traders to facilitate input delivery and marketing);
- 2 delivery-system associations have been established to help deliver or transfer technology and the services available to smallholders, and are largely mediated by an agency or programme outside the community (e.g., 'extension groups' set up by NGOs to provide agricultural technology and training); and
- 3 marketing and development associations have emerged from a continuing investment in human and social capital, where the services available to smallholders are largely demand-driven (e.g., NGO-assisted groups that receive intensive training in group organization and management skills. See Box 2).

Apart from the formally established Community Development Committees, more economically oriented committees, such as the Rural Extension Management Committees, have been established to promote rural development activities and to guarantee participatory planning, M&E and downward accountability (Teclerariam *et al.*, 2000). Groups and associative groups are mostly found at village level and can graduate into associations or unions of associations, which are officially registered. The National Extension Service, through its National and Provincial FO Units, promotes the establishment of farmers' groups (FGs). It is mostly NGOs and 'UNAC' (the National Smallholders Farmers Union) that facilitate group registration into associations, requiring

**Box 2 Farmers' groups and organizations involved in extension activities**

MINAG (Ministry of Agriculture) is working with 4,000 FGs with 140,000 members and 1,500 associative groups with 45,000 members, or an average (informal) group size of 35 and membership-based associative group size of 31). The Farmer Field Schools (FFS) form a special category of FGs, which are highly relevant for agricultural extension in Mozambique. Through a participatory learning approach FFSs can graduate into strong players in participatory planning and M&E.

Source: DNER, 2004, DNEA, 2006c.

the development of business plans and statutes. All these FOs (see also Box 1) play a role in extension, but they are either not linked to the outsourcing system or are linked only indirectly through the ASP. There is no defined role for contracting or monitoring the performance of ASPs and there is only a limited role in establishing priorities.

**Responding to the demand**

The expressed demand by farmers and their organizations is addressed by advisory services in three main ASP categories: public extension, NGOs and private companies (see Box 3).

**Box 3 Availability of agricultural ASPs and coverage**

The public extension service employs 579 extension workers, with NGOs having a total of 775 and the private sector 216. The level of attrition in the public sector is high; in 2006 it was 11% (7% left and 4% died). In 2006 the National Agricultural Extension Programme directly contacted 191,629 household members, of which 77,003 were women, and of which 10,494 contacts came through outsourcing. In 2006, 89 NGOs were registered to be involved in agricultural service provision operations in a total of 116 districts, of which 33 received no public extension service at all. Some 23 private development companies are currently involved in agricultural extension in 57 districts, with only 3 districts having no other form of extension. The public extension system operates in 90 districts, leading to a total of 126 out of 128 districts with some form of extension service. The private sector, mainly the cotton and tobacco companies, have ensured extension coverage to 259,346 households, including 20,565 through outsourcing. The third sector (NGOs and CBOs) provided extension services to 322,700 households. In total 773,675 households were contacted in 2006, which equals 24% of the total number of farming households.

Source: DNEA, 2006a.

Both public-sector agricultural extension, as well as the private sector in the large export commodities (cotton, tobacco and cashew), which have performance contracts with individual extension workers, have contracted out part of these services through outsourcing arrangements on a pilot scale (see Box 2). Mozambique's international development partners have also involved NGOs (on a contractual basis) for rural development programmes that include advisory services.

The private sector (cotton, tobacco and cashew companies) provides agricultural extension services through input supply stores and through farming, processing or marketing companies and outgrowers' schemes. The sector largely operates on the basis of contracts and support to individual farmers, but also finances community extension workers for crop promotion.

The public sector has contracted cotton concession holders to provide extension services on crop diversification. Similarly the cash crop industries use levies to provide a contribution to the commodity institutes, which can contract private companies for crop extension and research. Despite the limited use of inputs, these input supply companies have a keen interest in providing agricultural information on the use of fertilizers, veterinary drugs, seeds and pesticides. Local input shops and pharmacies in or around urban centres provide large segments of the smallholders with technical information, often supported by the pharmaceutical companies. Similarly, seed production associations increasingly play a role in private agricultural extension.

The public extension service operates through groups formed at the community level. Advisory service provision by farmers' organizations is emerging, for example the National Smallholder Farmers' Union (UNAC), through its national union and provincial or district networks, facilitates the exchange of knowledge and information between farmers' associations. Volunteer trainers at the provincial level are involved in FG formation and facilitate exchange visits between associations. A similar mechanism exists within the Commercial Farmers Association Wing of the Federation of Economic Associations in Mozambique (CTA, 2004). Considerable experience has been gained with 'farmer promoters' (veterinary assistants, cashew sprayers, value chain extension workers for sunflowers etc.).

### Roles and responsibilities

Once the principle of outsourcing agricultural advisory services was adopted in 1999, institutional reforms within the Ministry of Agriculture became necessary (PROAGRI I, 2003). Examples include:

- establishing the authority within the Ministry to outsource services;
- establishing a coordination unit for contracting and M&E at national level and involving supervisory activities at provincial and district levels;
- facilitating interaction between key stakeholders through meetings and workshops organized at both national and provincial levels; and
- developing an outsourcing manual and guidelines.

Gradually some of these functions shifted to provincial and district level as a result of the ongoing decentralization. Initially even the ministry was not authorized to sign contracts with third parties, let alone provincial and district agricultural authorities. The national extension programme (as a contracting institution) is responsible for the supervision, financial management, policy, legislative and institutional arrangements for the smooth implementation of outsourcing.

The Provincial Agricultural Departments (DPA) undertake a supervisory and M&E role, and collect useful data to inform the central level on the performance of the ASPs. The DPA also coordinates interaction between district and provincial level stakeholders. The District Agricultural Offices are responsible for supervision, information and cooperation, as well as M&E, in coordination with the extension services. The terms of reference (TORs) for the ASPs contracted under the pilot programme included:

- 1 improving production and productivity of farm operators in the district;
- 2 improving food security and add value to farm produce;
- 3 ensuring that producers are involved in the decision-making process (planning, implementation and evaluation of extension services); and
- 4 encouraging and facilitating the formation of FAs based on common interests.

The contracted ASP was supposed to recruit its own staff to actually carry out the extension services, develop annual work plans and budgets that responded to the TORs, develop a management system and a realistic implementation plan with verifiable indicators, as well as producing and submitting quarterly reports.

## 2.4 Outsourcing functions

### Pilot case studies

During the first phase of the Master Extension Plan some pilot projects on outsourcing were initiated both by MINAG and by the autonomous cash crop institutes. The ministry made an inventory of all the outsourcing of advisory service activities coordinated by the public sector. The total contracted amount during a 3-5 year period (2002-2005) was the equivalent of EUR 30.5 million, which included a total of 31 main contracts; the overall effect in terms of households contacted is indicated in Box 3 (Gaspar *et al.*, 2006).

The following sections and boxes, highlight two case studies:

- 1 the contracted service provision in two districts (Murrupula and Nicoadala); and,
- 2 the outsourcing programme in the cashew sector (Nampula and Inhambane provinces).

### Procurement

In 1999, MINAG began preparations for a pilot outsourcing activity in two districts to:

- 1 compare effectiveness and efficiency of public and outsourced extension services; and
- 2 determine if/when gradually substituting public extension with contracted providers, the latter would become more efficient and equitable.

The pilot was initiated in 2002 through a short-list tendering process and the National Agricultural Extension Programme contracted two service providers<sup>7</sup>: an NGO and a consultancy company (see Box 4).

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<sup>7</sup> INCAJU signed the contracts as the extension department, but even at national level it did not have the authority to sign contracts with third parties for the use of public funds.

**Box 4 MINAG's district extension outsourcing pilot programme**

Contracting arrangements between the National Extension Programme, DNEA, and the private sector operators, both in Nicoadala and Murrupula districts, were concluded in 2002, following a short-list tendering process. The selection process was based on the quality and cost of the proposals in relation to the TORs and the proposed budgets.

Source: Agricultural Support Programme, 2005.

The Ministry also contracted out other services, though these were more on a thematic basis (See Box 5). In the end these proved to be easier to manage and to monitor than outsourcing a comprehensive programme throughout an entire district, as in the previous case.

**Box 5 MINAG's thematic extension outsourcing pilot programme**

Pilot experiences include the contracted production of fruit grafts such as citrus, mango and litchi and coconut seedlings for replanting. The livestock contracts refer to livestock restocking, veterinary services (health checks, dipping services, drug supply) as well as vaccination campaigns and the promotion of animal traction. In Tete province, the Provincial Agricultural Directorate signed a contract for vaccination services with an association of former extension workers. This same association is also involved in a contract to promote smallholder sunflower production. The Nampula Provincial Agricultural Directorate signed a contract for training private livestock promoters and establishing community pharmacies with another association of former extension and agricultural officers. In some provinces, extensive programmes on outsourcing agricultural advisory services programme are managed by the Provincial Directorates of Agriculture. These programmes mainly focus on developing agro-processing enterprises and involve advisory services from private industry and NGOs. District Agricultural Offices have signed contracts with associations and individual farmer promoters for services such as seed and planting material multiplication, dip-tank management, the contract spraying of cashew and groundnuts, and chicken vaccination.<sup>8</sup>

Source: Agricultural Support Programme, 2005.

The cashew and cotton institutes (INCAJU and IAM) are not directly involved in extension as they focus on regulation, policy, strategy, coordination, and monitoring and evaluation of developments in their respective sectors. However, the research and extension services in cashew and cotton are fully outsourced (Box 6).

### Funding and costing

The National Extension Programme considers outsourcing to be an expensive method of service provision but its advantages, as a means of extending coverage or meeting specific

<sup>8</sup> Contracting farmer promoters also for input supply (e.g. Newcastle Disease vaccinations and cashew spraying against mildew) involves cash generation that is officially reverting back to government coffers, or has a profit-making objective, and as such is not seen as an outsourcing contract in Mozambique.



needs without long-term financial commitment, are clear. It is also possible that its effectiveness justifies the costs if service contracts are properly based on performance, time and costs, and are explicitly targeted.

### **Box 6            Outsourcing by cash crop institutes**

INCAJU and IAM have established contracts with:

- 1 various NGOs for cashew extension;
- 2 cotton concession holders on crop diversification in cotton areas;
- 3 associations and NGOs that focus on agro-processing and animal traction in Inhambane; and
- 4 NGOs for general agricultural production extension in Zambezia, Niassa and Nampula.

Outsourcing contracts started in 2002. Cashew extension in Gaza was contracted out to the Adventist Development and Relief Agency (ADRA), to private ASPs 'Kulima' and 'Umokazi' in Cabo Delgado and to an NGO consortium in Nampula. The extension service for crop diversification in cotton-based farming systems was contracted out to various cotton joint-venture companies in Nampula, Cabo Delgado and Zambezia. Ownership of these contracts, including M&E, has been shifted from the institutes concerned to the provincial authorities. A recent internal evaluation of the cashew extension outsourcing programme in Gaza Province recommended that the targets to be achieved in the contract needed to be more realistic and business-oriented and that monitoring and partnerships at the district level need to be improved. The role of the cash-crop companies is gradually shifting to one of mere funding. The European Union provided financial support for this outsourcing programme, amounting to USD 25 million for the 2002-2010 period.

Source: Agricultural Support Programme, 2005; Andre, 2004; and Verde Azul, 2006.

Outsourcing requires strong M&E evaluation, a capacity presently not available within the ministry. According to the TORs for the contracted agencies in the two districts, the ASPs were expected to cover some 13,600 farmers out of 107,793 (12.5%) in Nicoadala district, and 12,600 farmers out of 101,745 (22%) in Murrupula district. The total three-year budget of USD 1.9 million for extension services in the two districts was designed to pay for 26,200 household contacts per year, or USD 24 per household. Based on the developed plans, funds were disbursed (on a quarterly basis) from the national level directly to the contracted agencies.

Similar arrangements were also made for the outsourced contracts of the cash-crop institutes concerned. As yet, no provision has been made for financial disbursement through provincial or district authorities. Apart from small in-kind contributions, no special arrangements have been developed for co-financing by clients or other stakeholders. The contracted agencies considered disbursement to be too slow, which underlined the importance of the ASPs having some financial capacity in order to guarantee continuity of services.

