



# Royal Tropical Institute

## KIT Development Policy & Practice

### **Access to agricultural services**

Background Paper for the IFAD Rural  
Poverty Report 2011

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# 1 Introduction

## Assumptions

This chapter background paper is written assuming that in the background papers to Chapter 0 and Chapter 1 (setting the scene) the following issues are developed:

- Conceptual framework
- A clear definition of who the rural poor are including specific attention to gender, poverty (MDGs), to include farmers, transporters, etc.
- Clear definition of rural and agricultural and clear delimitation of the entire report.
- Changing fundamentals (e.g. general and global trends) such as climate change, increasing commodity prices, changing architecture of aid, towards a knowledge economy (i.e. in this chapter the consequences/ impact of this evolution on rural poor's access to services is explored)
- Possibly technology and intellectual property rights.

We further assume that financial markets will be entirely discussed in the back ground paper to chapter 4, that services in NRM will be discussed in chapter 2 and that financial services will be discussed in each of the background chapters.

As explained in Chapter 0/1, this chapter focuses on services, more specifically rural services that are the services provided to families, individuals and households that live and/ or work in rural areas. We understand by services the research, advisory and training services, and the intermediate services required for facilitating access to knowledge and information (including financial services). We deliberately distinguish between goods and services, where goods are not discussed.

This document is a background paper for the identification of key messages that guide access to services of the rural poor. These key messages will, hopefully, contribute to the design of more effective and well-targeted rural development policies and activities so that the rural poor can improve their livelihoods. The analysis of these experiences as well as the key messages resulting from it will be reported in a chapter for the Rural Poverty Report (2009), an initiative of the International Fund for Agricultural Development (IFAD). This background paper will mainly set the scene; i.e. what is the state of the art on access to rural services.

In addition the paper serves as a preparation for the analysis and comparison of cases on successful responses of the rural poor in improving their livelihoods through an enhanced access to services. This meta-analysis will show possible ways in which the rural poor themselves play a key role to get out of poverty. Annex 1 presents the Terms of Reference as well as the Guidelines for the elaboration of this paper.

This background paper starts from the premise in IFAD's Strategic Framework 2007-2010, which defines IFAD's overarching goal as "the empowerment of rural women and men in developing countries to achieve higher incomes and improved food security at the household level" (IFAD, 2007: 5). Three quarters of the world's poorest people live in rural areas, where most of them depend on agriculture. IFAD's strategy focuses on agriculture as the basis of the livelihoods of most rural people. This paper will, more specifically, refer to the objectives 2 and 3 of the Strategic Framework: (2) "Improved agricultural technologies and effective production services, with which they enhance their productivity;" and (3) "A broad range of financial services, which they use for productive and household needs" (IFAD, 2007: 5).

In this background paper we will first discuss why access to services is important for the rural poor to get out of poverty. Then, we will discuss what the consequences of the changing fundamentals and trends are (as discussed in the background paper for chapter 1) both on a global, regional (i.e. amongst countries) and sub-national level, which determine and affect access to services. These emerging trends and changing fundamentals might require different services than farmers usually require. Next we will discuss what the key challenges ahead are. After that, we map some past and contemporary responses on successful initiatives from the rural poor and other stakeholders, to improve access of the poor to agricultural services. In this exercise we deliberately intend to learn from rural people's own strategies in improving their access to services. Last, we present some key lessons that are likely to result from an analysis of the experiences, and a proposal on how to gather the information required.

## 2 Access to agricultural services: a priority for the poor

Rural services are the services provided to families, individuals and households that live and/ or work in rural areas. We understand by services the research, advisory and training services, and the intermediate services required for facilitating access to knowledge and information (including financial services). We deliberately distinguish between goods and services, where goods are not discussed.

It is very difficult to get insight in the number of people across the world that has access to rural services, even if we focus on public services alone. The term "Public services" is a term usually used to mean services provided by government to its citizens, either directly (through the public sector) or by financing private provision of services ([www.wikipedia.org](http://www.wikipedia.org)). Data are scarce, firstly, because they are not available for each country, and secondly the comparability is not guaranteed. Nevertheless information on access to services (research, advisory and financial services for rural livelihood development has been compiled by sub-region e.g. for a number of countries in Asia, Africa and Latin-America (See table 1).

**Table 1 Access to agricultural services by the rural poor in three sub-regions**

| Sub-Region    | Research Services | Advisory Services | Financial services |
|---------------|-------------------|-------------------|--------------------|
| SSA Africa    | <i>Not yet</i>    |                   |                    |
| Latin-America |                   |                   |                    |
| South-Asia    |                   |                   |                    |

Source: To be compiled if data can be found

Access to services is determined on the type of services provided, relevance of services provided, timeliness and outreach of services, quality of the relation or partnership and the efficiency of the services offered (Birner *et al.*, 2006). National household surveys ([www.ifpri.org](http://www.ifpri.org)) sometimes provide data, sometimes also by categories of households on access to extension services, veterinary services and financial services. Access is sometimes in more detailed from through specific national sample surveys, once more illustrating the complexity, such as the case of a multiple service provider system in Mozambique (see Box 1).

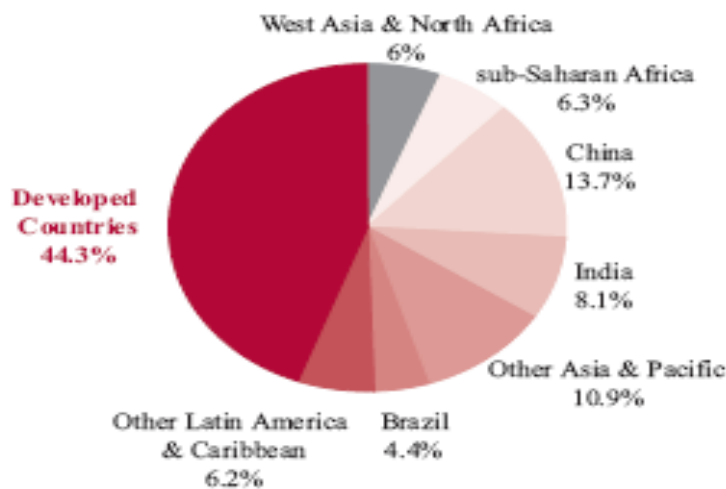
### Box 1 Access to services in Mozambique

According to the national agricultural survey 13.3% or 425 600 rural households had in 2003 access to agricultural extension, in terms of service delivery this is estimated to be equally distributed between public (4.7 %), private and NGO extension. Access varied sharply between provinces, being lowest in Zambezia (8.6%) and highest in Sofala (24%). For the specific Newcastle Disease vaccination in chicken the access was 3.2% of households. One household in three said that they received information on agricultural prices. At the community level, about one-third of the focus groups in the villages stated that they had access to information on agricultural extension and on commodity prices. Financial services including seasonal credit for cash crops such as tobacco and cotton amounted to 12.5% of all households. The survey was still developing criteria for estimating the percentage of households adopting new technologies, as a proxy for access to results of research services.

Source: ASP, 2005

Another way of analysis is looking at the availability of services for the rural poor e.g. through investment analysis of the provision of rural services.

In Pardey et al (2006) we read: Worldwide public investment in agricultural R&D increased by 51% in inflation-adjusted terms between 1981 and 2000 from an estimated \$15.2 billion to \$23 billion in 2000 international dollars. During the 1990s, for the first time, developing countries as a group provided more of the world's public agricultural R&D than developed countries did (see figure).



**Figure 1:** Global public investment in agricultural R&D: 2000.\*

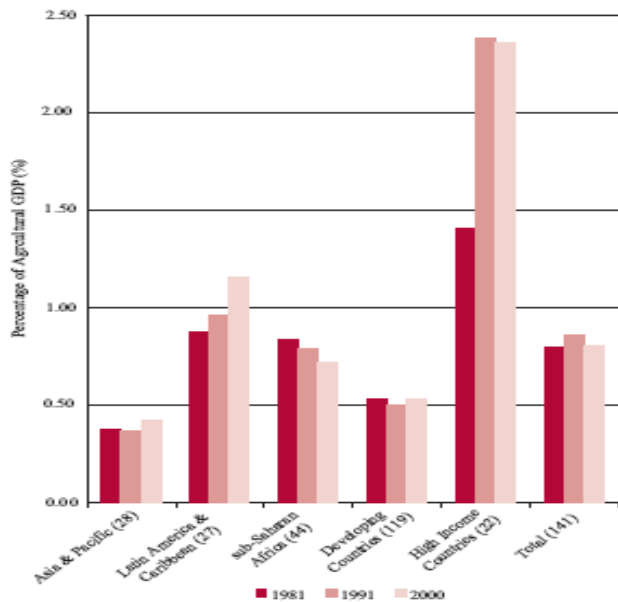
\* Data is reported in international dollars based on purchasing power parity conversions of local currency units in 2000 prices.