### **Implementation**

Implementation in Murrupula and Nicoadala districts began in 2002. The contracts for the ASPs responsible for implementing the district extension services included the need

to achieve specific objectives for productivity, food security, participation and social capital development (see 2.3).

A number of specific activities, along with their respective indicators, were identified for both districts, in order to meet the objectives specified in the TORs. A planning process also took place annually, which was submitted to the Provincial Directorate of Agriculture (DDAs) in each of the provinces involved, as well as to the National Directorate of Extension. In addition to the normal supervision from both the DDAs and the DPAs, a National Coordinator for outsourcing was hired and established at the DNEA; his main duties were to manage and supervise the outsourcing programme.

In 2004, a workshop was organized in Zambezia province to discuss with stakeholders the experiences gained during the first year of outsourcing. At this stage there was no clear understanding on the exact meaning of outsourcing by the various state institutions, in this case the DNEA, DPAs and DDAs, and even by the ASPs themselves. They identified a need to improve the targeting mechanisms, priority setting and achieve a better focus on services provided by ASPs.

A mid-term review was undertaken in 2005 (KPMG, 2005), which was based on log-frame analysis, interviews with MINAG and the use of other relevant documentation, partner consultations and focal group discussions with producer groups. In 2006, a final evaluation was made of the outsourcing experience in the two districts (Ribeiro *et al.*, 2006). This, together with the mid-term reviews of the cashew outsourcing programmes, provided broader feedback on the performance of the outsourcing experiences: this is discussed in the following sections (Verde Azul, 2006; Andre, 2004).

## **2.5 Performance of outsourcing**

### **Effectiveness and efficiency**

The final evaluation of the ministry's outsourcing experiences concluded that only limited real extension results and impacts were achieved by the two three-year contracts in both districts. The main result was enhanced farmer involvement in planning, implementing and monitoring of extension service activities (Ribeiro *et al.*, 2006), although the number of farmers contacted was smaller than planned. Some minor progress was achieved in increasing productivity with contacted farmers, as well as with farmers' own contributions and in-kind co-financing, although no progress was made in enhancing incomes and food security. The programme clearly contributed to a major objective of the pilot projects, i.e. to learn lessons on outsourcing advisory services. The main lessons relate to the need for:

- 1 clear policy development on the purpose of outsourcing;
- 2 the need to establish selection criteria for contracting ASPs;
- 3 financial control of the ASPs; and
- 4 related regular financial disbursements, based on monitoring of the performance and progress of the programme.

The cashew institutes' outsourcing projects were evaluated according to their relevance, efficiency, effectiveness, sustainability, impact and cost-effectiveness (Verde Azul, 2006; Andre, 2004). This evaluation was complicated due to the fact that:

- 1 no baseline studies were carried out at the beginning of these outsourcing projects;
- 2 there was no logical framework providing verifiable indicators; and
- 3 no framework was set up for monitoring and evaluating these projects.

This evaluation led to a general understanding that the outsourcing programmes carried out in the cashew sector achieved positive and valuable results. The most notable positive aspects included:

- 1 renewal of the cashew plantations in the project area;
- 2 enhanced chemical treatment of the trees and the training of the ASPs, (both groups and individual private ASPs); and
- 3 the opportunity to intensify work on disseminating integrated cashew plantations management.

The targeted families and producers also support field evidence that the outsourcing has contributed substantially to improving their living standards. From the beneficiaries' point of view, the strongest results lie in the remarkable increase in the total amount of cashews marketed, due to improved yields, which resulted from improved chemical control. There is a strong perception that the current figures on cashew production have been improved through outsourcing and are likely to improve even further in the near future, both in quality and quantity, due to the new (more productive) trees distributed, which will start producing crops in a few years. Enhanced family income resulted from the outsourced cashew advisory services, which were better focused than the outsourced general services for the entire district, with the latter not resulting in any increase in income or food security.

When the pilot projects first started, the sustainability aspects were not properly defined, nor their importance foreseen. At start-up there was no determination as to how each project activity should be continued, thus no consideration of the options available (e.g. activities to be continued by farmers' associations, by the private sector and/or by individual producers), or the capacities required to make this happen. Thus, the institutional sustainability of the programme is at risk as there are, as yet, no capable development centres available, the links with cashew research are not clear, relations with District Agricultural Offices are poor and the producer groups are not yet strong enough.

There are also some concerns about the technical sustainability of the programme, due to the fact that planting and spraying remains subsidized. The community nurseries cannot survive in a situation where the subsidized grafts are distributed free of charge. The number of ASPs providing spraying services is still insufficient, while there is a poor local market in spare parts for spraying equipment. The integrated cashew management manual is not yet available. For the beneficiaries this means that the socioeconomic sustainability is not clear: this has consequences for the continuation of the planting, which in turn is essential for the survival of the cashew industry.

The evaluations were problematic due to the project design as there were no 'SMART' targets<sup>9</sup> set for improving processing and marketing. The situation for cashew production

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<sup>9</sup> Specific, Measurable, Acceptable/Assignable, Realistic, Time-bound.

was better, but insufficient attention was paid to integrated cashew management (pruning, chemical control, cleaning, new plants, grafting, post-harvest management and bush-fire control.) No targets were set for developing social, gender or infrastructure aspects or on the desired levels of farmer satisfaction. The formal evaluations came too late for adjustments to be made or for an exit strategy to be developed. Some organizational constraints also developed due to discontinuities in senior project staff, the low number of female staff and the changes in the contractors' consortium.

The extension approach used by the contractor led to constraints in relation to participation and gender. Female officers clearly had better contact with women, but in general there was poor use of the technology by women farmers. Monitoring was deficient due to the absence of a reporting format, while there was also no baseline available. There were no supervisory reports or independent monitoring by supervisors or clients. Specific constraints emerged in relation to gender and cashew crops, as well as with regard to subsidized and non-subsidized inputs for cashew production.

A major achievement of the cashew outsourcing projects has been the chemical control activity, although this might require adjustments, such as greater flexibility in terms of dates for commencing application. The community nurseries only worked well during the first year and the nurseries that are currently still in use are actually run under the project management rather than by the communities. For these and other reasons, the District Offices urgently need capacity strengthening in order to ensure continuity of the outsourcing programme.

### Outsourcing system performance

The outsourcing concept was not always well understood by all key stakeholders, such as the government organizations and even the ASPs. The most common misunderstanding was that outsourcing was confused with full privatization of extension services, giving up the government's responsibility for agricultural service provision with basically no role for the public sector. As a result, supervision and monitoring expected from the government at various levels (DNEA, DPAs and DDAs) were not carried out properly. This was aggravated by the ASPs themselves, which took advantage of the poor understanding by the public sector of the whole philosophy behind the outsourcing process. The contracted providers considered themselves to be independent 'islands' and did not see the need to interact with public institutions, further inhibiting the state from performing its role.

Provincial and district governments are expected to concentrate on legislation, law enforcement, facilitation, regulation and control, setting standards and monitoring and evaluating contracts (see Agricultural Support Programme, 2005). District governments need to carry out these functions in an efficient manner, which was not achieved. The national level outsourcing coordinating unit was well-organized and had well-documented experiences but failed to appoint a counterpart at the district level, leaving no possibility to share the accumulated knowledge, experience, and institutional 'learning by doing'.

The contracted ASPs were not required to present an exit strategy or provide hand-over arrangements: these should have been part of the TORs, which should have been

developed through participatory involvement with all stakeholders. Interaction with other stakeholders is also required regarding the supply of inputs, credit and information.

Improvements could be made to both the general extension and the cashew supply-chain strengthening approach. The absence of defined priorities for the various components, as well as the possibility to review the corresponding targets, led to limited transparency and a lack of demand orientation. It is also essential to have three-monthly meetings to discuss progress based on a good participatory monitoring system, which can also be used to place the progress made into a wider context.

The beneficiary targeting mechanisms for the specific objectives and the activities carried out by the contracted ASPs were strongly guided by the TORs listed in the outsourcing manual. The existing baseline data could not be linked to the objectives and the expected results derived from the use of outsourced services. As a consequence the TORs are unfocused in their targeting and show a rather exhaustive list of activities to be carried out, trying to cover almost everything but with no clear differences between the outsourced services and the normal public provision. This contradicts the whole idea and purpose of outsourcing, which should be based on comparative advantage and complementarity. This also applies to involving the demand-side in M&E of the activities in order to allow for 'learning by doing' and institutional corrections. Evaluators were asked to analyse the cost-effectiveness of the outsourcing arrangements but data collection on the costs of the services provided was not included under the TORs for the ASPs, and was not part of the M&E system. Hence, no real comparison could be made with public extension, either in terms of costs or in terms of effectiveness (Verde Azul, 2006).

Overall, in 2006 the National Extension Programme (PRONEA) assisted some 30,559 households (or 16% of the total of assisted farmers) through outsourcing, some 10,494 of which were via the Murrupula and Nicoadala district contracts. This amounts to 80%, with 42% achievement of the targets set for the respective districts (DNEA, 2007). These numbers lead to an annual outsourced extension cost of USD 60 per household, which is about three times higher than through direct public agricultural extension. With respect to the cashew contracts, data on the costs of operations was not collected systematically. This was also caused by poor project design and the fact that the cost-indicators were not defined. No activity budgeting was applied, which made it difficult to compare different programmes in terms of their cost-effectiveness.

### Service provider performance

Within the National Extension Programme it was soon recognized that outsourcing extension services, which represented a new approach to providing extension services in Mozambique, would require a dataset of relevant current information and indicators through which its performance could be measured. The measurement of the relative performance of outsourcing in the two pilot initiatives would rest on two aspects:

- 1 an assessment of public sector extension compared to extension outsourced to the private ASPs; and
- 2 an assessment of the performance of each of the ASPs involved over the three-year period of the pilot phase.

Bearing this in mind, a baseline survey was carried out by the contracted agencies in order to produce information on the initial situation; this incorporated gender-differentiated socioeconomic and agricultural indicators. The baseline data was organized into two main dimensions for each district: household structure and livelihood status. However, all data collection was aimed at measuring impact rather than obtaining feedback on the performance of the outsourcing system.

More detailed TORs showing the specific process indicators are required for the contracted ASPs while an M&E system needs to be established before the start of the contract (Ribeiro *et al.*, 2006). It is also important to involve the district in the design and operation of the M&E system. Although reference is made to the participatory development of the M&E system no real use has been made of participatory M&E. For the cashew supply chain it is argued that the contracts are too short (four years) to show results. Another element is that ASPs need to make a relatively substantial pre-investment, which turned out to be too high for short-term assignments.

Some of the constraints encountered concern incomplete fiscal decentralization, resulting in logistics problems such as late disbursement of funds and high staff turnover due to poor working conditions. A key issue in relation to this is the use of performance-based incentives for ASPs, especially in the case of crop sprayers who have to wait for their money until all spraying sessions have been completed. Comparisons between outsourced extension and public extension were also made difficult due to the differences in financing arrangements, both in terms of levels and modalities. Comparisons between the contracted ASPs were constrained by:

- 1 some ASPs having high salary costs;
- 2 a lack of unambiguous data on the numbers of farmers with access to extension;
- 3 the different levels of attendance for the various activities; and
- 4 some ASPs still had funds left over at the end of the assignment, which made it difficult to calculate cost indicators.

Rough data shows that the costs of cashew extension (including spraying) were USD 21 and USD 29 respectively per year per contacted household for the two cashew advisory service providers (Verde Azul, 2006; Andre, 2004).

### Overall performance summary

The concept of outsourcing has been accepted in Mozambique as part of the new agricultural sector plan, PROAGRI II. Outsourcing advisory services at the district level is based on considerations such as complementarity and comparative advantage of locally available public and non-public ASPs, based on local demand authenticity. Participatory planning and M&E will be enhanced by emphasising the empowerment of FOs (ASP, 2005; DNEA, 2007). This scenario is based, to a limited extent, on the lessons learned in the pilot cases discussed above. Although the experience gained during the various pilots was useful, extrapolating these experiences to a national programme brings major challenges and risks with respect to competencies, capabilities and capacities. The main risks concern the capacity development challenges arising from both demand and supply of advisory services, plus the capacity to facilitate their interaction. The level of resources

required is immense and the risk of under-investment threatens the viability of a large-scale programme on outsourcing agricultural advisory services, which (despite some earlier ambitions) is not likely to be cheap for the government.