Source: Pardey et al. 2006a

We quote from Pardey et al (2006:5) that: The Asia and Pacific region has continued to gain ground, accounting for an ever-larger share of the developing country total since 1981. In 2000, just two countries from this region, China and India, accounted for 39.1% of developing country expenditure on agricultural R&D; a substantial increase from the 22.9% combined share in 1981. In stark contrast, sub-Saharan Africa continued to lose market share, falling from a 17.3 to 11.4% share of the developing country R&D investment total between 1981 and 2000 (Pardey et al. 2006a). Paralleling spending patterns for all the sciences; agricultural R&D has become increasingly concentrated in a handful of countries. Just four countries (the US, Japan, France and Germany) accounted for 66% of the public R&D conducted by developed countries in 2000 about the same as two decades before. Similarly, just five developing countries (China, India, Brazil, Thailand and South Africa) undertook 53.3% of the developing countries' public agricultural R&D in 2000, up from 40% in 1981. Meanwhile, in 2000, a total of 80 countries with a combined population of approximately 625 million people conducted only 6.3% of total agricultural R&D (Pardey et al. 2006a). The patterns of spending



growth are uneven. Certainly, the more recent rates of increase in inflation-adjusted spending for all developing regions of the world failed to match the rapid ramping up of public agricultural R&D spending that Pardey and Beintema (2001) reported for the 1970s. The growth in spending for the Asia and Pacific region as a whole rebounded in the late 1990s from the slower growth rates observed for the 1980s. This was especially so in China and India during the 1996 to 2000 period, in both instances reflecting government policies to revitalize public R&D and improve its commercialisation prospects, including linkages with the private sector. Spending growth throughout the Latin American region as a whole was more robust during the 1990s than the 1980s; although the recovery was more fragile and less certain for some countries in the region (such as Brazil, where spending contracted at the close of the 1990s). Overall investments in agricultural R&D in sub-Saharan Africa failed to grow by more than 1% per annum during the 1990s; the continuation of a longer-term slowdown (Beintema & Stads 2004). Even more concerning is the fact that approximately 50% of the 27 African countries for which national total estimates are available, spent less on agricultural R&D in 2000 than in 1991 (Beintema & Stads 2004). For an account of the intensity of spending on services we refer to the following figure:



**Figure 2:** Regional comparisons of public agricultural R&D intensities: 1981–2000.

Source: Pardey et al. 2006a

Pardey et al (ibid) also looked at the expenditures of private investors in rural services, and concluded that in developing countries only 6% of the total amount is spent, as shows the following figure:

**Table 1:** Private sector share of total agricultural R&D: 1981–2000.

| Region        | 1981 (%) | 1991 (%) | 2000 (%) |
|---------------|----------|----------|----------|
| Australia     | 5.9      | 20.2     | 23.5     |
| Japan         | 36.6     | 48.4     | 58.6     |
| United States | 50.1     | 54.3     | 54.6     |
| Other (19)    | 45.7     | 48.5     | 56.9     |
| Total         | 43.9     | 49.6     | 55.2     |

Source: Compiled by authors from data reported at [www.asti.cgiar.org](http://www.asti.cgiar.org)

## 2.1 Rural services

As stated above, rural services are the services provided to families, individuals and households that live and/ or work in rural areas. We understand by services the research, advisory and training services, and the intermediate services required for facilitating access to knowledge and information (including financial services). We deliberately distinguish between goods and services, where goods are not discussed.

Service has many definitions<sup>1</sup> and no real consensus exist (Albert, 2000). Rural services can be distinguished according to: source of financing (e.g. public or private sources, or a mix of it), provider (e.g. State, farmer organization, NGO, private enterprises, or through partnerships), content (e.g. process, input or output) or method (e.g. facilitation, advice, research, or training).

Agricultural services are part and parcel of rural services, and extremely heterogeneous. They primarily address the stakeholders and activities of crop production, both annual and perennial crops, and animal production, and their natural resource base. These activities also include upstream and downstream activities such as the preparation of the crop and animal production, the post-harvest handling of agricultural produce and marketing of products. Agricultural services facilitate access to and use of production factors (land, labour, capital, knowledge and inputs), technologies, 'soft' and 'hard' infrastructure, support market access and opportunities, and inform on policies and regulations. These services target people involved in these agricultural activities, such as farmers and agricultural labourers (men and women), and their organizations and communities.

This paper focuses on research, advisory and training services, and the intermediary services they require for facilitating the access of knowledge and information, including financial services. The paper also includes input services (such as fertiliser provision and veterinary services), as well as financial services when being used as carriers of knowledge (including technologies).

Financial services are also part of the services that are offered and used in rural areas by people of all income levels. Agricultural finance is a sub-set of rural finance dedicated to financing agriculture-related activities (e.g. input supply, production, distribution and wholesaling, and marketing; CGAP, 2003), and thus target people involved in agricultural activities. Financial services that are provided in rural areas cover a large range of providers and products.

<sup>1</sup> See for example <http://en.wikipedia.org/wiki/Service>

Financial service providers include Micro-Finance Institutions (MFIs), membership-based financial organizations (e.g. cooperatives, credit unions, and savings and credit associations), community- or activity-based group models (e.g. tontine clubs) and private enterprises (e.g. traders and processors) (World Bank, 2004; Rabobank, 2005). Services offered comprise secure savings, credits for short term (i.e. labour and inputs for agricultural production and post-harvest activities, often linked to crop growing cycles and planting seasons), as well as seasonal input credit for cash crops and long term (i.e. capital investments needed for the equipment of enterprises), insurance (e.g. agricultural risk insurance), and transfer of money from remittances (World Bank, 2004).

MFIs take a particular place among the service providers. They used to be specialized institutes that provide financial products targeted at the poor and low-income population, including small-scale farmers, to enhance incomes and assets; they usually exclude consumer finance. MFIs often originated as NGOs or officially licensed non-bank, financial institutions. They focus on providing small loans that are based on cash deposits instead of the usual collaterals, which are required by the commercial banks. Several MFIs have transformed into commercial banks while commercial banks started entering the market, which was developed by MFIs, by creating their own micro-finance programmes (Rabobank, 2005; Women's World Banking, 2007).

## **2.2 Service systems**

Services are to be considered within their context, whether it is a geographical area or an economic sector; for example services may be organized around a specific supply- or value-chain or may be coordinated by local government authorities. Therefore the complexity of services can be understood using a systems perspective instead of focusing on their rather technical aspects (Gadrey, 1996; Albert, 2000). Examples of (sub-) systems are: the application and management of agricultural inputs; value-chain development, including the production, transformation and marketing of a specific commodity; the creation and dissemination of agricultural technologies; and the up-scaling of a particular innovation (adapted from Albert, 2000). For a detailed overview and theoretical discussion on rural services we refer to annex 4.

In the next paragraph we will explain why services are important to the rural poor.

## **2.3 Importance of improved access to services for the rural poor**

Services contribute to strengthening the assets<sup>2</sup> of the rural poor (see annex 3 for a definition and explanation of poor and poverty) and hence adapting and sustaining their livelihoods in a changing context. This context changes continuously and rapidly; it therefore requires innovation (i.e. a performing innovation system) for enhancing livelihoods of the poor through interaction amongst stakeholders (i.e. service users and providers, policy makers, etc.) while building on and strengthening the assets of the poor. Services are even

<sup>2</sup> An asset is anything that can be used, without being used up, to increase regular returns above receipts from labour, whether hired or self-employed, and thus enhance producers' income or consumers' welfare. Typical assets are land, wells, cattle, tools, houses, shares, skills, health and roads (IFAD, 2001: 72).

increasingly important. Demographic trends in developing countries, such as urbanisation, but also increased liberalisation of agricultural trade, impacts on agricultural markets. This changed situation puts additional requirements on producers in terms of quality standards, date of delivery, and other norms and hence the enhanced market orientation leads to demand for additional services. It also requires services to increase the negotiation force of producers on an increasing large market.

The poor's livelihoods are mainly rooted in agriculture in the wider sense and therefore the poor potentially benefit more from growth in the agricultural sector than in any other sector. Growth in the agricultural sector, through its linkages with non-agriculture, has a substantial effect on other economic sectors, for example through generation of employment. Particularly the labour intensive, small-scale agriculture has strong links, through upstream and downstream activities of agricultural production, with growth in other sectors. Increasing employment offers income-generating opportunities for smallholder farmers and thus has a direct impact on poverty. Through enhanced incomes additional spending by smallholders also supports other sectors (Christaensen et al., 2005; DfID, 2005; GDPRD, 2005; OECD, 2006).

However, ways out of poverty, besides improving livelihoods through enhancing agricultural production and related activities such as processing and marketing, also include strategies based on selling labour or migrating (see for example the case of rural Indonesia in McCulloch et al., 2007). Therefore, poverty alleviation requires a livelihoods perspective to identify and understand the pathways out of poverty, including agriculture, that are or can be taken by the rural poor.

Meagre assets, difficulties in grasping opportunities that are available and forming countervailing power, often related to the political and social context, are determining factors in the situation of the poor. Vulnerability to events that are out of their control exacerbates the situation of the poor (World Bank, 2000, 2007). Strategies aimed at reducing poverty evolve around these key elements: providing opportunities to poor people; facilitating their empowerment; and enhancing security, notable in agriculture which is under the influence to events that are beyond their control. Rural services for pro-poor agricultural growth contribute to building up assets (e.g. knowledge on technologies, information on market opportunities; also basic services in health and education), developing their skills and organizational capacities, contributing to changing institutions, which maintain poverty, and hence contribute to empowerment, and offer insurance for mitigating risks (Ibid). It goes without saying that the rural poor are a highly diversified group including young, women, elder, HIV-aids affected, and other minority groups.

In order for rural services to enhance poor people's livelihoods, they need to be accessible, that is (1) *available* (i.e. ready for use when needed), (2) *affordable* (i.e. having the financial means to use it effectively), and (3) *socially inclusive*, that is accessible to the most vulnerable groups in rural areas. Social exclusion is the condition of communities, groups or individuals who are politically, economically or socially disadvantaged (adapted from Eames and Adebowale, 2002). Social exclusion is either related to the condition of people (i.e. lack of assets or social capital) or to their environment (i.e. policies, institutions and organizations including service providers) (Toye and Infanti, 2004). In building services it is important to build on existing, traditional services rather than building services from scratch.

Exclusion of social groups, such as female-headed households and widows, minority ethnic groups, HIV/AIDS affected people, from access to services keeps them out of social and economic progress. Social exclusion is closely related to empowerment, people taking control over their lives and destiny (Wennink et al., 2007). It requires both bringing down (through decentralization of service provision) and pulling down services (by service users voicing their needs and claiming accountability).

Innovation, according to IFAD's innovation strategy (2007:4) is "a process that adds value or solves a problem in new ways", and it further specifies that in order to qualify as an innovation, a product, idea, or approach needs to be new to its context, useful and cost-effective in relation to a goal, and able to "stick" after pilot testing. Technological innovations are at the centre of some major successes in, for example, Sub-Saharan African agriculture (Gabre-Madhin and Haggblade, 2001). It means access to, and, much more important, effective application of new technologies, gives a key role to demand-driven, agricultural research and advisory services. Yet, an analysis of such technology successes underlines the central role of farmers and farmer organizations, the private sector, and their assets, and the necessity of providing quality agricultural inputs and outlets for agricultural products, and improved rural infrastructure (Ibid). Therefore the success is in many cases situated in commodity sub-sectors where traditionally input supply, marketing and research and extension services are coordinated by and collaborate under parastatals.

Whether agricultural research and advisory services are accessible to the rural poor, are responsive to their needs and are complementary to other support services depends on the interaction between policies, institutions and organizations. Improved services only are beneficial if they are accompanied by favourable organizational arrangements and institutional settings, this issue will be further explored in the background paper to the sixth chapter on policy and governance. Therefore access to agricultural technologies as such is insufficient; technology only is an innovation if used by beneficiaries, i.e. the rural poor. Rural services therefore also play a role in terms of facilitation (amongst others for improved interaction), knowledge management and attitude changes (mindsets) of different stakeholders.

Rural financial services support farmers and their organizations in financing agricultural activities, such as input supply, production, distribution, and wholesaling, and marketing. Evidence shows that a well-developed financial sector, including financial services for rural people, is critical to long-term economic growth and hence poverty reduction (<http://www.ifad.org/ruralfinance/>). Saving capacity of households is of particular importance: it allows absorbing shocks and constitutes cash collateral for accessing credit. It thus reduces vulnerability of rural households and allows them building up their assets. Rural financial services include savings and credit facilities as well as transfer of remittances and the insurance against agricultural risks that are related weather variability and price fluctuations. Since two decades now, the creation of MFIs has tried to improve access of smallholders and other rural entrepreneurs to financial services, and have expanded through rural areas all over the world (DfID, 2004).

In the Rural Poverty Report 2001 services were discussed in terms of technology development. Consistent with a changing paradigm, a major change in this report as compared to the RPR 2001 is that services are considered in a more holistic way geared towards enhancing innovative capacities. Innovation is now considered a successful mix of technology, institutional arrangements and appropriate organisation forms. Therefore, participation in deciding which technology to use is not enough. Rather active participation of the rural poor in the interactive learning process towards enhancing innovative capacities is key. Technology (e.g. to improve soil fertility, productivity per hectare) is but one

bottleneck in improving rural people's livelihoods. Once they are overcome, then other issues such as marketing become the limiting factor. Diffusion of technologies, (Rogers, 1995), requires a favourable context. This includes availability of and access to credit facilities, security of land use, timely access to high quality fertilizers, appropriate and functioning extension services, and most importantly the availability of and access to marketing channels and acceptable prices (see also Nederlof, 2006). Technology availability is not the bottleneck in poverty reduction. Stretching the windows of opportunity requires institutional change. Leeuwis and van den Ban (2004) call this 'creating space for change'. Examples are enhancing farmers' countervailing power, removing 'informal taxation', reducing cheating by middlemen, creating access to market information, including transparency with respect to government deductions, and making available credit and inputs. (Nederlof, 2006: 176)

Another change is that it has now become increasingly clear that the initial successes of the Green revolution in Asia were overshadowed by undesired side effects and the incompatibility of the approach with the African context. The green revolution emerged in risk-prone rain fed conditions, and was based on introducing a High External Input Agriculture (HEIA), and it is now generally recognised not only that high external inputs often negatively impact on the environment and health, but also that it is beyond the means of the majority of resource-poor farmers. The following quotation also underscores this: The Green Revolution that was launched in 1943 in Mexico was a particular boon to developing countries because of the increases it afforded in agricultural production. Sixty-four years later, the Green Revolution technologies are still going strong in terms of agricultural production, but we are discovering that there was a price to pay in terms of, among other things, environmental degradation, erosion, soil degradation, water depletion and contamination, and a loss of biodiversity. (Dewar, 2007).

From the above it became clear that access to services is important for the rural poor. Yet the gap in research and development investments between the countries with the highest percentage of rural poor (South-Asia and SSA) and the rest of the developing and developed world is growing fast (Pardey et al., 2006).

## 2.4 Specificities of the rural poor

The rural poor, according to IFAD's policy paper (IFAD, 2006: 6) are *"not a single, homogeneous group in any part of the world. Usually they are independent producers and wage workers whose livelihoods principally depend on agriculture and agriculture-related activities. They are (smallholder) farmers, herders, small entrepreneurs, fishers and landless agricultural labourers. They are members of indigenous groups, minorities and scheduled castes. They are those with the least land and water, and with the least control over the assets they do have. They typically have little access to formal financial institutions for capital of any sort. They often have little access to modern technology and very little preparation for the development and management of modern forms of association. More often than not, they are women, and, as such, have special difficulties in accessing key development resources, services and opportunities. Frequently the rural poor are socially excluded, isolated and marginalized groups on whom those responsible for the development of modern institutions and services have all too often turned their backs. Their lives are characterised by vulnerability and insecurity, which makes it difficult for them to take risks that could lead them out of poverty."*

The poor generally live far away from basic social services such as schools and health centres, in areas with poor infrastructure; particularly the very poor are less educated while again men are generally better educated than women. Although land is considered an important asset in rural areas, it doesn't exclude land-owning people from being poor because they have lack of access to markets, agricultural inputs and credit. Poverty is more prevalent among ethnic minority groups and women. The poor also tend to be trapped in poverty because of: the location-specific characteristics (the 'context') which are little favourable; their meagre assets that do not allow them to invest in education and access credit and to provide productive labour; and the exclusion from access to resources and markets (Ahmed et al., 2007).

### *Fragile states*

The State and the public sector have a prominent role in the implementation of poverty reduction policies that target the rural poor. There is nowadays a growing concern over the impact of *fragile states* on poverty but also on human rights and international security. Fragile states account for almost 30% of the people living on less than 1 USD a day; and because of the difficult environment rural livelihoods have become even more vulnerable (DfID, 2005). These states are characterised by "being unable or unwilling to harness domestic and international resources effectively for poverty reduction" (Torres and Anderson, 2004). The key challenge therefore is how to enhance the effectiveness of support for development in difficult environments that lack basic resources or political commitment.

Three stages can be distinguished in conflict countries: (i) Pre-conflict; (ii) in-conflict and (iii) post-conflict. The stage in which a country finds itself has important consequences for service providers. In the first stage the emphasis needs to be on conflict management and avoidance e.g. land reform, water rights management, natural resource use. In countries in conflict, services will be of a humanitarian nature, mostly private or civil, while in post-conflict countries a gradual transition takes place from NGOs to public management of the service system.

Since rural livelihoods are primarily rooted in natural resource-based activities, agriculture provides the relevant entry point for support to rehabilitation and development in post-conflict areas. This should go beyond the support to the supply of basic inputs (e.g. improved planting material) and include support for establishing sustainable linkages between smallholder farmers and markets including the private sector. While taking this institutional approach, the first challenge is to take into account informal, (farmer-led) institutions, which often took over the place of formal institutions, when rebuilding formal institutions such as agricultural services; see for example the role of NGOs and farmer organizations in the East of the Democratic Republic of Congo (Jackson, 2004). Inevitably, sound institutional development requires coordination of approaches and efforts of a variety of organizations. The second challenge is to link the rebuilding of agricultural institutions with strategies for addressing the vulnerability of specific groups that has been exacerbated in difficult environments, such as conflict areas (DfID, 2005, <http://www.capacity.org/en/content/view/full/3764>).

## **2.5 Innovation systems perspective**

In this paper, the analytical framework is the innovation systems perspective. This perspective is based on the same basic principles as the service system,

and it underlines the institutional context and policy including governance of the system, the functional relationships, the services and stakeholders with their capacities. The use of the innovation system perspective is based on the premise that improved (i.e. innovative) practices, and thus beneficial changes, to enhance access to rural services and hence improved livelihoods, require interaction, including interactive learning, among the stakeholders. Interaction equally involves facilitation and mediation and often includes negotiation.

An innovation system can be defined as *a network of organizations, enterprises, and individuals focused 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). The innovation systems approach has above all a developmental guiding agenda and stresses the process instead of the final product, given the fact that technological innovations are successful when the appropriate context is being provided for.

An innovation approach allows focusing on the challenges (e.g. objective with an obstacle, IFAD communication during IFAD workshop, Dec 2007) faced by the rural poor. A rural innovation systems approach involves by definition the rural poor as key stakeholders, while all actors jointly develop a community of purpose on the required institutional, organizational and technological innovations for development.

## **2.6 Link to IFAD Strategic Framework**

IFAD's policy document highlights that IFAD's role, besides influencing what national policies targets, is also to contribute to building national capacities and multi-stakeholder partnerships, which underpin effective targeting within national development processes (IFAD, 2006: 3). IFAD's intended beneficiaries are the rural poor living in poverty and experiencing food insecurity in developing countries. It also implies creating capacities to provide services that meet the needs of the intended beneficiaries. IFAD's focus is to enable the active and informed inclusion of people who are often excluded from development processes (Ibid: 8).

IFAD highlights other areas why access to services is so important in its strategic framework 2007-2010 (IFAD, 2007):

- Increase in agricultural production is often helpful in improving rural poor people's livelihoods. This in turn requires intensification of production systems, increased yields and better access to improved, locally appropriate technologies and services. Such services need to be demand-driven, locally specific and accountable to farmers. Empowering farmers, building their capacity and engaging them in service demand and delivery are essential components in this.
- Rural poor require a place to safely deposit their earnings, and they also require investments and working capital. Therefore sustainable financial services are necessary, accompanied by the appropriate arrangements and forms of organizations to optimize the use of these services for the poor.



### **3 Consequences of global changing fundamentals on services**

Rural services contribute to strengthening the assets of the rural poor and hence adapting their livelihoods to changes. Rural livelihoods are affected by a changing context, which in turn requires adaptation of the type and the ways rural services are provided. This asks for a 'change for the better' (i.e. innovation) for rural livelihoods, which requires interaction amongst stakeholders (i.e. service users and providers, policy makers, etc.). In turn, service provision itself is also undergoing changes because of global, sweeping processes and national policy and institutional changes. This paragraph presents an overview of (1) the major global trends and issues that influence rural poor and their rural livelihoods and the consequences for service provision, and (2) the trends that are currently being observed in service systems for the rural poor.

#### **3.1 Overall global economic growth**

Global economic development is an overarching trend, introducing the other trends discussed in the remainder of this paragraph. A number of global developments relate to the rapid, but still differential economic development in various parts of the world. Rapid economic growth occurs in the two most populous nations (China and India); strong economic performance is also observed in the former Eastern Block countries, as well as in Latin America. Some economies in Africa also show a trend towards increased growth, due to demand for raw materials (minerals and agricultural products). Some developments are both causes and effects of the global boom such as integration of markets, Information and Communication Technology and the, livestock revolution, while others are seen more as consequences such as climatic change, rising commodity prices, and changing architecture of aid. While some are less clearly effects such as the emergence of global human, animal and crop diseases.