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# 3 Outsourcing agricultural advisory services in Tanzania

Peniel Mwasha and Willem Heemskerk

## 3.1 Context

### Background

More than 85% of Tanzanians live in rural areas, with an average farm size of about 2 ha per household; a total of 14 million ha is under cultivation by small-scale farmers. The government recognizes agriculture as the principle productive activity and the main significant income-generating pursuit of the rural population, and hence its importance for rural poverty reduction (URT, 2004b).

The recognition of the importance of agriculture in the liberalized and commercialized context has led to a new vision for agricultural service provision. This new vision is characterized by:

- 1 change in public sector ethos;
- 2 joint resource allocation and management;
- 3 enhanced mechanisms of service provision;
- 4 farmer and group influence over priorities (and eventually jurisdiction over expenditure of funds for agricultural development);
- 5 rationalization and streamlining of the public sector; and
- 6 enhancement of the role played by the private and 'third' sector, i.e. non-government organizations (NGOs) and community-based organizations (CBOs) in supporting service provision and input supply functions.

As a consequence, the traditional view of agricultural research and extension as being mainly a government responsibility is changing rapidly. Government policy is now geared towards improving the agricultural productivity of small-scale farmers through decentralization and empowerment of grassroots communities, as well as by involving all key stakeholders in enhanced service provision. One important mechanism envisaged to achieve this is the outsourcing of agricultural advisory services, thus contributing to demand-driven service provision on the basis of comparative advantage. The concept was tested in a number of pilot initiatives implemented as the 'Pilot Initiatives Programme' (PIP) under Phase II of the National Agricultural Extension Programme (NAEP II) during the period between 2000 and 2004 (MAC, 1999a and 1999b, Mwasha, 2002).

## Pilot Initiatives Programme

Based on lessons learned during the first phase of the National Extension Programme (NALERP 1989-1996) a need was identified for more participatory and demand-driven extension approaches (MAC, 1999a). Involving other stakeholders, outsourcing was envisaged as a potential solution and was subsequently piloted in NAEP II. The major objective of NAEP II was to continue to improve extension provision services to small-scale farmers and pastoralists in order to increase productivity and household income and to improve extension sustainability, relevance and cost-effectiveness.

NAEP's most important focus was to promote participatory approaches that gave farmers an effective voice and role in determining the services that they needed. Emphasis was given to working with farmers' groups (FGs) rather than with individual farmers. NAEP II initiated the involvement of the private sector and NGOs in providing extension services and introduced the concept of cost-sharing by the beneficiaries. The PIP component of the NAEP II was to widen the existing knowledge system and to bring in other experiences and approaches by outsourcing agricultural services to non-public agricultural service providers (ASPs).

The PIP established a basis for building future extension programmes, and was purposely designed to address difficult issues that were expected to be encountered during the implementation of NAEP II, such as:

- 1 access to basic inputs, such as fertilizers, pesticides, feeds, seeds, etc.;
- 2 access to, and availability of, agricultural credit;
- 3 limited farmer empowerment;
- 4 low working morale among the front-line extension staff;
- 5 non-professionalism of extension workers; and,
- 6 poor links between research, extension and farmers.

The PIP addressed services in a wider context than just extension, hence the reference to advisory services.

Specific objectives were set for the PIP in Tanzania to address the aforementioned issues, i.e. to:

- 1 improve extension management by using different models and approaches other than the more traditional (although modified) T&V system, in order to become more effective and efficient;
- 2 reduce government spending on service provision and promote institutional and financial sustainability, leading to greater efficiency;
- 3 use the complementarity of private and third-sector services to public extension, based on competitive advantage;
- 4 improve responsiveness and accountability of the service providers, both upward and downward (see also Box 7).

The PIP ended a few years ago but was only partly evaluated (Friis-Hansen, 2004). The experiences gained under the PIP are now being used in the new Agricultural Sector Development Programme (ASDP), which began in 2006. ASDP focuses mainly on

## **Box 7 NAEP II Pilot Initiatives Programme**

The main ideas pursued by the PIP outsourcing programme:

- Work towards a more pluralistic and less public sector-dominated Extension Service Provider System with roles for NGOs, Local Government Authorities (LGAs) and CBOs, private companies and farmer extension workers or farmer motivators.
- More effective technology dissemination modes through enhanced interaction between research, extension and farmers.
- Improved Extension Management: from 'Training and Visit' (T&V) to a more pluralistic approach.
- Promotion of FOs, including Savings & Credit Societies (SACCOS).
- Establish strong links between stockists, farmers and LGAs through innovative schemes.

Source: MAC, 1999a.

agricultural development, from the district level down to villages and household levels (URT, 2004a, 2004b). Although outsourcing is now becoming a main component of ASDP, this scaling up appears to be based more on the experiences gained in Uganda through the NAADS programme (see Uganda case study) than on the lessons learned from the PIP in Tanzania. The rationale for this study is to extract additional lessons from the initial outsourcing experiences for further use in ASDP.

### **3.2 Enabling environment**

#### **Policy and legislation**

In 1997 the Government of Tanzania (GoT) introduced various reforms, one of which was the Local Government Reform Programme (Local Government Act No. 19 of 1997 and No. 6 of 1999) whereby the LGAs were given autonomy to perform functions, to acquire ownership and empowerment, in order to achieve sustainability in the local developmental work. An important aspect of the Local Government Reform Programme was that District Councils were encouraged to address five main aspects:

- 1 relevance of services to clients;
- 2 ownership of the services provided by District Councils;
- 3 accountability of ASPs to their clients;
- 4 cost-effectiveness of the services; and
- 5 institutional and financial sustainability of the services provided.

The 1997 Tanzanian National Agricultural Policy (URT, 2004a) identified the need for a different approach to extension, which would complement the trends toward open markets and privatization by encouraging participation by the private sector, as well as involving farmers in the planning of the extension system.

Under the Regional Administration Act (1997) the responsibility for implementing extension services was assigned to the District Councils. As a result of this reform, the national extension service was deconcentrated in 2004, and from that moment onwards district extension services responded to the District Executive Director (through the

District Agricultural Officer) and budgets for extension became part of the district budget, although earmarked for agriculture.

A new model of extension management was developed at the district level, which was demand-driven, sustainable and targeted towards specific categories of farmers. The system has the following characteristics: community-based; farmer empowerment; whole-farm approach; demand-driven extension process; services based on farmers' needs and interests; as well as being relevant, cost-effective, accountable; and, financially, operationally and institutionally sustainable (MAC, 1999a and 1999b).

The national agricultural policies of 1997 identified the need to involve districts, the private sector and farmers more closely in extension management and priority setting, while the role (at the central level) focused on regulation, M&E and policy. As a result, extension services are increasingly managed under full responsibility of the districts, which are accountable to their constituents, who are mostly farmers. Communities pay directly (livestock and other taxes) or indirectly (cotton and other cash-crop levies) for the extension services provided by the district. Based on these resources districts can base their advisory service programme on contracting the best available services for the job. Other stakeholders (such as NGOs, CBOs, private companies, universities, cooperatives and individual academics) involved in agricultural advisory and capacity development services have also appeared on the scene; these are registered either under the Cooperative Societies Act of 1992, the Trustees Incorporation Act (Cap.318), the Business Registration Ordinance (Cap. 213) Cooperative Act (on farmer' organizations), the NGO Act or the Companies Ordinance (Cap. 212) (Isinika, 2003).

In 2000, Tanzania developed a vision statement and strategy for agricultural extension for the year 2010 (Rutatora, 2000), which reads as follows:

*«The agricultural extension services in Tanzania should, by the year 2010, be participatory, demand-driven, carefully targeted, cost-effective, gender-sensitive and provided in a collaborative and co-coordinated way involving various stakeholders, including the beneficiaries so as to enable the farming and pastoral communities to utilize available resources in an effective and sustainable manner in order to improve their incomes and overall standard of living»*

The vision mentions two aspects that are specifically important to this case study: involving various stakeholders and cost-effectiveness. The rationale for outsourcing advisory services is derived from this part of the vision. The entire concept of contracting out advisory services is to relieve the government from the direct responsibility of implementing these services so that it can concentrate on policy and regulatory issues.

This strategy also aims to:

- 1 shift from public to private provision of information and knowledge;
- 2 empower farmers to access privately provided extension services, research technologies and market information;
- 3 develop private local ASP capacity to cater for the expected changes;
- 4 promote market-oriented farming;

- 5 spell out alternative mechanisms for funding research and extension services; and
- 6 outsource services to other providers.

The ASDP (URT, 2004b) focuses on the development of research and advisory services over the next 15 years. The programme will be implemented by LGAs, with research and advisory services being outsourced to private ASPs on a competitive basis.

### **Institutional reform**

The main goal of the advisory service system reforms (including outsourcing) is to have a greater share of the service provision carried out by the private sector. However, this reform is expected to be evolutionary rather than revolutionary (Rutatora, 2000; URT, 2004a). One important element is the integration of different service provider systems at the local level. The merging of agricultural extension services at the district level through the District Agricultural Office (DAO) and down to the ward and village levels is considered inevitable because demand is also integrated, as most beneficiary farmers possess both livestock and crops and manage their natural resources. The District Agricultural Office also acts as a facilitator and liaison office for other, and more specialized, functions (e.g. veterinary services) as well as for other GoT ministries (e.g. Ministry of Trade, Industry and Marketing). A high degree of collaboration is required between the various ministries represented at the district level in order to make the overall agricultural programme feasible, hence the key role of the DAO (Mwasha, 2000).

The central government has retained the overall responsibility for establishing criteria concerning the use of extension funds, standards for service provision (quality control) and M&E. The decentralization of governance and the deconcentration of extension service provision have also allowed for a stronger involvement of FGs and FOs at the local level (URT, 2004b). Farmer empowerment is seen as an essential element in the introduction of outsourcing in order to set relevant priorities and allow downward accountability of the various ASPs (URT, 2004a).

### **Capacity strengthening**

The key stakeholders in outsourcing are LGAs, public (district extension) and private ASPs, and FOs. A balanced capacity among these stakeholders is essential for the overall effectiveness of the extension mechanisms. The PIP and the new ASDP emphasize strengthening the capacity of the stakeholder groups, largely through learning-by-doing. The PIP focused on the role of farmers in contracts for experimenting with FFSs and training farmer-to-farmer motivators.

Under the ASDP, capacity strengthening activities for ASPs include managing information, acquisition and supply, providing training, and technical services. To enable the private sector to carry out these functions the programme supports: publicity and awareness-building of ASDP opportunities and modalities; the provision and orientation of demand-led training; availability of professional, technical and business advice; providing incentives for staff retrenchment and/or secondment; plus the promotion of a professional association of competent ASPs. It is also important to establish a facility for

providing financial assistance through loans, matching grants or leasing, and hiring arrangements for small business establishment and development in the area of advisory services. This will involve:

- 1 establishing a district block grant system for demand-driven extension activities;
- 2 generating and adapting relevant technologies and knowledge;
- 3 demand-driven extension, marketing, information and communication facilities; and
- 4 increased private sector agricultural provision (URT, 2004a; URT, 2006).

The core district agricultural team plays a key role in training, facilitating and supporting FG formation, farmer networking and assisting groups and Farmer Fora (FF). The Ministry of Education has been entrusted with imparting knowledge to students, from primary school level to higher learning students. However, each ministry has its own system of training its staff in the relevant fields so that they can offer services to the public. The Ministry of Water and Livestock Development (MWLD) has its own Training Institutes to address advanced training in livestock production and educate students in order for them to provide advisory services to farmers, both in a public or private sector setting.

### **3.3 Advisory services system**

#### **Demand**

The farmer is the main stakeholder in agricultural development and is therefore charged with establishing priorities for agricultural advisory services under outsourcing arrangements. Agricultural advisory service policies (MAC, 1999a; Rutatora, 2000; ASDP, 2004a) emphasize the need to involve FOs in planning agricultural extension and to directly influence extension by involving district governments in advisory service provision. FGs and community groups play an important role in establishing priorities and extension demand at the local level. However, these groups are not (or only loosely) connected to social capital (see also glossary) at other levels (Heemskerk *et al.*, 2004). The ultimate goal is to empower farmers and ensure that they are represented at the ward (FF) and district (council) level and, as a result, ensure that their interests are well safeguarded. The number of Farmer Fora (i.e. FF at the village and ward levels) is currently limited. ASDP envisages making an inventory of the existing fora and making a deliberate effort to encourage farmers to form more of these groups.