A general consequence of global economic development is rapid urbanization, leading to economies of scale in agriculture in some cases (few parts of Africa and Latin America), and impoverishment and feminisation of agriculture in others. In all cases global economic development leads to less emphasis on public (both government and development partners) services for agriculture development. The withdrawal of the State from these services has opened up opportunities for other service providers, further enhanced by the general rapid growth of service economies all over the world, at the expense of the percentage of the Agricultural GDP as part of GDP (Pardey *et al.*, 2006; WB, 2007). Nevertheless major regional differences do exist. In South-Asia agricultural growth has contributed to food self-sufficiency, but not to food security for the rural poor. In Sub-Saharan Africa agricultural production per capita has been declining and only recently has stabilized, while traditional African cash crops are developing faster in South-Asia (e.g. cocoa and coffee). In Latin America in particular large-scale agriculture has developed for export of wheat, soybeans and meat (IAASTD, 2008). All these development have had specific regional consequences for services e.g. in terms of governance, actors involved, type of services provided, approaches followed, the reform strategies followed and for the poverty focus (Birner *et al.*, 2006).

### 3.2 Integration of markets

The World Trade Organization is providing both opportunities and threats for international market development (UNCTAD, 2007). The worldwide integration of markets, strengthened by the liberalization of national economies, leads to the restructuring of markets and supply chains, e.g. the rapid modernization and concentration of food processing and retailing. This has an indirect effect on smallholder farmers in developing countries through the competition in traditional and domestic markets with supermarkets and large-scale processors (Peppelenbos, 2006). The changes in procurement systems that affect smallholders are four-fold (Berdegué et al., 2005): (1) procurement systems are more organized at the central and sub-national levels; (2) specialised wholesalers start dominating as procurement agents; (3) a preference for food producers and processors who comply with quality and safety norms and hence a more and ruder competition; and (4) the establishment of formal standards, including certification of these.

Market requirements are considered important triggers for innovation and improvement of rural livelihoods, once smallholders have been linked with other market agents. The above-mentioned changes do make smallholder farmers face new challenges and do offer opportunities. In order to stay in the market, farmers need to be competitive at the country level rather than at the local level. Also, buyers tend to impose larger volumes and consistency of supply, which requires strong and performing producer organizations. Finally, formal standards and effective enforcement of rules asks for particular attention of farmers for quality and safety of products. It therefore is a challenge for smallholder farmers and their organizations to better understand market demand (i.e. market intelligence) and strengthen their capacities to supply in time quality products and to make the necessary capital investments (KIT/Faida MaLi/IIRR, 2006). The result of these global developments is a shift from supply to value chain emphasis. This requires agricultural extension and advice to include services that go beyond their 'traditional' area and include services that address business development as well as marketing issues. Moreover, it involves a variety of service providers that serve different chain actors, which in turn requires coordination and collaboration. Smallholder farmers require particular attention in order to make market-oriented agricultural advisory services pro-poor. This needs enhanced collaboration and partnerships between the public and private sector (Neuchâtel Group, 2008).

In addition there is an increasing competition between agricultural markets and non-agricultural markets (such as energy, industrial inputs and bio-fuels). This trend directly impact on households and requires new services related to risk management.

Regional differences exist also due to differences in access to markets. The ACP (Africa, Caribbean and Pacific region) countries have benefited from access to the EU, and through this access invested in innovation in quality management. South-America has developed bulk production for the large Asian markets, while creating a free-trade zone (MERCOSUR) for facilitating regional trade.

### 3.3 Increasing commodity prices

In view of the rapid urbanization a political will has built up for maintaining food prices low, in order to avoid civil unrest and to ensure availability of labour for rapid urban service and Small and Medium Enterprise (SME) development. Food in particular can be kept at low prices due to cheap

imports, which has a negative effect on local production and triggers movements for the right to food and national food sovereignty.

Due to rapid growth, of the livestock sector in Asia in particular, commodity prices on the world market have gone up (maize, wheat and soybeans). Particularly large-scale farmers in Latin America are benefiting, but the urban population in the developing world are faced with high food prices. At the same time the increase in commodity prices has been caused by northern legislation (EU, USA) requiring bio-fuel use as part of conventional non-renewable sources of fuel. Bio-fuel can be produced from important food commodities such as maize, wheat and sugar. This first generation of bio-fuels has led to sharp rises in prices for referred commodities. A second generation of bio-fuels made out of non-edible biomass (crop residues, *Jatropha*, etc.) might counter this development. Competition with alternative use of natural resources and livestock production remains a challenge for such production. How to reshape policies and services in this context of higher prices, which can in principle be beneficial for farmers? What are the consequences for subsidies and the rates of interest to be used in programmes for the development of first generation bio-fuels?

Furthermore the context of high prices could provide new opportunities to farmers as their competitiveness increases: how can agricultural services take this into account and help resource-poor farmers to take advantage of this new reality? This evolution could impact the policies regarding financial services also as this new competitiveness could facilitate investment and above all financing of investment.

Due to global economic development, rural, but in particular urban people, demand more animal protein, which requires livestock production. As illustrated above, this has contributed to rising commodity prices, investments in large-scale production, but also to the spread of new diseases such as Avian Flu, Swine fever and many others. Above all the livestock revolution is also contributing to climatic change. As a result demand for services related to livestock production, processing, quality and disease control remain high. Also, the need for trans-boundary services in relation to diseases increases. (FAO <http://www.fao.org/WAIRDOCS/LEAD/X6115E/x6115e03.htm>)

### **3.4 Climate change**

Through the UN Intergovernmental Panel on Climate Change (IPCC), the majority of the scientific community now agrees that climate change, due to emissions of greenhouse gas, is taking place and has consequences for development. It are particularly the poorest nations of the world and the poor in developing countries that may undergo the (negative) effects of climate change while being the least equipped to cope with it. The rural poor's livelihoods are based on agricultural activities, which are directly affected by climate change. These effects are expected to be strongest in Africa (due to larger drought-prone areas and enhanced drought-risk), as well as in low-lying areas of South-Asia due to storms and floods. Yet, the rural poor have limited human, financial and institutional capacities to deal with such effects of climate change (Mitchel and Tanner, 2006).

Direct effects of climate change concern natural disasters that affect living conditions, rural infrastructure etc. while in the long term food security may be at risk and rural economies have to adapt to provide a secure basis for households. In particular the most vulnerable rural people (i.e. those having few assets) require in-time support when addressing the challenges ahead.

Farmers, men and women, households and rural communities need to be prepared through accessing appropriate technologies for agriculture and natural resource management and financial insurance mechanisms when facing risks (Ibid).

The global mechanisms that are being put in place for reducing greenhouse gas, such as the International Emission Trading and the Clear Development Mechanism under the UN Kyoto Protocol could be beneficial for communities and households in rural areas of developing countries, through their involvement in natural resource management, e.g. forestry plantation schemes. For rural people to benefit from such mechanisms, it requires institutions that can represent them, negotiate on behalf of them and is held responsible for distributing revenues (Rosegrant, 2007; Vicker and Mackenzie, 2007). The emerging market on carbon sequestration is a good example of the need for different services. How to help the rural poor take advantage of the development of carbon sequestration programmes, or new systems of payment of environmental services?

Indirect effects of climate change range from the pressure on natural resources due to bio-fuel demand, to rising costs of fertilizers and demand for different marketable commodities (Fairtrade and organic agriculture). Specific opportunities might exist in relation to the rising commodity prices.

Rural services need to be adapted to a new magnitude of climate change and also resource-poor farmers, through services, could take advantage of the mechanisms to mitigate climate change.

### **3.5 Information and Communication Technology**

The combination of technological innovations and the liberalization of the communication sector as well as considerable investments in infrastructure have seen the rapid development and extension of *Information and Communication Technologies* (IC&T). This has fundamentally changed the way knowledge and information is stored, shared and exchanged. Particular cellular telephone networks, but also Internet, are increasingly covering rural areas. Yet strong inequality still remains: developing countries are still well behind the developed world in access to ICTs; and inequality of access is even greater within developing countries, especially between urban and rural areas, where the digital divide continues to widen (Torero and Braun, 2007).

To narrow the gaps, many prerequisites need to be put in place: deregulation to enhance competition among service providers, use of subsidies to reduce the access gap, and appropriate institutional arrangements to increase the use of ICTs in the provision of public services and goods (Ibid.). ICT provides specific service opportunities such as the use of cell-phones for extension messages, contacting markets and input suppliers, getting access to market information, but also getting micro-credit through cell-phones. The best-known examples of services that are offered to people in developing countries as a result of ICT developments and particularly mobile phones include m-banking (providing banking services in areas where there is no bank) and business services. These services generally are private rather than public services. In fact, with developing ICT infrastructure, the range of knowledge and information sources for farmers is much larger now compared to that of public agricultural research and extension organizations. Farmers communicate with input providers, processors, traders, consumers, etc. with whom they have to interact in order to articulate interests and collaborate to achieve innovation. ICT facilitates the links with these stakeholders, widens the knowledge scope and provides

information on markets, safety norms, environmental regulations, etc. that can guide, and even trigger, further innovation. (IICD. 2006, Bhatnagar, 2005)).

### **3.6 Changing architecture of aid**

Different key policy documents on African agricultural development such as the IAC Report (Inter Academy Council, 2004) and NEPAD's Framework for African Agricultural Productivity emphasize the special characteristics and heterogeneous conditions in Africa, which will not allow a green revolution similar to the one in South-Asia and Latin America. Main components of these characteristics are the agro-ecological and social diversity in Africa, the level of infrastructure development, and the proportion of marketed production. Nevertheless a productivity jump is necessary in order to address the problems of the rural poor and reach MDG 1, of halving poverty by the year 2015 (IAASTD, 2008).

Not only in Africa, international donors increasingly emphasize the need to involve all stakeholders in agricultural development and provide the right policy context and enabling environment for development. At the same time other donors, such as the private foundations (Bill and Melinda Gates Foundation, Ford Foundation, etc.) play an increasingly important role, as these particularly, but not only, finance private and civil organizations.

On the one hand, donors have further moved towards sector-wide support and budget-support, often conditional to policy and context change, on the other hand many private sector development and civil society organization support programmes are financed outside the public sector, as illustrated by e.g. PROAGRI Phase II formulation in Mozambique, and ASDP formulation process in Tanzania. Although overall development aid (lending as well as grants) to the rural sector have been declining in recent years, this is sharper in Asia than in Africa and Latin-America, this particular true for the agricultural services sector. Some countries such as Brazil, China, India and South-Korea are increasingly having productive and self-sustaining rural development services, while others such as Bangladesh, Indonesia and Zambia are at best stable or mostly losing ground (Pardey *et al.*, 2006)

On the one hand this new architecture of aid presents different types of rural services to the resource-poor farmers (including an increased emphasis on infrastructure). On the other hand this trend also provides an opportunity to the rural poor to better articulate their needs and design services accordingly.