As there was little experience with farmer empowerment in the public sector, some of these projects were contracted out as pilots under the NAEP II PIP scheme. Many NGOs have worked towards forming FOs to empower farmers. In addition, major ongoing national projects with governmental, bilateral and multilateral support, are all working towards farmer empowerment. Under the ASDP, ASPs will be contracted to offer knowledge support to FOs and networks. Although FGs are increasingly involved in priority setting for advisory services, as well as in the implementation thereof, there is little experience in contracting farmers. In practice many local FOs and networks, such as 'MVIWAMO' (Monduli Network of the National Farmers' Network known as MVIWATA) are involved in contracting public extension workers, because in many instances such extension staff exist but often lack the funds to operate extension

programmes. Many FOs have acquired resources to provide services but have not yet acquired adequate capacity to actually implement this service provision themselves (Wennink *et al.*, 2006).

### Responding to the demand

The overall GoT objective for agricultural extension is to reach the majority of the rural communities and support their objectives to increase productivity and profitability, thus increasing food security and eradicating poverty. In order to achieve these broad objectives, the government has to allow various stakeholders to provide extension services and work increasingly closely with FGs. The intention is to outsource (part of) the research and advisory services to non-public providers in order to concentrate the government's efforts on policy making, quality control of services, as well as strategic funding of essential services (URT, 2004a).

#### **Box 8      The pluralistic agricultural advisory service system in Tanzania**

Analysis of Tanzania's agricultural advisory services showed that 51% concerns public goods, 41% concerns private goods and the rest is in a mixed public-private domain (such as projects and programmes, including outsourcing). Of these services, 19% were provided at the regional level, 41% at district level, 18% at ward level, and the rest (22%) at the village level. Most parastatals did not provide services below district level, while NGOs and CBOs had a substantive presence at ward and village levels.

In 2003 the full cadre of the public extension programme consisted of 1,110 district subject matter specialists (SMSs) and 4,725 ward and village level extension officers. These extension officers covered 114 districts, 10,470 villages and around 9.4 million farmers. The average overall farmer to public extension worker to ratio is 1970. This is approximately one field officer for every two villages, and an average of ten staff per district. Extension officers are generally adequately trained to diploma or certificate level, while district supervisors are expected to have a BSc.

Information from 17 regions and 41 districts identified a total of 290 private or semi-private ASPs of various kinds. The classification was as follows: 39% NGOs and CBOs, 31% agribusiness companies, 18% government and parastatals, and 12% donor-supported projects (Isinika, 2003). This amounts to at least ten non-public service providers per region but, through extrapolation from the 41 districts to the entire country, could equally lead to triple that amount<sup>10</sup>. The total number of staff involved in non-public service provision could surpass the total number of public extension officers.

Sources: URT, 2004a; Isinika, 2003; Mlozi, 2000; Mlozi and Mvena, 2000.

The traditional top-down transfer of information and technology that was exemplified by the former 'Training and Visit' (T&V) system is gradually, but steadily, being replaced by a much more participatory approach based on farmer empowerment and learning principles (URT, 2004b). In order to be efficient and effective, a more pluralistic extension approach involving different stakeholders will require a high degree of coordination and linkage between the ASPs and government, and among the ASPs

<sup>10</sup> Note that there are 20 regions and at least 114 rural districts.

themselves. The NAEP II PIP scheme further contributed to the development of alternative approaches by contracting selected NGOs for scaling-up some of the experiences. During the last few decades, the extension system in Tanzania has therefore been moving away from the diffusion model to the T&V approach, towards a system based on participatory approaches (Isinika, 2000).

Historically the Tanzania Advisory Service System has been solemnly public, with a very small private sector working beside some NGOs, church-based organizations etc. One of the reasons for carrying out the pilot initiatives was to test and compare the effectiveness of contracting out some of the services such as extension or research to other ASPs. Several non-public providers have been providing advisory services using their own funding, and the public sector can use such experiences from NGOs, CBOs and even individual companies and input retail shops and scale-up such services.

Some public sector outsourcing initiatives, other than PIP, have been supported by bilateral and multilateral donors, and by international NGOs such as Heifer International, CARE International, World Vision, PLAN International, etc. FOs, such as MViWATA, as well as commodity FOs, such as KILICAFE (association of speciality coffee growers), are also increasingly involved in agricultural advisory services, which are financed by national and international public funds (Wennink *et al.*, 2006; URT, 2004b).

ASDP has accelerated the adoption of the value chain and the livelihood systems approaches in extension, the decentralization of extension services to the district level and the introduction of a demand-driven pluralist agricultural advisory services system. Although the government has decided that the private sector will be allowed to provide agricultural services, the challenge to develop private sector capacity and to recruit local service providers is enormous. The private sector has comparative advantages over the public sector, such as its emphasis on cost-effectiveness and market orientation. ASDP now uses lessons from the PIP and other sources on the potential roles of the private sector (that have proven to be more effective in service provision), provided that they are well-guided, regulated, controlled and adequately funded with public funds (URT 2004a).

### Roles and responsibilities

The Ministry of Agriculture and Cooperatives (MAC) performs policy and regulatory functions, while the Prime Minister's Office for Regional and Local Government is responsible (through the Local Councils) for managing and coordinating advisory services to the farm level. The main task of central agricultural ministries is one of:

- building the capacity of LGAs;
- improving the capacity of ASPs;
- setting standards for services delivered;
- M&E of services; and
- backstopping to the LGAs.

All districts have developed a District Development Plan (DDP) that embraces all sectors such as education, health, roads and agriculture. Under the ASDP, which started in 2006, districts also prepare District Agricultural Development Programmes (DADPs) that are



funded through the earmarked agricultural basket fund of the National Treasury under ASDP. The DADPs form the basis for the District Agricultural Advisory Services Programme, which is participatory, client-oriented, farmer-owned, cost-effective and aims at empowering farmers. Farmers therefore play a pivotal role in the programme. Extension services have to give farmers a voice and in order for their voice to be heard and become effective, the formation of farmers' associations, cooperatives and apex organizations or confederations is vital. FGs or associations establish their needs and groups are accountable to their members, while extension workers are answerable to the FGs. In the long run the FGs should be able to decide on the financial incentives and salary of the extension agent based on his/her performance, as is already the case with market and input supply services.

For many years, Public Zonal Agricultural Research Institutes (ZARIs) in Tanzania have been the main sources of technology identification and development, while the public extension service has been acting as an important vehicle to transfer the developed technology to the clientele and, at the same time, give feedback to the researchers so that the latter can make the necessary improvements to the technology. A more demand-driven approach to public agricultural research based on the principles of the Client-Oriented Research and Development Management Approach (CORDEMA) is expected to contribute to the enhanced roles played by a variety of ASPs in contributing to the relevance of the AIS (URT, 2004a and 2004b).

### **3.4 Outsourcing functions under the PIP**

#### **Procurement**

After creating stakeholder awareness through zonal multi-stakeholder seminars on the PIP, a formal announcement (a 'Call for Proposals') was made to interested parties such as NGOs, LGAs, CBOs, and individual ASPs. Three main categories of potential projects were identified in the call for proposals:

- 1 extension management: involving other providers of extension services and incorporating new approaches and new ideas;
- 2 establishment of a joint input guarantee scheme; and,
- 3 support to FGs through proposals for income-generating projects, identified through Participatory Rural Assessments (PRAs).

Most of the groups that submitted proposals were LGAs. The screening of these proposals took place at ministerial level through a 'Technical Committee' for the PIP. Its main function was to screen proposals on the basis of the following established criteria:

- 1 originating from the grassroots community;
- 2 designed by a team of District SMSs in collaboration with FGs in a participatory manner and following given guidelines;
- 3 passing through the District Extension Steering Committee;
- 4 of socioeconomic importance and relevance;
- 5 jointly evaluated by stakeholders at the final stage of the proposal;
- 6 gender-balanced and environmentally sound; and
- 7 including a sustainable exit strategy.

In the first category, five projects were eventually identified in a relatively top-down manner with approved contracts for:

- 1 training of farmer motivators at the Mogabiri Farm Extension Centre;
- 2 training of farmer motivators with 'Public Healthcare Ambassadors';
- 3 FFFs with FAO;
- 4 modified extension services in pastoral and staff-deficit areas with Monduli DC; and
- 5 extension in drought-prone areas with the same DC.

In the second category a contract was established with Sasakawa Global 2000<sup>11</sup>. In the third category, the call for proposals resulted in 91 proposals (58 DCs and 33 others comprising NGOs, CBO, and the private sector), of which 43 were eventually approved and contracts were signed with DCs (bipartite contracts) or with DCs and an NGO/CBO/other private sector sub-contractor (tripartite contracts). The 43 pilot initiatives were launched during NAEP II. In order for the selected PIP pilots to be implemented, a funding mechanism was instituted and a legal officer engaged to prepare the legal documents to be used as a binding Memorandum of Understanding (MoU) for all stakeholders. There were two types of MoUs or Agreements signed:

- 1 Tripartite Agreement involving three parties, mainly the Ministry of Livestock Development, LGAs and NGOs/private sector.
- 2 Dual Agreement involving only two parties, mainly the Ministry and LGAs.

Guidelines for private ASPs to be selected for contracted service provision have been developed under the ASDP. ASPs selected need to have good track records of providing similar services covering a period of no less than three years (Isinika, 2003). Those providing extension services need to be evaluated at least once every two years. Guidelines on minimum qualifications for ASPs to undertake extension and associated activities are being developed, as well as regulations and standards for quality control. Existing outsourcing systems for agricultural services are also being evaluated, and guidelines and documents are being developed for use by the districts (URT, 2004a). Under ASDP, the most important activity is to make an inventory of all the ASPs in every district, assess their capability to provide the required services and determine their legal status (whether they are registered or not). Then these ASPs will be categorized according to their potential to handle short-term or long-term agricultural services. The ASP register will be maintained in each district and region and at national level in order to facilitate the task of outsourcing agricultural services more effectively (URT, 2004a, 2004b).

### Funding and costing

The pilot projects for the third PIP category (strengthening FGs and income-generating activities) were identified through a PRA. An approved pilot initiative was sometimes tried at more than one location within the district. The maximum total project cost per site was USD 100,000. In cases where one pilot could cover two to three districts in the region the funding ceiling was increased to USD 200,000. Most of the pilot initiatives cost around USD 15,000 and were implemented over a period of one to two years.

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<sup>11</sup> International Non-Governmental Organization that supports external input-based agricultural extension.

After approving the proposals at the district level, the District Extension Steering Committee (DESC<sup>12</sup>) of the DAO, would normally approve the disbursement of the funds in two equal instalments: at the beginning and towards the final third of the pilot initiative period. All the PIP projects were expected to take a close look at both accountability and cost-sharing mechanisms in order to make the initiative sustainable. Of the 43 pilot initiatives the one on FFSs vividly portrayed these two parameters. Through participatory M&E at intermediate stages and at the end of the FFSs, the groups conducted a marginal cost analysis of all activities. Setting up one FFS cost around USD 400, and the farmers' contribution in the form of cash or kind (mainly through labour) was around USD 200, making the total cost for a pilot project around USD 600. The sales from the harvest were used to open a bank account for the group involved. Based on this, a SACCO was initiated and contributed to the sustainability of the association. Contracting-out in this way, with clear financial cost-sharing targets, contributed to the sustainability of the activity.

### Implementation

The M&E component of the PIP was a vitally important element of NAEP II because the results and the lessons learned formed the bedrock for the future outlook of extension services in Tanzania. To make the evaluation effective, players at different levels were assigned well-defined roles. At the national level, the M&E unit was given the responsibility of monitoring all the pilot projects in the country. To do so, the unit designed a specific format for evaluating pilot initiatives at different levels. All the technical officers involved in backstopping the district activities used a questionnaire to help them properly monitor the progress of the pilots. The district staff used the same questionnaire. However, at the beneficiary level the evaluation was planned to be participatory and it was the role of village extension officers to carry out such evaluations by filling out specific forms, which in turn would be used to measure the results of the pilot projects in terms of efficiency, cost-effectiveness, ownership, community empowerment and sustainability.