### **3.7 Zoonotic emerging diseases**

Many households in rural areas are affected in their capacity to make use of opportunities and options for services, and hence the use of knowledge, new agricultural technologies and financial services. Special threats exist in relation to zoonotic diseases, which relate to diseases affecting both animals and humans such as the Avian Influenza, Bovine Spongiform Encephalitis (BSE) and the Nipah virus (<http://www.who.int/zoonoses/en/>). The effects of such diseases are strongest in highly populated areas such as mostly in Asia, mostly in terms of human diseases, but also effects market and export opportunities in Latin-America. Smallholder livestock producers in Africa find it difficult to compete in the international market also due to some of the re-emerging, often endemic, diseases. Traditional public veterinary services have often been privatized, but need require strong roles also with a public sector role for vaccination campaigns and cross-border services.

## 4 Recent evolution in access to services and their impact on the rural poor

During the last two decades agricultural research and extension have undergone some major reforms:<sup>3</sup>

- Institutionalization of participatory working methods and integration of a 'formal' and 'informal' knowledge systems perspective;
- Need for facilitation of interactive learning rather than transfer of technology and as a result change from training and visit to methods such as Farmer Field Schools to enhance adult learning for innovation;
- Redefinition of the role of the public and private sector where the private sector more and more focuses on cash crops and addresses farm households with market links;
- Decentralization (decision-making power) and deconcentration (resources and facilities) of services, which bring them closer to their users.

All these reforms aim to enhance user-responsiveness and thereby performance and impact of services through increased stakeholder involvement and stakeholder-driven funding mechanisms.<sup>4</sup> Trends in access to services relate to the capacities of the rural poor, to the effectiveness of services and to institutional arrangements.

### 4.1 Trends related to capacities of the rural poor

#### *Increased attention for empowerment of service users and their organizations*

Farmers' organizations are increasingly given a key role or farmers are organised to constitute for example 'farmer fora' for articulating the demand for agricultural services. Farmers' organizations in general follow an empowerment pathway in relation to services, which goes from (i) effective influence over planning, and monitoring and evaluation; to, (ii) effective influence over resource allocation for services; and, (iii) directly involved in service provision. Furthermore, the ongoing revision of the roles by the State, the public and the private sector provide opportunities for farmer organisations to take an active part in service provision to their members. They then have to deal with the other stakeholders in agricultural development, while they have both complementary and conflicting interests, for an overview see table (adapted from Chirwa *et al.*, 2005):

<sup>3</sup> Chema, S., E. Gilbert, and J. Roseboom, 2003. *A review of key issues and recent experiences in reforming agricultural research in Africa*. ISNAR Research Report 24. ISNAR, The Hague.

Eicher, C.K. (2003) *Flashback: fifty years of donor aid to African agriculture*. Revised version of a paper presented at an International Policy Conference "Successes in African Agriculture: Building for the Future" sponsored by InWent, IFPRI, NEPAD and CTA, Pretoria, South Africa, December 1-3, 2003.

Rivera, W. and G. Alex, 2004. Extension system reform and the challenges ahead. *The Journal of Agricultural Education and Extension* 10 (1): pp. 23-36.

<sup>4</sup> Heemskerk, W. and Wennink, B., 2005. *Stakeholder-driven funding mechanisms for agricultural innovation. Case studies from Sub-Saharan Africa*. Bulletin 373. KIT, Amsterdam.

| Stakeholders                                      |   | Farm households (members)                               | Private enterprises   | NGOs  | Public sector  |
|---|---|---|---|---|--|
| Overall interests                                 |   | Improved livelihoods                                    | Increased profits, quantity and quality supply of products  | Social welfare and sustainable development                    | Economic growth and poverty reduction                |
| Specific areas of interest by stakeholders in FOs | Policy and decision-making processes        | Voicing and enhanced participation                      |   | Empowerment and capacity strengthening                        | Representation for policy consultation               |
|   | Access to markets for inputs and products   | Improved access to (new) markets                        | Cost-effective input supply and marketing of (new) products | Provision of market information                               | Improved market coordination                         |
|   | Infrastructure development                  | Infrastructure development                              |   |   | Cost-sharing of infrastructure development           |
|   | Access to financial services                | Improved access to credit supply and insurance products |   | Cost-effective provision of credit supply                     |  |
|   | Access to knowledge-for-innovation services | Improved access to, and accountability of, services     | Cost-effective provision of information and training        | Cost-effective provision of information and training services | Cost-effective and cost-sharing of service provision |
|   | Risk reduction                              | Improved access to social services                      |   | Cost-effective provision of social services                   | Cost-sharing of service provision                    |

(Adapted from Chirwa *et al.*, 2005)

### *Increasing responsibility of intended beneficiaries in service provision*

Farmers' organizations are generally involved in managing agricultural research and extension at several levels. Many research and extension organizations have opened up their boards, advisory councils or similar bodies to farmer representatives. Multi-stakeholder management committees for research programmes have been created for both commodity programmes and eco-regional programmes. Commodity-based producers' unions are particularly involved in product-specific research and extension programmes for cash crops. Farmer organizations thus have the opportunity to direct agricultural services through their constituency that mandates them, and to identify policy and institutional conditions that facilitate innovation (Collion and Rondot, 1998). Participation includes: (1) problem analysis and priority setting for research and extension; (2) planning of activities, including allocating resources, with farmer organizations having true leverage if resources originate from them (e.g. levies on commodities) or are provided with decision-making powers through intermediate mechanisms (e.g. competitive funds); and (3) M&E and accountability, which are most likely to develop when farmer organizations provide the resources for service provision. Farmer out growers' schemes are alternative ways of empowering farmers in service provision, as often also small-scale farmers sign contracts with industries which not only market their produce at a guaranteed price, but also provide service as part of

such a contract. In special cases these farmers become shareholders in the industry, which can be a processing plant or and export company.

#### *R-D approaches to enhance need articulation by the service users and accountability by service providers*

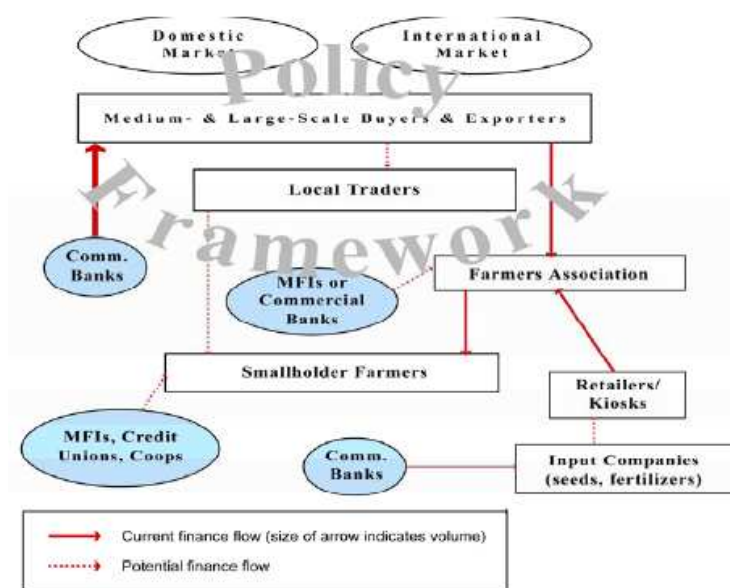
Since two decades now, participatory working methods and integration of a 'formal' and 'informal' knowledge systems perspective has gradually been institutionalised in agricultural research and extension approaches. Participation can take different forms, ranging from providing information to full involvement in decision-making, e.g. allocation of funds (Boyd et al., 1999, Pretty et al 1995). On the other hand, participation through groups can also obscure the voice of the very poor or disadvantaged. The recent reforms undertaken in agricultural service systems all seek greater stakeholder involvement to strengthen client- and user-orientation and demand-driven management in order to enhance the impact of the services provided.

#### *On rural financial services*

Nowadays, cooperative-type, membership-based MFIs are quite common in the provision of financial services in rural areas. These are membership-based organizations, based on the 'one man, one vote' principle, and governed by elected bodies, and with a daily management assured by paid-for staff. Several cooperatives can link to constitute a network to cover larger areas, reduce transaction costs and access capital from commercial banks (Lapenu, 2008). Good governance of cooperatives is determined by the environment (e.g. a thriving market-based rural economy which is not distorted by aid interventions), as well as through their organizational structure (e.g. clear objectives and target groups, qualified human resources, transparent decision-making mechanisms) (Ibid). Key factors for success of microfinance institutions are: focus on microfinance in large, unserved market (i.e. lending to the poor); regulatory support (i.e. receiving/mobilising external financing); strong entrepreneurial leadership and gear toward and present successes; human resource management (i.e. attracting and keeping qualified personnel); and effective information management systems and financial control (Counts et al., 2007; Reed, 2007).

MFIs usually provide services to individuals or small private entrepreneurs. Generally speaking they are prudent to provide loans to farmer organizations. Groups have however been accepted as collateral in rural finance schemes, e.g. in credit for women groups. As a reaction, farmers' organizations handled financial services themselves (with mitigated successes), created special financial cooperatives, or contracted specialised financial institutions to handle operations for them. The last strategy offers perspectives when governance and partnership issues are appropriately dealt with (Lapenu, 2008). In the context of value-chain development, new perspectives are also offered to farmer organizations when combining partnerships with (micro-) finance institutions and the private sector (RAFI, 2005a):





## 4.2 Trends related to provision of effective services

### *Public versus private services*

In general a shift in balance from public to private service provision is taking place all over the world, although it can come in different forms and sizes. Some of these developments are:

- Privatization of public services, such as veterinary extension services or cash crop research services.
- Rightsizing of public extension services, in which the extension service is dramatically downsized and public extension workers are stimulated to start independent advisory services
- Brain-drain of public staff to private service providers, including NGOs. In national research organizations and universities staff leaves and are not replaced and in extension organization also frontline workers diminish.
- Shift in balance due to competition between public and private services in competitive grant schemes and through outsourcing mechanisms
- Deliberate policies to reduce public services in favour of private services in order to introduce new innovative ideas into the system
- A shift in balance due to a shift in focus: e.g. from food security orientation to market orientation from human to social capital development, etc.