However, despite all the preparation and organization for carrying out an effective M&E of the PIP projects, only three pilots on farmer empowerment were effectively evaluated individually, namely:

- 1 Training of Farmer Motivators by Mogabiri Farmers Education Centre;
- 2 Hai Community-Based Extension Service; and
- 3 FFSs, as an alternative method for extension service provision.

Some outsourced programmes were also evaluated as part of an overall evaluation, such as:

- 1 Community-Based Agriculture Extension and Food Security in Drought-Prone Areas of Same District; and
- 2 Community-Based Extension Service for Pastoralists in Monduli District.

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<sup>12</sup> A multi-stakeholder extension advisory committee at district level.

The evaluations focused on the results of the pilots as perceived by the client farmers, with little emphasis on the outsourcing process. The conclusions mainly related to the positive experiences with learning about new approaches through outsourcing. Pilot projects that focused on establishing farmer-owned SACCOS were considered to be of particular help to farmers in solving the problem of credit availability, marketing and agricultural input supply. After their evaluation, the initiatives that responded positively to the original objectives were scaled up in various locations around the country. Many of the lessons learned under the NAEP II PIP form the 'cornerstone' of the extension service provision system recommendations under the newly launched ASDP (see Section 3.5).

### **3.5 Performance of outsourcing pilot projects**

#### **Approach**

The effectiveness and efficiency of the PIP-supported projects was analysed by comparing the results with the four main PIP objectives concerning:

- 1 improved management of a public and pluralistic advisory services system at the district level;
- 2 reduced spending and enhanced sustainability through improved efficiency;
- 3 enhanced effectiveness through complementarity of the public and private sector, and the introduction of new approaches and ways of working; and
- 4 strengthened demand-driven responses and accountability.

The following sections discuss these main elements of the new extension programme being developed in Tanzania under ASDP and based on the lessons learned from the PIP.

#### **Effectiveness/efficiency**

The main reason for carrying out the PIP, and especially the outsourcing of services, was to bring in new approaches and stakeholders, and find out ways and means to make advisory service provision more cost-effective. In this context it was anticipated that the costs of providing services (and their effectiveness through full decentralization to the district level), based on downward-accountability of service providers to clients, as well as the use of private ASPs, would be less than the costs of providing public services under deconcentration. This was a major consideration for local government reform and for the shift to full decentralization. The actual transaction costs of outsourcing the services at the LGA level were also supposed to be more cost-effective than when conducted at the national level. The PIP aimed to address issues around this cost element, but uniform data collection was not well planned at the national level and consequently no cost-benefit analysis can be made for the various PIP projects. The actual costs of a public extension officer are lower than when involving an extension officer through contracting a private ASP, but a performance comparison could not be made.

Suggestions for direct contracting of extension officers on performance-based short-term contracts have been made in the context of the PIP evaluations (Friis-Hansen, 2004). The result can be high extension area coverage on the basis of a low-input/low-output scenario. Gradually though, as groups of farmers become empowered they are expected to

engage the ASPs on a contractual basis, increasing their own contribution, leaving the public sector with less financial responsibility for the provided services, while also generating further savings by spreading out the costs for retrenchment over a longer period. However, no quantitative data was available from the pilot projects in order to support the rationale for some of these expectations. Greater effectiveness has generally been achieved by pursuing complementary elements between the private sector and the public sector, resulting in some improvement in the quality and relevance of service provision. A good example is the improvement of dairy development programmes in many parts of Tanzania, where NGOs (such as Heifer International) have been working with the government in a successful complementary manner.

In all successful cases the type of extension services offered by NGOs had a value chain focus and did not concentrate on the more general and less-focused household food security issues, which the public extension service mostly addresses. Other functions that can best be carried out by the public sector include that of mass campaigns, sensitizing communities to certain initiatives, setting by-laws and M&E functions.

The public outsourcing of private service provision has apparent advantages over public service provision. Outsourcing:

- 1 is more efficient in serving clients, specifically defines responsibilities and encourages clarity in objectives and outputs;
- 2 is flexible and facilitates extension reforms through innovative approaches; and
- 3 enables exploration of the advantages possessed by the various ASPs.

Contracting also frequently ensures that the service procured is of high quality since it operates according to set standards. Some private providers of agricultural inputs such as seeds, fertilizer, credit and veterinary drugs automatically offer advisory services in the process of promoting their products. The other side of the coin is that public service also has some advantages over contracting, especially when it comes to the issue of rural outreach and assisting the most vulnerable. The Tanzanian public extension service was effective in organizing and managing extension at the village level, which is a strong point that can be improved during ASDP. Furthermore, most private ASPs are not ready to work in remote areas of the country, where roads are poor and extension operations are difficult. The public sector already has its extension staff in such areas, and they have adapted to the special working environment. The M&E of the service provision based on contracts, regulations and standards is best conducted by the public sector, while the actual performance of the ASPs is best monitored by the clients.

### Outsourcing system performance

Capacity development of the local government staff is the greatest challenge concerning the management of the advisory service system facing the Central Government under the Local Government Reform Programme. Handling a pluralistic extension system at the district level requires a substantial amount of capacity development at the DAOs. Firstly, there is an urgent need to conduct a Training Needs Assessment (TNA) in order to establish the kinds of training that will be required by the district team. One obvious type of capacity development needed by this core team concerns training the local ASPs

to participate in the outsourcing system and, secondly, the handling by the district staff of the more experienced national and international ASPs.

Different districts have different extension approaches, depending on the type of dominant enterprises, location, time-specific needs, cost-effectiveness, and the nature of the clients and other stakeholders. A uniform approach cannot work for all districts and cannot be expected to lead to similar results. The impact of service provision will very much depend on how well the selected extension approach fits the requirements of the district. The concept of having many ASPs involved in the same district has some advantages, but one should not lose sight of the fact that, under such circumstances, competition between ASPs will be inevitable. As a result, the interactive learning opportunities between ASPs might not be effectively used, since some providers will probably conceal useful information and working methods that otherwise might have been shared between stakeholders. These and other aspects need to be critically observed and evaluated during further scaling up of the pilot initiatives (Friis-Hansen, 2004; URT, 2004a; MAFS 2003, EZCORE, 2003).

### Service provider performance

Under a pluralistic service provision system based on farmers' demands, the performance of these ASPs can best be monitored by the farmers themselves. The signing of contracts for specific activities between an NGO, the District Council and the central Ministry will enhance upward accountability, but has not yet addressed downward accountability (Friis-Hansen, 2004). Empowered FOs are at the centre of this process, and their decisions will 'steer the entire ship'.

One of the tasks at the central level is to design contract formats for service provision that will legally bind the public or non-public ASPs and FGs. NGOs, CBOs or other ASPs must sign such a contract with FGs, and any breach of contract by either party will be handled through arbitration or through legal means. Therefore, accountability at LGA level or with regard to village-level and ward governments (i.e. Local Level Government or LLG) will be handled accordingly. In Tanzania, the question of downward accountability was put into a proper context in 1982 under the 'Ujamaa policy', when the Village Government Act was passed. Under this Act the village governments were given autonomy and could make the LGA answerable and accountable when such need arose. By the same token, LLGs that contain FGs or FFs can hold any NGO or private ASP accountable for performance. The LGAs and LLGs work by complementing each other and operating in synergy. However, where issues of irresponsibility are concerned, the code of conduct clearly outlines the implications of the law. ASDP will once again build on the village government structure.

### Concluding remarks

The outsourcing programme under the NAEP II PIP has greatly contributed to bringing in new experiences from NGOs and the private sector into the national advisory services system. The programme also provided input into the capacity strengthening of districts, as at least one district in every region was involved in handling a contract. ASDP, which

started in 2006, will greatly benefit from these experiences. Some of these relate to the role of FGs in demand authenticity and downward accountability, outsourcing as a tool to bring in new ideas and experiences, and the need to duly invest in the most effective method of service provision, rather than just looking for cost-reductions. However, the ASDP programme design could have benefited to a greater extent if the PIP had been better designed, thus also allowing for learning from the outsourcing experiences, by including more effective evaluation methods.

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# 4 Outsourcing agricultural advisory services in Mali

Aboubacar Traoré and Bertus Wennink

## 4.1 Context

Mali is one of the poorest countries in the world with a Gross Domestic Product (GDP) per capita of 232 USD (2004). Its economy is largely based on agriculture, including livestock and fisheries, and is the principal source of income for farmers who are predominantly smallholders. The agricultural sector involves some 80% of the Malian workforce and contributes some 40% to the national GDP and 75% to export earnings (2004). The major agricultural export products are cotton (for the international market), rice and livestock (for the West African, regional market). (FAO, 2004)

Since independence, national and agricultural development policies have been state-centred, without achieving the expected results. From the 1980s onward, Mali's government has applied structural adjustment measures (e.g. dismantling parastatals, privatizing state-owned societies and disengaging from price control in the agricultural sector). After the change of regime in 1991, which led to a more democratic political system and gave another impulse to the liberalization of the agricultural sector, the government continued its adjustment measures and engaged in ambitious policy and structural reforms. This included a review of the role and functions of ministries, the development of a comprehensive rural development policy and the decentralization of governance and territorial administration.

## 4.2 Enabling environment

### Policy and legislation

In 1992 the government drew up a Master Plan for rural development (*Schéma Directeur du Développement Rural* – SDDR), which also addressed reform in the ministry of agriculture (i) Focus on essential functions; (ii) Restructuring; and (iii) deconcentration and decentralization. The review of the Master Plan's implementation at the beginning of the new millennium included preparing a comprehensive, ten-year action plan comprising nine programmes, including one on agricultural services and producer organizations (MDR, 2001, 2002). This Agricultural Service and Producer Organizations Programme is supported by the World Bank (*Programme d'Appui aux Services Agricoles et aux Organisations Paysannes* – PASAOP). The PASAOP (2002–2005) aims to contribute to an enabling institutional environment for enhancing the provision of agricultural services to producers and their organizations. The programme contains four components:

- 1 reforming the Ministry of Agriculture, including the decentralization of its advisory, country planning, and regulation and control services;
- 2 strengthening the National Agricultural Research System (NARS), amongst others, by introducing competitive funding of demand-driven applied research;
- 3 reinforcing the national agricultural extension system, including contracting extension services to private service providers; and,
- 4 strengthening the Chamber of Agriculture (*Chambre d'Agriculture* – APECAM) and other farmers' and producers' unions.

Both the initial and reviewed Master Plan for rural development clearly aim to strengthen the roles of key stakeholders in the rural development sector in general, and the agricultural sector in particular. The private sector and producers' organizations, as well as the municipalities (*Communes*), currently play a more prominent role in the agricultural sector in order to boost its economic performance and contribution to poverty reduction. Implementing the decentralization policy and elaborating orientation law for agriculture has further enhanced the policy and institutional environment.

The preparation of government decentralization started in 1992 and became reality with the first nationwide municipal council elections in 1999. The municipal councils are the lowest level of devolution for decision-making in local governance. Municipalities are composed of several villages or groups and are governed by democratically elected councils that are headed by a Mayor. Public sector services such as agricultural extension are supposed to support and advise the council as they formulate and implement local development plans. However, capacities to provide services are limited due to the lack of qualified personnel and financial resources. Most municipalities have to obtain their financial resources from taxes and levies on the administrative services they provide and from central government funding. Rural enterprises are still too weakly developed to be a sustainable source for taxes and dues for rural municipalities (Coulibaly and Hilhorst, 2004).

After an extensive consultation process, the government finally approved the Agricultural Orientation Law (*Loi d'Orientation Agricole* – LOA) in September 2006. This law provides a legal framework for current and future rural and agricultural development policies and programmes. It aims to enhance sustainability and competitiveness of the Malian smallholder agricultural sector by promoting the transition from subsistence to market-oriented farming in order to contribute to food security, income generation and sound environmental management. The LOA particularly addresses the role of smallholder households and their member-based organizations (including the Chamber of Agriculture) as representative bodies of smallholders, as well as municipalities and agricultural services (including research, extension and training). The law states that 'the State will guarantee the effectiveness and viability of research and advisory services all over the country' and it 'encourages free competition between service providers and the participation of beneficiaries in the conception, implementation, monitoring, evaluation, funding and control of programmes' (République du Mali, 2006).