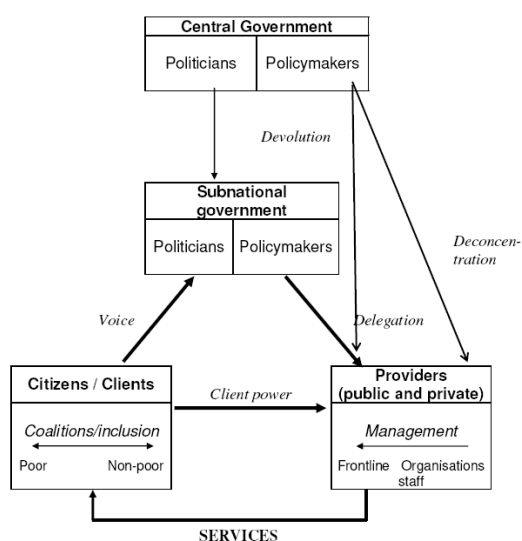
As a result of such developments public services are disappearing or at least receive less government and donor funding. Service provision by state bureaucracies and centralised administrations, in particular agricultural research and extension, is being restructured, either to allow for service provision by the private sector and non-profit agencies, or to improve the performance of public service organizations. Therefore public services are confronted with new challenges in the transformation of its roles, functions and organization, as well as its relationship with civil society and market stakeholders.

The increasing liberalization of national economies worldwide gives a more prominent role to private enterprises in input supply, service provision and marketing and advisory services. In the agricultural sector the private sector generally focuses on cash crops and addresses farmer households with strong market links. The public sector and NGOs, remain in charge of services concerning food and subsistence crops that target smallholders and areas with weaker market linkages (Steenhuijsen Piters *et al.*, 2003). However, few services are now purely public or private, and shifts occur according to circumstances (e.g. degree of market integration, regulations on intellectual property rights).

The relationships between the public and private sectors in service provision take different forms, such as: full transfer of responsibility ("pure" privatization of public-sector organizations); contractual relationships (e.g. outsourcing of services, voucher system); and public-private partnerships that underwrite a common goal and share resources. This redistribution of roles also led to an increased separation of the funding, planning and implementation of services in which the roles of public and private sectors and farmer organizations change in weight (Chema *et al.*, 2003).

The state's withdrawal, the deepening crisis in the availability of public and donor funding and the partial opening of the sub-sector to the private sector forced public agricultural service providers to fundamentally review its roles, functions and organization, as well as its relationship with civil society and market stakeholders. This included the introduction of private enterprise management principles, e.g. new public management, performance-oriented management, enhanced user responsiveness, and the need to generate revenues from service provision to clients. In approaches for enhancing client-orientation of research and extension services the relevance (type) and specificity (targeting) of services are emphasized, and attention is thus given to the users' point of view (satisfaction) on the services provided. Demand-driven approaches for service provision are also encouraged by new funding mechanisms (e.g. multi-stakeholder managed competitive funds for financing services, cost-sharing of operations through levies on commodities) and are further enhanced by decentralisation (Heemskerk *et al.*, 2003; Heemskerk and Wennink, 2005; NEPAD, 2006, Friis-Hansen and Egelyng, 2006).

Decentralization of agricultural research and extension is mainly taking place through deconcentration of capacity (in case of research) and devolution of decision-making powers to local entities (in case of extension), often with an eco-regional (research) or administrative (extension) mandate, and to national entities with a sector or programme-based mandate. Decentralization also involves reviewing responsibilities for the strategic research (at the national level, according to disciplines or commodities) and applied/adaptive research (at the local level, according to a systems approach within a given eco-region (Chema *et al.*, 2003). Agricultural extension has also undergone decentralization reforms but, whereas the management of research often remains the responsibility of one organization, the management of extension frequently involves several entities and quite complex. Extension systems, more than research, have also integrated private non-profit organizations, including farmer organizations, and are generally more pluralistic (Rivera and Alex, 2004). This also implies a shift in the roles of local governments, private enterprises and farmers' organizations.



The shift from public to private service delivery raised concerns with the beneficiaries, in particular the less well endowed, on the social and economic sustainability of the service system. Will enhanced privatization lead to exclusion and ever decreasing volume of services provided, due to limited effective demand? Will the phasing out of free public services lead to costly private services, without alternatives? Will privatization lead to a focus on well-endowed market-oriented farmers, export commodity farmers and male farmers? Which kind of services will remain as a minimum set of public goods delivery?

The division between public and private sectors are also reflected in investments in research as shown by Pardey et al (2006) in the following figure:

**Table 2.3 Private and public agricultural R&D investments, circa 2000**

| Region               | Expenditures<br>(million 2000 international dollars) |               |               | Shares (percent) |             |            |
|----------------------|--|---------------|---------------|------------------|-------------|------------|
|                      | Public   | Private       | Total         | Public           | Private     | Total      |
| Developing countries | 12,909   | 1,108         | 14,089        | 91.6             | 8.4         | 100        |
| Developed countries  | 10,191   | 12,577        | 22,767        | 44.8             | 55.2        | 100        |
| <b>Total</b>         | <b>23,100</b>  | <b>13,756</b> | <b>36,856</b> | <b>62.7</b>      | <b>37.3</b> | <b>100</b> |

Source: Agricultural Science and Technology Indicators (ASTI) data underlying Pardey et al. 2006.

Note: Data are provisional estimates. Combining estimates from various sources resulted in unavoidable discrepancies in the categorization of "private" and "public" research. For example, in Asia data for private spending included nonprofit producer organizations, whereas in Latin America and elsewhere we included research done by nonprofit agencies under public research when possible.

*Involvement of rural people's organizations in service provision: the rural poor as service providers.*

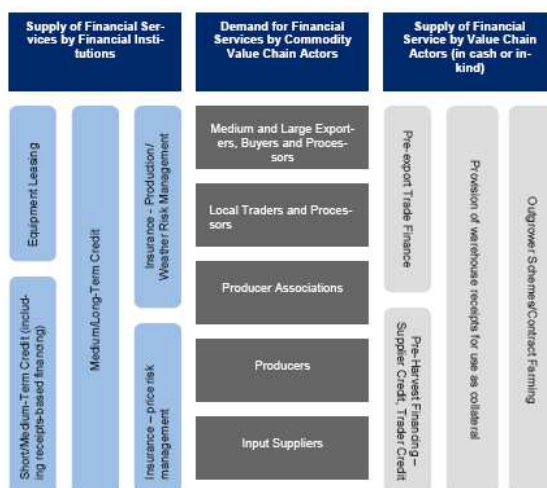
Farmers, notably through collective action, are increasingly involved in service provision. This can be on the initiative of a farmers' organization in order to strengthen their organization e.g. facilitation of group formation by experienced farmer group members, Other examples relate to economic activities such as provision of inputs (e.g. seed banks in West-Africa and Zambia), paid services (veterinary, and animal reproduction services), as well as contracted advisory services (as with Farmer Field Schools).

*Related to financial services*

The critical role of rural micro-finances has been proven over the last decade: lending by MFIs, worldwide has increased from 9 to 90 million micro-loans, and, more important, it has shown that poor people are bankable, attractive customers of financial services. They repay their loans and use them to build income and assets. From local initiatives, many MFIs have grown to become key institutions in pro-poor rural development: products have been diversified (e.g. savings, credits and loans for specific activities); services have become responsive as well as profitable and efficient, using risk assessment methods in individual and group lending and methods to reduce transaction costs. The financial as well as institutional sustainability of MFIs has been strengthened through building regional and country networks and linking with the formal banking sector and equity funds (Women’s World Banking, 2007).

Access to financial services in rural areas was long-time limited to the financial sector (e.g. MFIs, and savings and loans cooperatives). In the vein of economic liberalisation, opening up of markets and the entrance of the private sector, financial services are also increasingly provided by private enterprises through value-chains. This in addition to existing ‘financial services’ that were related to the conventional, integrated commodity supply chains (e.g. coffee, cotton) under the tutelage of parastatals, on a more or less ‘contract farming’ basis (Bingen et al., 2003). In fact, private enterprises usually provide credits to agricultural producers as part of commercial transactions, such as buying of products and selling of inputs (Fries and Akin, 2003). Compared to MFIs, value-chains offer innovative financial products to farmers and have strong relationships with their suppliers, the farmer organizations. Yet, their limits, compared to MFIs, are: offering only short-term loans; not always having access to capital (e.g. commercial banks); loans and credits are related to specific products; and mainly being accessible to larger farmers, and less to the poorer smallholders, because of the transaction costs involved (Lapenu, 2008).

Value-chain demand for and supply of financial services (RAFI, 2005b):



### 4.3 Trends related to institutional arrangements

#### *A shift in innovation paradigms<sup>5</sup>*

In past paradigms, agricultural services –and in particular research and extension- were often analysed from a technical perspective. However, the complexity of service systems can be better analysed by following a systems approach (Albert, 2000, Barnett, 2006). A critical paradigm change in agricultural innovation, from the transfer of technology to interactive learning, is based on a view of the world, where reality is no more divided in small parts, and where different perspectives are used to come to a more complete picture (Nederlof and Odonkor, 2006). For a further discussion on changing paradigms we refer to annex 5.

#### *Knowledge management*

During the 1990s, emphasis was placed on reorganizing the National Agricultural Research System (NARS) in order to enhance the efficiency of agricultural research through linking research organizations (including universities) and pooling resources. It also became generally accepted that agricultural innovation requires a much more dynamic and complex interaction between stakeholders and involves multiple sources and networks for accessing and disseminating knowledge. Knowledge management became the central issue, according to the developed Agricultural Knowledge and Information Systems (AKIS) concept. By linking research, extension and training, AKIS aims to promote mutual learning and to generate, share, use and apply knowledge and information. In many countries this leads to national and sub-national platforms where these stakeholders consult each other and coordinate their activities (Boyd et al., 1999; see for example cases in Sub-Saharan Africa in Wennink and Heemskerk, 2006).

Examples of links between farmer organizations, agricultural research and extension services:

|                               |   | Interfaces  | Planning   | Implementation   | M&E  |
|-------------------------------|---|---|--|--|--|
| Local level FOs               | Farmers', other interest groups and producer groups | FRGs, FEGs and FFSS   | Priority setting for research and extension              | Trials, demonstrations and training                    | Field visits for trials and demonstrations |
|                               | Community-based groups                              | Community groups  | Priority setting for extension (and research)            | Demonstrations, training (and trials)                  |  |
| Provincial/district level FOs | Cooperative unions                                  | Committees of commodity research centres<br>Farmers' study groups | Priority setting, planning, resource allocation (levies) | Training by public and private sector<br><br>Workshops | Open days at research centres              |

<sup>5</sup> A paradigm is a way of looking at the world. Kuhn (1962) defines a paradigm as the point of departure for science, the frame in which scientists work and of which they do not question the borders anymore.

|                    |  | Interfaces   | Planning  | Implementation                                  | M&E                           |
|--------------------|--|--|---|---|-------------------------------|
|                    | Federations and syndicates                       | Committees of eco-regional research centres<br>Farmers' study groups | Priority setting, planning, resource allocation (competitive funds) | Training by public sector and NGOs<br>Workshops | Open days at research centres |
| National level FOS | Cooperative unions<br>Federations and syndicates | Advisory committee<br>Board of directors                             | Strategic planning<br>Budgeting                                     |   | Board and committee meetings  |

(Adapted from Wuyts-Fivamo, 1996)

The knowledge management approach to agricultural innovation recently evolved further, based on industrial innovation studies. Instead of providing a 'blueprint' for designing systems, attention shifted towards understanding successful innovation processes, i.e. effective use of knowledge. The National Innovation System (NIS) concept emphasizes learning processes and the socioeconomic contexts that are considered crucial for applying new knowledge. Institutional support to facilitate such learning is therefore considered critical. Applying knowledge for development becomes the ultimate aim of the NIS, and puts the users in the driver's seat. Innovation therefore comprises technical, as well as organizational and institutional developments, also because interaction between stakeholders is embedded in a socioeconomic context (Hall and Yoganand, 2002). Stakeholder configurations particularly emerged in commodity and value-chain sectors (see for example cases in India in Nautiyal and Nautiyal, 2004, and van der Kop, 2006; and in South Africa in Polderdijk *et al.*, 2006).

#### *How to stimulate markets for services for the rural poor?*

The rural poor who are in the position to take advantage of opportunities and options will require services to do so. Opportunities can be the markets for their goods or services, as well as options to improve their livelihood situation. The very poor have often limited options and are in farming "by default", hence for food security reasons or as complementary to other income generating activities. Services that are attractive to the very poor are often related to this food security function such as provision of sweet potato or cassava cuttings or control of Newcastle disease in chicken or related to other livelihood options such as access to land or farm work opportunities. Microcredit schemes in which transaction costs are often subsidized are specially target at the very poor due to the micro nature of the credit provided.

In general demand for service by the very poor can be developed on the basis of a thorough livelihood system analysis of the different household poverty categories.

## 5 Diversity of the challenges for the rural poor

The key challenges that different stakeholders (including the rural poor, service providers and state stakeholders) face, are based on a first inventory resulting from the consequences of changing fundamentals (trends), and grouped in three categories following the trends identified in access to services. Key challenge link to the different steps of empowerment (for participatory planning and monitoring and evaluation, for resource allocation and for self-service provision, i.e. users as providers). It should be stressed, that the key challenges will be substantiated with examples after the scouting and write shop exercises on successful case studies. This will allow for ample insight in key challenges for the rural poor. This paper presents the categories, which all refer to individual as well as organizational and institutional capacities: (1) capacities of the rural poor as service users, (2) provision of sustainable, relevant and quality services and (3) enabling policies and institutional arrangements for pro-poor services. The diversity of challenges is directly related to the diversity in stakeholders and contexts.

### 5.1 Capacities of the rural poor as service users

- How can the rural poor be empowered to voice their needs for services?

All too often needs of intended beneficiaries are formulated by the service providers without taking into account the needs as perceived by the users themselves, either because they are taken for granted or because providers offer what they have rather than what is needed. Participation of stakeholders claimed by service providers is often limited to priority setting. The rural poor do not always participate effectively in the provision and Monitoring and Evaluation of service delivery. Empowerment of the rural poor to play a decisive role in demand articulation, service provision and M&E of delivery for decision-making ('governance') is therefore essential. In SSA Tanzania and Malawi have strong records of producer organizations involved in services, as Latin America, notably Columbia, Ecuador and Venezuela (Rivera and Alex, 2005). In Asia this is less well developed (Birner *et al.*, 2006)

- How to enhance accountability by service providers?

In most cases service providers are not paid directly by the beneficiaries, the rural poor. As a result service providers sometimes feel accountable towards those who provide them with the means rather than those who use their services. Yet, in order to improve impact of the service on rural people's livelihoods, a direct relation between service providers and client is essential, including a relationship of accountability, where clients can request adaptations and make providers accountable for the success or failure of a service. Hence, capacity of the rural poor to involve in resource allocation for services is essential for enhancing accountability. Examples of cost-sharing and cost-recovery are limited, and are mainly confined to Latin-America, although some experiences are emerging in Africa, but not so much in Asia.

- How can the rural poor have an effective access to services?

In some cases the rural poor require certain services, but do not have the possibility to access them, for example because they do not have a

membership (i.e. of a farmers' organization) that is required - and which in turn needs a small investment and the necessary networks, i.e. social capital), because they are not aware of the existence of the service and how to gain access to it, or because the service puts certain criteria for targeting or participation on its users such as availability of land, labour or tools. Indeed, particularly agricultural services usually work with people who have assets; this does exclude for example the landless and wage workers. Increasingly also services are linked to supply- and value-chains. However, not everybody is involved at the same intensity in chains and not all services are linked to chains. Particularly in Latin-America services are increasingly linked to supply and value chains, in Africa this is only the case with the traditional export crops (cotton, coffee, cocoa etc.), while in Asia more area-based services operate.

- How to promote inclusiveness of the rural poor to engage in the "design", implementation and M&E of services?

As a result of "farmers first approaches" and other client-oriented management methods, service users are increasingly involved in planning and M&E of services. However, user participation varies in degree (ranging from consultation to partnerships- see for example Pretty *et al*, 1995) and between levels (from local to national levels), which determines the effect on the services provided (see for example IFAP, (1995) and Wuyts-Fivamo (1996) for linkages at different level between agricultural research organizations and farmer organizations).

Furthermore, better endowed rural, male producers participate, and benefit more, than vulnerable groups such as female headed household, young, minority groups, elderly or HIV/AIDS affected households. The first are often preferred beneficiaries of service providers since they are well organized and allow for success and evidence of impact of services. Inclusion of vulnerable groups requires an additional effort and often is the result of political choice. Organization of the rural poor is essential, since service providers do not usually work with individuals but with groups. Rural people's organizations can also influence policies on service provision and the pro-poor focus of these services. The issue is how capacities of the most vulnerable can be strengthened to influence service provision at their benefit, either through existing or new institutions and organizations. A strong inclusive poverty focus exists in service delivery in Vietnam and Nicaragua, and a more widespread, but not well developed scale in Africa (Rivera and Alex, 2005, Hussein, 2001).

- How to enhance innovative capacities of the rural poor, in view of having an effective demand?

An innovation is a successful mix of the appropriate technology, the organizational arrangements and the institutional settings. In some cases appropriate technologies are not available or not adapted to the specific context and circumstances of the intended beneficiaries. Local knowledge often proves to be of value in designing or adapting technologies (Reij and Waters-Bayer, 2001; Hocde, 2000; Carney, 1996). In other cases the technology is there, but is not accompanied by conducive, social arrangements or institutional settings (e.g. there is no market to sell the product, some inputs are not available, conditions for collective actions are lacking, etc.) to make it work. Again local knowledge and experiences can contribute to creating the necessary conditions. Yet, successful innovation processes are often the result of formal and informal institutions (e.g. knowledge, forms of organization, etc.). It is therefore important to take into account the capacities of the rural poor to contribute to technology development, shape institutions and



strengthen the organizations which represent them, as well as contributions of the public and private sector to add value to local knowledge, information and experiences, for example through providing financial services or linking with markets. A point of discussion is whether mixed groups or local platforms of relatively resource-poor and resource-rich groups can be instrumental in enhancing capacities of the rural poor.

## 5.2 Provision of sustainable, relevant and quality services of the poor

- How to ensure sustainability of service provision, specifically to the poorest?

In many developing countries the state withdrew from service provision, either because of other priorities for public finance, or as part of a redistribution of roles between the public and private sector, based on the type of services provided. Consequently, financing mechanisms have become less dependent on the public sector, cost-sharing mechanisms (e.g. through levies or user charges) have been introduced or service provision has been entirely privatised (Heemskerk et al., 2005, Tabor et al., 1998, Birner *et al.*, 2006). The increased involvement of the private sector in the provision of services has an impact on the accessibility of services for the poorest smallholder farmers<sup>6</sup>. However, specific attention is needed for the most vulnerable groups. Some countries mainly in Asia (e.g. India) and above all Latin-America (Nicaragua, Honduras, Chile, Ecuador, Venezuela and Uruguay) have gone far in the privatization and contracting out of advisory services (Birner *et al.*, 2006).

- How to design and implement services that can reach the poor and most vulnerable among them?

Service providers are not always aware of the needs of the rural poor or the methods available to provide their services in a manner that they contribute to improving rural livelihoods. Firstly, rural services have a tendency to focus on the relatively resource-rich male farmers, who, for example are member of wider networks due to markets, politics, traditional settings, etc., because the effects are more tangible and success is more likely. Therefore, additional efforts are needed to reach all rural poor through thorough knowledge and analysis of the needs and circumstances of the poor. Too often, blue-prints, for example inspired by administrative considerations, for the type of services to be provided are followed, for example inspired by administrative considerations.

Secondly, when having selected the relevant type of services, the design and implementation of services require appropriate methods in order to involve the rural poor and their representatives in planning and M&E. The particular conditions of the poorest on the one hand may require accompanying, asset or capacity strengthening services, for example financial services or literacy training, or need specific, participatory methods to involve vulnerable and socially excluded groups (e.g. gender sensitivity). Services for reaching the rural poor, and addressing their needs, have specific characteristics that enhance the likelihood of success. Particularly in Africa emphasis is given to the development of demand-driven services, as well as participatory services, in

<sup>6</sup> In the case of rural finance, as far as foreign aid to NGO's microfinance institutions exist, some of rural poor people have access to short term loans or limited savings schemes. But, with the objective of self sufficiency of rural finance, this access have been reduced

other regions the demand is stronger through emphasis on privatization and contracting.