## Institutional reforms

The overall democratization process in Mali and the liberalization of the agricultural sector has seen the rise, over the last decade, of national farmers' unions and networks. There is a long tradition in Mali of farmers' associations on a village community basis, which have been used by the state and parastatal societies to organize farmers, thus facilitating input supply and marketing of commodities at the village level, as part of the development of supply chains for commodities such as cotton and rice. These associations were also given a role in community development and therefore became the privileged village interlocutor for a range of rural service providers. The associations also constituted a strong basis for national farmers' unions that emerged during the 1990s and claimed effective participation by farmers in policy-making and other national decision-making platforms (see for example the case of the cotton farmers' union; Docking, 2004). Other national farmers' unions, such as the Association of Professional Farmers' Organizations (*Association des Organisations Paysannes Professionnelles* – AOPP) and the National Coordination of Farmers' Organizations (*Coordination Nationale des organisations Paysannes* – CNOP<sup>13</sup>) bring together a range of member organizations and aim to provide lobbying and advocacy, as well as capacity strengthening services to its members (AOPP, 2006).

The Chamber of Agriculture was created in 1987 and, by law, is a public body that provides a platform for farmers and the government to consult each other on policy issues. It is based on universal representation (instead of member representation) and so, in principle, all farmers can voice issues through the Chamber. During the 1990s the Chamber undertook several reforms in order to adapt itself to the changing political system in Mali, by creating decentralized regional Chambers and introducing adequate election procedures to strengthen its role as a farmer-representative and farmer-led organization. The Chamber now covers the entire country and has started establishing operational local level (i.e. municipality) representations. The Chamber is administratively separate from government ministries. However, civil servants, usually from the Ministry of Agriculture, are often seconded to staff the Chambers and remain on the government payroll (Bingen, 2004).

In the cotton and rice-producing regions the gradual withdrawal of the state from service provision, as well as the emergence of farmer-led initiatives, in combination with sustainable market outlets for income generation, has led to the creation of farmer service centres (e.g. for financial record keeping for households and associations) and networks of saving and credit schemes. These service centres (*centres de prestations de services paysans*) are now managed entirely by farmer representatives on a cooperative basis (Spinat *et al.*, 2006). It is also in these regions that farmers' organizations are becoming increasingly involved in the planning, implementation and monitoring of agricultural research and extension services. On the one hand this was part of strategies to enhance outreach and effectiveness of service provision, as was already the case with handling inputs and marketing produce. However, on the other hand, agricultural research particularly aimed to enhance its responsiveness, and hence the adoption rate of technologies, by

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<sup>13</sup> See: [www.cnop-mali.org/spip.php?article1](http://www.cnop-mali.org/spip.php?article1) for information on AOPP and [www.cnop-mali.org/](http://www.cnop-mali.org/) for information on CNOP.

decentralizing its organization and creating farmer fora (e.g. *Comités Régionaux et National des Utilisateurs* – CRU and CNU), which participate in planning and monitoring of research (Zoundi *et al.*, 2005). These initiatives received substantial support through development cooperation projects and World Bank funded programmes that preceded PASAOP.

Outside the cotton and rice-producing areas, where extension was assured through parastatals, agricultural extension services received support for enhancing their performance according to the Training and Visit (T&V) approach. This support focused entirely on the public sector and involved village farmer groups and (to a much lesser extent) farmers' organizations in priority setting. However, upward and downward accountability and attention to vulnerable groups (women and others) were poorly developed. In addition, little attention was paid to farmers' groups and producers' organizations as potential partners in conducting extension activities and providing feedback. The agricultural extension component of the PASAOP therefore particularly addresses the issue of enhancing relevance and the quality of extension services as part of an overall support programme for institutional development (e.g. reform of the Ministry of Agriculture) and involving other stakeholders (i.e. the private sector and producers' organizations) in agricultural extension. It also addresses the issue of weak links between research and extension, plus their integration (World Bank, 2001).

The Ministry of Agriculture has effectively decentralized its extension and advisory services, which now have to fulfil new roles: coordinating and regulating service provision at the provincial level and a more operational, supportive role at the municipality level to implement local development plans. It also formally opened up service provision tasks to other service providers, such as the profit and non-profit private sector, as well as farmers' unions and networks. This is achieved by 'contracting out' a pilot project, which covers selected regions and districts, and includes the funding of contracted service providers on a call-for-proposal basis.

### Capacity strengthening

Under former bilateral or multilateral support programmes for agricultural extension (e.g. the introduction of the T&V approach), capacity strengthening mainly focused on introducing extension approaches (e.g. participatory priority setting), developing skills by extension agents and enhancing the organization of public sector extension services (World Bank, 2001). Strengthening the capacities of farmers and their associations to articulate demands, monitor and evaluate services provided, was generally achieved by projects and programmes, that particularly targeted farmers and their organizations and aimed to enhance their participation in agricultural service provision.

Staff and technicians from non-profit private service providers (i.e. NGOs) equally benefited from capacity strengthening activities through support projects, donor-supported training courses and workshops that also allowed them to develop their personal skills concerning the use of participatory methods. This led to the establishment of better-qualified human resources in the non-governmental sector. More recently, the dismantling of parastatals (e.g. the cotton parastatal CMDT), which were often in charge

of agricultural extension in the commodity-producing regions, initially led to reorienting their activities towards their core business, while transferring their extension mandate to public sector services. Consequently, extension staff and agents of parastatals were laid off, therefore they joined existing international and national NGOs, or created their own NGOs and consultancy firms to seek income-generating opportunities in the development cooperation sector.<sup>14</sup>

Under the PASAOP, capacity strengthening addresses several issues: public sector agricultural extension service staff, particular to equip them for their new role in regulation and control; leaders and staff of producers' organizations and, to a lesser extent, personnel working in the private (profit and non-profit) sector. With respect to producers' organizations, capacity strengthening by the PASAOP is managed through another sub-component of the programme (not the pilot project) for contracting out agricultural extension, and targets the national and sub-national organizations. It works through the Chamber of Agriculture and includes training as well as providing equipment and infrastructure. The Chamber of Agriculture also manages a PASAOP grant for capacity strengthening of local producers' organizations. Capacity strengthening projects are submitted to local and regional farmer fora, which will select and approve projects for training, communication, as well as technical and management advice. Implementation and funding modalities for capacity strengthening activities are subject to a contract between the Chamber of Agriculture, the producers' organization and the contracted service provider. Under the PASAOP, capacity strengthening of private agricultural service providers is limited to the established farmers' service centres in the cotton-producing regions. These centres give management advice to the farmers' and producers' organizations (World Bank, 2001).

### **4.3 Agricultural extension and advisory service system**

#### **General**

The PASAOP was conceived as a programme with three phases, of which the first three-year phase aims to establish a 'strong policy and institutional basis' for the full implementation of the programme (World Bank, 2001). The first phase (2001–2003/2004) includes a pilot project for contracting out agricultural extension services in five selected administrative entities of Mali, including the district of the capital, Bamako (with peri-urban agriculture), and the provinces (*Régions*) of Mopti, Ségou, Koulikoro and Sikasso. This case study focuses on the district (*Cercle*) of Banamba, which is one of the seven districts in Koulikoro province: three districts are covered by the pilot project, and three of the nine municipalities within the district of Banamba are affected by the pilot project.<sup>15</sup>

The pilot project aims to test institutional arrangements for contracting agricultural extension and advisory services. These arrangements aim to:

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<sup>14</sup> Personal observations by the authors.

<sup>15</sup> In Mali, this PASAOP pilot project is known as the 'pilot for transferring agricultural extension services to the private sector'; in French, *test de transfert de vulgarisation*.

- 1 delegate planning and implementation of services to the provincial and local (municipality) levels;
- 2 stimulate participation by end-users in priority setting, planning the monitoring and evaluation of services to be provided;
- 3 enhance accountability mechanisms by establishing contractual relationships between service providers and users; and
- 4 improve effectiveness/efficiency of services by introducing the element of competition between service providers.

Performance indicators for the pilot project in contracting agricultural extension services mainly refer to:

- 1 satisfactory management and accounting procedures;
- 2 the establishment of decentralized and demand-driven agricultural extension programmes; and
- 3 the preparation of a national agricultural extension strategy (World Bank, 2001).

More implicitly, the pilot project also intends to enhance the outreach of agricultural extension and advisory services by implicating the private sector in service provision. Therefore, the Ministry of Agriculture and its department for agricultural extension are focusing on their core business of coordination, regulation, monitoring and evaluation, while increasing the involvement of the (profit and non-profit) private sector in providing extension and advisory services. The institutional stakeholders in Mali's agricultural extension and advisory system are: village communities and producers' organizations, which include the clients/users of these services; local governments (i.e. municipalities); the public sector agricultural extension service (at provincial and district levels); and the contracted, private sector service providers.

It is worth noting that the PASAOP also aims to enhance the continuity between research and extension by supporting the development of one system of programming and funding of agricultural research and extension (on a demand-driven, competitive basis). During the implementation of PASAOP's first phase, a system of competitive funding of agricultural research was developed and is currently functioning under the supervision of the Malian National Committee for Agricultural Research (CNRA). It comprises a fund for strategic and applied research, which is accessible to a shortlist of established public sector research institutes, and a fund for adaptive research. The latter fund is also open to private sector service providers. The allocation of funds, as well as the monitoring of funded activities, is co-managed by Regional Research and Extension Committees (CRRVA) in which agricultural extension and producer organizations are represented (Wennink, 2003).

### Organizing the demand

According to the initial approach adopted by the pilot project, the contracting clients for providing extension and advisory services would be local governments (i.e. municipalities) and producers' organizations. However, local government capacities are still weak (e.g. availability of human and financial resources), while their mandate for local development is increasingly taking shape through learning from experience. Producers' organizations in

Mali are rooted in a state-based co-opted tradition, enriched over the last decade by non-state initiatives, and currently representing a wide array of organizations.

Villages that can benefit from the pilot project, and thus can express their needs for services to be provided, are being identified and selected according to a set of technical, social, financial and geographical criteria. Technical criteria include: being open to new technologies (i.e. ongoing adoption of new technologies), availability of infrastructure and equipment (e.g. for storage and processing); and potential for crop diversification (as part of promising supply- and value-chains). The social criteria mainly refer to the level of literacy and ‘social cohesion’ within the village community, which is considered essential in creating community relays for successful dissemination and hence adoption of new technologies (Reid and Salmen, 2000). The financial criteria take account of the capacity of community-based groups to mobilize funds and they explicitly mention the ‘level of tax payments’ by the village – an important source of income for the relatively ‘young’ municipalities.

The demand for agricultural extension and advisory services is organized through community-based groups; either through the existing ‘contact groups’, which were created under the Training and Visit (T&V) system, or other village-community-based farmers’ associations or producers’ cooperatives. Extension agents help these groups to define priorities for extension and advisory services. The extension agents, who thus play a facilitating role, are asked to ensure that the consulted groups include farmers who grow specific crops (with a potential for marketing), as well as women and young farmers. This is reminiscent of the T&V contact groups. However, there is no particular attention paid to the diversity among farmer households (in terms of ‘wealth’) or access to, or control over, production factors.

Since the pilot considers municipalities or producers’ organizations with a certain geographical scope as the main client contracting party, the municipality generally synthesizes the demands that have been identified at the village level. Municipalities thus occupy a key position in the system since they:

- 1 decide on the village communities that can effectively participate in the outsourcing pilot (according to the aforementioned criteria); and
- 2 elaborate the demands for services that will be submitted to the provincial level for contracting service providers (see 4.4).

### Responding to the demand

The demands for services are addressed by both the public (the agricultural extension service at the Ministry of Agriculture) and private sectors. The Ministry of Agriculture provides extension services through staff who are employed by the district extension service for both advice and land-use management, which in turn is represented through a small ‘antenna’ (i.e. one or more field agents) at the municipality level. In general, private agricultural extension services in Mali are mainly provided through:

- 1 parastatals, which either have a mandate to provide extension and advisory services for rural and agricultural development, or focus on a specific commodity and/or farming

- households (such as CMDT in the cotton growing zone and the Office du Niger agency in the irrigation scheme for rice); and
- 2 private non-profit service providers (e.g. NGOs), which are often contracted by projects; and
  - 3 (to a lesser extent) by private companies, in relation to the supply of agricultural inputs.

As previously mentioned, producers' organizations are also increasingly involved in service provision (particularly in regions where commodity supply chain development allows strengthening of their role), though not exclusively in the field of extension and advice. Their focus is on management and accountancy by village-based producers' associations.

Under this PASAOP pilot project, the Ministry of Agriculture seeks to use the resources available for outsourcing to optimize village coverage by extension service providers, whether they be from the public or private sector. Therefore, although not subject to the call for proposal procedures, district services are also required to establish performance contracts with municipalities and producers' organizations in villages that are not benefiting from the pilot project.

In Mali, village community-based organizations have always played, and continue to play, an important role in conveying information between community members and outside structures. For example, in the cotton (southern Mali) and rice (inland delta of the river Niger) cultivation areas, the successful producers' associations were grafted onto the traditional mutual aid groups and therefore became acknowledged community representations (Spinat *et al.*, 2006). Their success was also reinforced because they were the main channel through which agricultural inputs were accessible or the marketing of produce was organized. These associations were fully implicated in the extension and advisory systems established by the parastatals, either for prioritizing service needs or training-of-trainers approaches, which in turn were accompanied by literacy training programmes.

In other regions of Mali, the public sector tried to establish similar approaches, though with limited success, since the established village farmers' associations often lacked a sound economic basis (i.e. production and marketing of a commodity). The increasing role of the private non-profit sector (mainly NGOs) in rural development, either through their own (often small) projects or through their contracts with (larger) projects, led to a wider array of participatory approaches, including the creation of farmers' extension groups, and a focus on developing farming group capacities in order to enhance their 'service role' to village community members.

The types of services provided under the pilot project for contracting out agricultural extension services include: information, facilitating demonstration (e.g. small demonstration plots), and training of both technical and managerial issues. Technical issues concerned crop production, post-harvest handling and animal husbandry, while managerial issues covered the management of farm enterprises and farmers' organizations.



Particular attention was also given to the establishment and formal registration of village farmers' associations, cooperatives, etc.

### Roles and responsibilities

The ministerial department for agricultural extension and advice sees its role changing from implementation to coordination, regulation and control. On the one hand this change is strongly influenced by the privatization of parastatals, whereby agricultural extension services are transferred to the ministry. On the other hand, the department and its branches need to reposition themselves within a context of increasing 'privatization' of agricultural services, provision of both goods and services, and decentralization of territorial administration. Therefore, the national and provincial levels of the public sector agricultural extension service now focus on policy-making, as well as coordinating and monitoring policy implementation, while the local level concentrates on implementation (i.e. informing, training and giving advice to farmers, farmers' groups and rural communities). The local level services increasingly try to comply with policy orientations that are defined by the municipality authorities.

With respect to contracting private sector service providers, one of the first steps taken by the public sector agricultural extension services was to determine the procedures for defining the need for services (e.g. roles of the different levels), the call for, and selection of, proposals (e.g. criteria for selecting proposals), contracting service providers and monitoring the provision of services (Ministère du Développement Rural, 2002). Since enhanced responsiveness and accountability were among the key reasons for contracting these services, the public sector agricultural extension service decided to submit itself to these same principles as the private service providers it was contracting. However, it remains to be seen whether the same principles will have the same effects, e.g. being sanctioned through exclusion from offering services, and thus from earning revenues.

Before the pilot project started, producers' organizations (essentially village community-based groups) and other farmers' groups were already regularly consulted by agricultural extension agents to identify their priority needs. Under the pilot project, farmers and their organizations saw their roles widened through their representation in the municipal fora to assess and select submitted proposals, and their voice was heard in evaluating the services provided at the village level (see Section 4.4).

Local government authorities (i.e. municipalities) are fairly new to the agricultural extension and advisory service system. As elected bodies to which decision-making on local, rural development has been delegated, they are given a role within the system of representing service users as well as coordinating within the larger frame of local development.

The non-profit private sector (i.e. NGOs) already plays an important role in service provision to farmers and their organizations, either through their own (donor-funded) projects or through contracting by projects. However, under the outsourcing pilot project, for the first time ever the private non-profit sector had to accept that it was being

contracted by the public sector on a rather large scale and under a government programme.

**Table 1 Roles of key stakeholders in the outsourcing of agricultural extension services**

<b>Structure</b>	<b>Representatives of</b>	<b>Tasks</b>
Village committee of beneficiaries	Village community authorities Farmers: men, women and youngsters Contracted service provider	Participatory identification of demands for services Monitoring and evaluation
Municipal Coordination committee	Municipal council. Local farmers' organizations Municipal agricultural extension officer Other stakeholders (optional)	Aggregation of village demands. Proposal selection. Contracting. Disbursement. Monitoring and evaluation
District Technical support committee	District agricultural extension service. Other stakeholders (optional)	Training of extension agents Monitoring and supervision
District Steering committee	Municipal councils and district council. District Commissioner ( <i>Préfet du Cercle</i> ) District agricultural extension officer Chamber of Agriculture Other stakeholders (optional) Research Users Committee (CRU)	Mobilization of funds Evaluation and supervision
Provincial Technical support committee	Provincial agricultural services Chamber of Agriculture Other stakeholders (optional)	Monitoring and supervision
Provincial Steering committee	Provincial council Provincial Commissioner ( <i>Haut Commissaire</i> ) Provincial agricultural services Chamber of Agriculture Research Users Committee (CRU)	Evaluation and supervision

Sourcer: This study.

## 4.4 Outsourcing functions

### Procurement

The pilot project aimed to:

- 1 adapt the existing agricultural extension and advisory system to the decentralized context through an effective implication of local government authorities;
- 2 increase the responsiveness and accountability of agricultural services by enhancing farmers' participation, not only in priority setting; and
- 3 improve the effectiveness and efficiency of agricultural extension services by involving the private sector on a competitive basis.

The outsourcing pilot therefore primarily focused on the way services were provided and managed, rather than on their contents and approaches, or effects and impact.

This implicit (or explicit) choice meant that the participatory identification and definition of demands generated problems and constraints, mostly concerning agricultural production and productivity, to a lesser extent in organizing farmers around agricultural production and marketing, and almost negligibly to value-addition and marketing issues. Potential solutions to tackle problems and constraints were also identified, in terms of activities to be undertaken, as well as indicators for expected outcomes and impacts (e.g. percentage increase in crop yields). Both the problems/constraints and solutions/foreseen activities are the key elements in the terms of reference for (future) service providers that respond to the call for proposals.

The identification and definition of demands takes place at the village level. These demands are aggregated at the municipality level by local authorities, in collaboration with the local and district agricultural extension service. In practice, this leads to an aggregated list of demands that are regrouped according to sub-sectors (e.g. crops, livestock), though still mentioning the villages concerned. This list of demands needs to be validated by the municipality council, since co-funding by the municipality is required. No information was given concerning any links between the need for agricultural extension and advisory services in a given area and local development plans. It should be noted that, as yet, not every municipality has completed this type of plan.

These demands (per municipality) are then submitted to the provincial level, where they form the technical terms of reference for the services to be provided and form the centre-piece of the call for proposals to be launched by the provincial agricultural extension service. A regional technical committee (*comité technique régionale*), including representatives of the public sector services for rural development, prepares the call for proposals.

In order to enhance smoothness of the process, the agricultural extension service inventoried potential private sector extension service providers that were shortlisted to receive an invitation to submit proposals. Criteria for shortlisting service providers include: area of intervention; professional experience; intervention approaches used; availability of human and material resources; geographical coverage; legal status; and financial resources (proxy bank account). The majority of shortlisted organizations are NGOs or so-called 'economic interest groups' (*Groupements d'Intérêt Economique – GIE*); the latter often being created by former extension agents who used to work for parastatals.

The provincial agricultural extension service contacts the shortlisted organizations (by letter) and invites them to submit a proposal. The 'call for proposals' dossier for each municipality contains:

- 1 an invitation to submit a proposal;
- 2 instructions on the presentation and contents of the proposal (including the criteria that will be used to assess and select proposals);
- 3 a format letter for submitting the proposal;
- 4 format for the contract;

- 5 the terms of reference (per village community: constraints to be addressed; solutions proposed; fields, cattle etc. available for demonstration and training; plus expected outcomes and effects);
- 6 format for the budget and its items;
- 7 format for presenting unit costs per item; and a
- 8 list of the other (usually nine) shortlisted, competing service providers.

The submitted proposal should contain: a separate technical proposal showing the original terms of reference, the methodological approach taken, references of the service provider and the curriculum vitae of the proposed personnel; plus a financial proposal, including a budget according to the format. The proposals are assessed and selected according to three sets of criteria: administrative, technical and financial. The technical criteria are:

- 1 presentation of the proposal;
- 2 understanding/interpretation of the terms of reference;
- 3 track record of the service provider;
- 4 specific track record with respect to agricultural extension;
- 5 qualifications of proposed personnel;
- 6 methodological approach; and
- 7 planning (in time) for providing these services.

Although the call for proposals is launched by the provincial agricultural extension service, proposals are assessed at the municipality level. It should be emphasized that calls for proposals are formally issued per municipality. A committee, appointed by the District Commissioner (*Préfet du Cercle*) and including representatives of the municipal authorities, local farmers' organizations and the agricultural extension service, is responsible for assessing the proposals. Assessment and selection is a two-step process:

- 1 selection of the best technical proposals (scoring/ranking according to criteria); and
- 2 assessment of the financial proposals.

It should be noted that one provider can provide services in a maximum of two municipalities. The selected proposals are subject to contract between the municipal council and the selected service provider. Tripartite contracts are preferred, which also involve representatives of the beneficiaries such as farmers' organizations. The contracts detail aspects such as duration (a maximum of 90 days), disbursement modalities and reporting, monitoring and evaluation procedures.

### Funding and costing

Funding of the contracted services is shared between the pilot project (World Bank/PASAOP funds) and local governments. Funds support fees, field agent salaries, travelling costs, daily subsistence allowance for field agents, office stationary and inputs, as well as small equipment for training and demonstration. Investments for infrastructure or transport are not supported by the pilot project fund.

The pilot project was expected to fund up to 80% of the contract costs, with the municipality paying at least 20%. Disbursement modalities were negotiated between the

service provider, the pilot project and the municipality according to the activities to be undertaken by the service provider. Co-funding, as well as disbursement by municipalities, was considered essential for enhancing ownership of the process and sustainability of the system. However, several municipalities had problems paying their financial contributions. According to data available for the Banamba area, they managed to contribute only 10-15%. In fact arrangements were made to place a value on the 'in-kind' contributions made by farmers and village farmer groups and consider them 'financial contributions'.

The problem of municipalities' financial contributions is related to their capacity to mobilize funds through taxes and levies on entrepreneurial activities. This poses the problem of how municipalities can effectively contribute to local economic development through orienting, contracting and funding agricultural services.

### Implementation

The selected provider for agricultural extension and advisory services is fully responsible for implementing the proposed activities. It is therefore required – and one of the criteria for assessing and selecting proposals – that agents work closely with the beneficiary village communities, and particularly with the farmers' groups and those involved in training and demonstration activities. If a village, which has been initially selected to benefit from the project, is not covered by the activities of a private service provider, it benefits from demonstration and training activities by an agent from the district or antenna agricultural extension service. In both cases, a performance contract (*contrat de performance*) is signed between the (public or private) agent and one of the beneficiary village farmers' groups at the start of implementation. This contract defines the 'commitments' ('*engagements*') by both sides and includes elements such as: (for the farmers' group) further definition of the technical issues to be addressed, provision of land/plot or animals for demonstration purposes as well as inputs, and discussion and exchange of information and experiences with the agents during his/her field visits; and (for the agent) help to design and set up the demonstration, organize monitoring according to a visiting schedule that has been agreed with the farmers' group, and give recommendations to the farmers during monitoring visits. A private service provider must also ensure the effective employment of agents in the area, while the public agricultural extension service already has agents stationed locally.

This approach to organizing extension and advice for a farmer group around small demonstration plots is clearly similar to the T&V system. In practice, it mostly depends on the agricultural service provider and its field agent whether or not this training and demonstration evolves towards exchange and learning, rather than demonstration and training. However, the overall M&E setup of the pilot, with different administrative levels playing a supervisory role and monitoring indicators defined in the documents (e.g. contracts for service provision) are mainly related to inputs (activities) and, to a lesser extent, to outputs and hardly ever to outcomes and impacts. The following table is reminiscent of the T&V approach, with several layers of supervisory structures. However, the initial call for proposal documents (i.e. terms of reference) provided both outcome and impact indicators.

The beneficiary farmers' group is responsible for monitoring the performance of the extension agent, mainly during field visits. Monitoring is further organized through monthly field visits by the service provider, which also provides a progress report, and the municipality and district agricultural extension services. Field visit and progress reports are the main inputs for the municipality (as one of the contracting parties) to monitor implementation of the activities. In practice, the village committee of beneficiaries (*Comité de l'Organisation des Bénéficiaires Villageois* – OBV) has usually been created for this purpose, plus the municipality and the agricultural extension service, which are effectively involved in monitoring and evaluation. The elected municipal authorities (i.e. the Mayor) have the formal power to terminate contracts, although little is known about any such practices.

## **4.5 Performance of outsourcing**

### **Effectiveness and efficiency**

The performance of the outsourcing used in this case study has been approached from two angles. As a pilot project, its performance is assessed by the number of municipalities that are effectively involved in the pilot and the number of contracts that have been concluded with service providers. The data available indicates that the pilot was effectively implemented in the majority of pilot municipalities initially targeted. In fact, some 280 municipalities (out of the 703 in Mali) have been involved in the pilot by contracting agricultural extension service providers; and some 10,175 extension agents (nationwide) signed performance contracts (World Bank, 2007). Therefore, it increased outreach of services through an improved coverage, although this was not an explicit aim of the pilot. In the Banamba area, output indicators (e.g. number of villages affected, farmers reached and demonstration plots established) were fully achieved. The pilot project, as such, does not provide any mechanisms for assessing effectiveness and/or efficiency of public or private agricultural extension services. This was also not the initial aim of the programme.

According to interviews in the Banamba area, the key stakeholders agree that system effectiveness has been augmented through the effective reorientation of the roles played by the public and private agricultural extension service providers and farmers' organizations. It is acknowledged that the private sector brings in new knowledge as well as new methods of addressing the needs and demands expressed by farmers. The public sector extension service, at the provincial and district levels, now focuses on supervision and monitoring. However, it becomes the default service provider in those cases where the private sector failed to cover the targeted beneficiary village communities. Local farmers' organizations also saw their roles strengthened through their participation in identifying needs and demands for services, as well as monitoring the performance by the service provider.

However, the role of farmers' organizations as clients and service users was particularly limited to the village level. The main weakness in institutionalizing the client-orientation, demand-driven and downward-accountability approaches is the lack of formal, elected representation in village farmers' groups at the municipality, district and provincial levels.

On the one hand, multi-tier farmers' networks with an acknowledged representative and interest-defence role are still being developed in Mali (outside the cotton and rice sub-sectors). In the pilot project, the district and provincial branches of the Chamber of Agriculture are given this role, though according to several interviewees its legitimacy is still an ongoing development. In fact, the Chamber is more a platform for policy consultations than for orienting agricultural services. On the other hand, in the absence of farmer-led networks, rules and procedures for representation of, and feedback to, village farmer groups by municipality and district levels are apparently lacking.

As for farmers, the ultimate beneficiaries of the services provided, they are positive about the system. Firstly, their participation allows them to define which issues agricultural services should address. However, both the type of service to be provided and the provider are being defined at other levels without any formal representative implication of farmers. Another issue concerns whether farmers' needs and demands have been adequately analysed to provide the appropriate services. The information on the type of service (e.g. the approach used to inform and train farmers) required is still too limited to take full advantage of opening up the system to new approaches and technologies. Farmers feel that focusing on relevant issues and taking account of the diversity between villages and within village communities are improving the outcome of the agricultural extension and advisory services. However, farmers feel these impacts could be enhanced by providing accompanying services, such as credit facilities, input supply and marketing facilities. Secondly, the general contracting modalities foresee regular visits by extension agents to the village farmers' groups, which are highly appreciated by farmers in the light of a retreating public sector. Thirdly, farmers monitor the performance of the extension agents and feel that they have a say in contracting services, although this opportunity (e.g. terminating contracts) has not been fully utilized.

Under the pilot project of outsourcing agricultural extension and advisory services, the local government (i.e. municipality) becomes a key stakeholder in the planning and monitoring system; it is now a key contracting party. This is fully in line with overall decentralization policy in Mali, which gives decision-making power to municipalities in local economic development, which in turn is largely based on agriculture. In addition to the aforementioned problems faced by municipalities concerning human and financial resources, stakeholder representatives interviewed feel that efficiency of the outsourcing system could be strengthened through:

- 1 enhancing local government capacities to develop local agricultural policies (including market access), which should provide a programmatic framework for agricultural services; and
- 2 effectively representing different interest groups within the agricultural sector and responding to their needs and demands.

With respect to this last issue, a key question remains: should local governments be the farmers' main representative, instead of their organizations, when managing demand-driven agricultural services; e.g. aggregation and validation of demands, or contracting service providers.

## Sustainability

Sustainability remains a major issue. Establishing an institutionalized management system for outsourcing agricultural advisory services, as per the pilot project under the PASAOP, has been achieved. Systems and procedures have been developed, applied and consequently adapted to prepare for scaling up the management system. However, complete achievement of institutional sustainability depends on far more than just management procedures, and includes the organizational strengthening of the key stakeholders (particularly the farmers' organizations) to play their role as clients and users at different levels of strategic orientation and decision-making. More importantly, the Malian agricultural innovation policy framework seems to be 'lagging behind', and is still based on the 'transfer of technology' approach. It apparently fails to take full advantage of opening the system to the private (profit and non-profit) sector, which is a source of new knowledge and experiences, and can also provide innovation triggers by linking smallholder farmers with markets.

The issue of financial sustainability has not yet been resolved. Experience indicates that co-funding, when effective, was either below target or was assured through valuing in-kind contributions from village communities. This issue is linked to the question of the role played by the public/private sectors and producers' organizations in providing agricultural services to smallholder farmers in low-potential agricultural areas that are not particularly suitable for bulk supply of commodities. The Malian success stories (e.g. cotton and rice) show that agricultural research and extension services can make an impact when they are linked and coordinated with input supply, rural financial services and market outlets (see, for example, Zoundi *et al.*, 2005).

## Concluding remarks

The pilot project for outsourcing agricultural extension services in Mali did not take full advantage of the opportunities provided by involving the private sector. Firstly, despite the implicit intention to support the development of supply- and value-chains (e.g. criteria for selecting beneficiary villages), service needs were identified and analysed from an agronomic perspective, without linking with access to markets. Secondly, the PASAOP's goal was to stimulate a shift from the linear technology-transfer approach to a more network-based Agricultural Knowledge and Information System (AKIS) approach. However, practice remains largely based on the former approach, with 'relicts' from the T&V approach. The question is whether the AKIS-inspired regional research and extension committees (CRRVA; see Section 4.3) are sufficiently linked with, and built on, similar multi-stakeholder institutions at the lower levels (e.g. farmer field schools, instead of 'contact groups'). Funding mechanisms and management procedures are also still separated (and different) for research and extension services, and may hamper effective links.

Producers' organizations are given a key role within the system. However, the outreach of PASAOP's related capacity strengthening component to the lower levels of producer organizations (i.e. village community-based organizations) remains unclear, particularly with respect to demand-driven and responsive agricultural services. Furthermore, the role



of beneficiary (village) farmer groups in planning and monitoring services is limited, while farmer-led institutions within the system (at other levels) are still weak. In our view this is related to the option of dealing with the Chamber of Agriculture. Capacity strengthening of farmers' organizations is being dealt with by another PASAOP sub-component, which leads to a multitude of structures. This requires effective coordination mechanisms to enhance synergy between activities by the various sub-components.

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# About the authors and editors

**Clesensio Tizikara**, Competitive Grant Scheme Research Manager for the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA), based in Entebbe, formerly Head of the Planning Unit of the National Agricultural Research Organization in Uganda.  
E-mail: [c.tizikara@asareca.org](mailto:c.tizikara@asareca.org)

**Prisca Ndagire**, Graduate Intern with the National Agricultural Advisory Services (NAADS) in Uganda.  
E-mail: [priscandagire@yahoo.com](mailto:priscandagire@yahoo.com)

**Francis Byekwaso**, Manager of the Planning, Monitoring and Evaluation Unit of the National Agricultural Advisory Services (NAADS) in Uganda.  
E-mail: [fbyekwaso@naads.or.ug](mailto:fbyekwaso@naads.or.ug)

**Dan Kisauzi**, Director of the Nkoola Institutional Development Associates (NIDA) in Uganda.  
E-mail: [dankisauzi@nida.or.ug](mailto:dankisauzi@nida.or.ug)

**Custodio Mucavele**, IFAD Country Officer for Mozambique, assisting in national programme development and implementation, and actively participating in related policy dialogue and performing a general function of liaison and coordination, which includes maintaining contacts with government and development partners. Before 2003 he was the Deputy National Director of Rural Extension within the Ministry of Agriculture and Rural Development.  
E-mail: [cmucavel@ifad.org](mailto:cmucavel@ifad.org)

**Peniel Mwasha**, Livestock Consultant with Commonwealth Secretariat in Grenada. Former key Livestock Officer in the National Agriculture and Livestock Extension Rehabilitation Project (NALERP), Coordinator of Pilot Initiatives Programme under the National Agricultural Extension Programme, NAEP, Assistant Director Livestock Extension Service until 2007.  
E-mail: [psmwasha@yahoo.com](mailto:psmwasha@yahoo.com)

**Aboubacar Traoré** is a field specialist in economic rural development in Mali. Currently he is in charge of Monitoring and evaluation of a multi-stakeholder programme on economic development (DERK) in Kouikoro, Mali.  
E-mail: [traore.aboubacar@gmail.com](mailto:traore.aboubacar@gmail.com)

**Willem Heemskerk** is a research and development management and organization specialist. His specific experience is in the field of facilitating demand-driven and client-oriented research and advisory services. He is a Sustainable Economic Development Advisor of the Royal Tropical Institute (KIT) in Amsterdam.  
E-mail: [w.heemskerk@kit.nl](mailto:w.heemskerk@kit.nl)

**Suzanne Nederlof** is an agricultural innovation and institutional development specialist with a special focus on the role of farmers' organizations. She is a Sustainable Economic Development Advisor with the Royal Tropical Institute in Amsterdam.  
E-mail: [s.nederlof@kit.nl](mailto:s.nederlof@kit.nl)

**Bertus Wennink** is a specialist in natural resource management and agricultural research and extension management, with a special focus on the role of farmers' organizations. He is Sustainable Economic Development Advisor with the Royal Tropical Institute in Amsterdam.  
E-mail: [b.wennink@kit.nl](mailto:b.wennink@kit.nl)

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## **Contact information**

Royal Tropical Institute (KIT)  
KIT Development Policy & Practice  
KIT Publishers  
PO Box 95001  
1090 HA Amsterdam  
The Netherlands  
Telephone: +31 (0)20 568 8458  
Fax: +31 (0)20 568 8444  
Email: b.wennink@kit.nl, w.heemskerk@kit.nl  
Website: www.kit.nl/development

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*Edited by* Barbara Shapland

*Cover and design* Studio Berry Slok, Amsterdam, The Netherlands

*Cover photo* Willem Heemskerk

*Printing* High Trade NV, Zwolle, The Netherlands

## **Correct citation**

Heemskerk, W., S. Nederlof and B. Wennink (2008) *Outsourcing agricultural advisory services. Enhancing rural innovation in Sub-Saharan Africa*. Bulletin 380. Amsterdam: KIT Publishers.

## **Keywords**

Agricultural advisory services outsourcing, Rural innovation, Public-private partnerships

ISBN 978 906832 6468

ISSN 0922-7911

NUR 600/940

## Other publications in the Agricultural Innovation Systems Series

- Heemskerk, W., N. Lema, D. Guindo, C. Schouten, Z. Semgalawe, H. Verkuijl, B. de Steenhuijsen Piters and P. Penninkhoff. 2003. *Un guide pour la recherche agricole régie par la demande*. Approche Gestion de Recherche Orientée Client (AGROC). IER, Mali; DRT, Tanzanie; et KIT, Amsterdam. KIT-Publishers, Amsterdam.
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