- How to make use of Information and Communication Technology?

Information and Communication Technologies (ICTs) are generally private rather than public services. Yet, many services can benefit from ICT services, therefore it is essential to link ICT services into existing services and make use of the potential of these services.

- How to design and implement services that are effectively adapted to the rural poor?

When services are delivered to users as a response to their needs, their perception of quality is considered to be determining for services to be up to date. Quality is subjective and therefore depends on the criteria used by service users to assess quality. Criteria for assessing quality of services refer to: tangibles (e.g. equipment, materials); reliability (e.g. in time supply; responsiveness; competence and courtesy (e.g. cultural and gender sensitivity of staff); credibility; feel secure; access; communication; understanding the customer and his conditions (e.g. providing early and quick responses to threats and opportunities. The protagonists themselves can set performance indicators, which is done for example in the Scoring card methods. Some criteria for services are: long-term, reliable, lowest possible transaction costs, flexible to allow for changes, responsive, provider staff must be congenial and take into account cultural sensitivity, language and gender and add value to local knowledge. Also, services must provide early and quick responses to shocks. Saidou et al (2006) describe the different quality criteria that rural customers of services in Benin identified, in order of importance for different sub-groups.

- How to design services which help farmers respond to a changing context?

The context in which the rural poor operate is rapidly changing. Therefore new services are required that take this changing context into account, including the rising food prices, the new emerging markets for bio-fuel but also for carbon sequestration. Services to facilitate entrance into other niche markets such as fair trade and organic agriculture are also essential. These services can help the rural poor to take advantage of this changing context. Other new services that are required concern livestock production, processing, quality and disease control.

- How can rural financial services contribute effectively to smallholder farmers' activities?

Rural services include the provision and delivery of financial services. In many situations rural poor lack the means to start an enterprise or invest in other income generating, productive activities. Rural credit can then offer a way out and improve their livelihoods. Yet, agricultural credit is not always easy to access, because interest rates are high for investment, reimbursement conditions are not adapted to economic activities of the rural poor or they do not have a good reputation for paying back their loans. Therefore specific types of agricultural credit are needed that are adapted to the rural poor's conditions as well as effectively support technology and other innovations, which provide opportunities for the poor.

Often the poorest households are not considered viable clients of microfinance services since their economic activities make it difficult to them to repay interest-bearing loans. Other complementary services are then required for this group to enhance their economic opportunities and provide a social security net. Financial service providers need to pay attention to non-financial services to enhance the effectiveness of their financial products and increase prospects for low-income entrepreneurs (in production and post-harvesting activities) to build income and assets. These services are mainly provided by other specialized organizations and require linkages between financial and other service providers. Specialized services include (i) training and counselling on financial planning and accountability; (ii) training and information on value-addition activities; and (iii) establishing linkages with marketing networks (adapted from Women's World banking, 2007).

- How can rural financial services protect the poor from risks (including climatic hazards and price variations, credit supply)?

Refer to risk insurances. Risk management services in a globalizing world and due to integration of services.

*"The livelihoods of many rural poor in low income countries remain predominantly dependent on agricultural activity, and agriculture activity is vulnerable to a wide range of risks, including those related to weather. Without mechanisms to protect themselves against risk, these rural households and enterprises are often unable or unwilling to take advantage of market opportunities. Instead, they follow low-risk/low-return livelihood strategies and may even retreat from profitable projects for which they have adequate liquidity, resulting in lower than necessary incomes and growth. Insurance, flexible savings, and other financial services that help household's smooth consumption and protect themselves against shocks can help minimize potentially devastating asset losses and facilitate shifts toward adoption of livelihood strategies with potentially higher returns. In addition, instruments that mitigate risk to these households also remove a primary constraint to the supply of finance as private sector financial institutions are better able to reduce a major cause of default on loans in rural areas and to agricultural enterprises. Improved access to finance further reduces rural households' and agricultural enterprises' vulnerability by enabling them to improve technologies, expand assets, and take advantage of economic opportunities."*  
(Text copied from RAFI, 2006)

1. Financement des investissements agricoles qui permettent une augmentation de la productivité du travail des ménages pauvres (taux bonifiés, financements subventionnés via les fournisseurs d'intrants, financements de structures comme les associations de caution mutuelle ...);
2. Accès des pauvres et des groupes sociaux défavorisés aux services financiers (projets ou institutions spécifiques, cahier des charges pour les services privés en compensation d'allègement d'impôts ou de subvention spécifiques ...);
3. Présence des services financiers dans les zones à faible pression démographique

### **5.3 Enabling policies and institutional arrangements for pro-poor services**

- How to facilitate complementarities and effective synergy between different types of services and service providers?

The landscape of service providers sometimes is confusing for the intended beneficiaries. Multiple providers (governmental/state, non-governmental/NGOs, private enterprises, bankers, farmer organizations, etc.) offer multiple services (advice, facilitation, credit, training etc.). For particularly the poor without strong social assets it may be confusing how these services link to each other and what a combination of these different services entails. Yet, a competitive environment amongst service providers probably enhances the quality of the services. In addition, steering and coordination (by whom?) of service providers is needed to make services more effective. Also services should be integrated where feasible considering their interdependent nature.

The increased privatization of agricultural services often led to a dichotomy between public and private services, each with its source of finance, target groups and demands, and mode of operation. For example levies (on commodities such as cotton and cocoa) are no longer used to finance public services and directly go to either private service providers or producer organizations, which in turn target well-endowed farmers (commodity producers) (Steenhuijsen Piters *et al.*, 2005, Horna, 2005, Davidson and Ahmad, 2003). The issue is which arrangements can be designed and implemented in order to: (i) reinforce complementarities and synergy between the private and the public sector, without leaving the poor and (ii) enhance learning for mutual benefit (Sulaiman and Sadamate, 2000).

- How to design institutional arrangements that enhance social inclusion of services?

Institutional arrangements are formal or informal agreements between stakeholders and are critical for voicing the needs and favouring an inclusion of the more vulnerable groups. Informal institutions (e.g. the socially inclusive community organizations or networks) can and do play an important role in including the rural poor in decision-making on service provision. Formal institutional arrangements need either to be opened up to voices from the poor (e.g. link with socially inclusive informal institutions) or provide new opportunities (e.g. access to markets) to the poor to improve their livelihoods (KIT, Faida MaLi and IIRR, 2006). For example, decentralisation, which has become a reality in many countries, brings services closer to the rural people and involves local, democratically elected governments (having a constituency) in the provision of services and opens new ways to enhance user responsiveness and downward accountability of services (Singh *et al.*, 2006). Blue prints certainly do not exist. Yet, successful responses to this challenge may provide commonalities for enhancing the inclusive character of institutions and particularly the role of the State, the public sector and service users' organizations (Nederlof *et al.*, 2004)

- How to link services to both national and local level

Increasingly farmers need to be competitive on a national (country) level, rather than on a local level, due to globalisation and integration of markets. Services therefore need to include business development and marketing on a higher level.

- How to design services that respond to new regulations and standards.

In an increasingly globalizing world and integration of markets, farmers face new demands in terms of standards, quality control, constant provision and

other regulations. Farmers are not only not always fully aware of these changing standards, but also are not well equipped to answer to them. New services are required to support the rural poor in their endeavour.

- How to enhance interaction between smallholder farmers and other stakeholders?

Agricultural innovation often results from an improved interaction amongst stakeholders (rather than from, for example, science or a new technology). Stakeholders include the clients (different categories of the rural poor), the service providers, but can also include traders and policy makers or bankers and processors, depending on the focus and context. From this point of view improved interaction could lead to improved livelihoods. Following an innovation systems approach, enhanced interactions amongst stakeholders would result in innovative performances, in which services are likely to play a supportive or facilitating role. Effective interaction requires institutions (i.e. interfaces) that facilitate stakeholders to meet around a common interest and take action forward as well as including smallholder farmers.

- How to design policy in such a way that it increases opportunities for facilitation services and medication?

From the trends discussed in the previous paragraph we understood that a shift from a linear to a holistic paradigm is ongoing. Yet, this paradigm shift, which also includes a shift from teaching to facilitation and interactive learning, remains a key challenge.

## 6 Past and contemporary successful responses

The current and next sections are based on tacit knowledge of authors involved, other contributors and a literature review. Both sections will be developed further and substantiated after the cases have been worked out and successful responses have been further explored and analysed. The cases will allow for a comparative analysis and success factors will be further deduced.

### 6.1 Successful responses and success factors

We will first describe some possible responses and next we will highlight the success factors, which make that these responses can be successful or not.

#### *Successful responses*

What do rural people do to access services? What are responses the rural poor design themselves to improve their livelihoods in which access to services plays a role? It should be stated again that in some cases the rural poor can be users and in others providers.

1. Often people organize themselves for example in a farmers' organizations since it is more likely that a farmer organization accesses services. Farmer organizations have a greater bargaining power due to the number of people they represent, and can develop cots-sharing mechanisms on this basis. Farmer's organizations are however not primarily established for the sake of attracting services, although social capital can be collateral for getting access to rural credit.
2. In some cases the farmers' organization provides services to its members, and as such joining a farmers' organization is a successful response in enhancing access to services.
3. In other cases farmers join in collective action to facilitate access to services (in such cases the form of organization is just for the sake of the specific situation and does not result in a more permanent form of farmer organization), unless the organization has or has developed other group purposes as well. Examples can be found in farmer research and Extension Groups (Heemskerk and Wennink, 2004)
4. Rural poor increase their interaction with other stakeholders. Exchanges and increased interaction might result in possibilities for learning and opportunities to access services.

The rural poor access services through diverse mechanisms. A trend is in the direction of market-based mechanisms.

#### *Success factors*

The following factors, which appear important for the success of a response, can be mentioned:

3. Collective action between rural poor.  
Common initiatives are more likely to result in success than individual responses. Collective action is important in terms of market access, chain empowerment and access to resources and inputs, and increasingly in access to knowledge, knowledge generation and dissemination.
4. Interaction with other stakeholders often drives innovative responses.

Different experiences, inventions, as well as individual interaction with other stakeholders can become group innovations through interactive learning.

5. Economic community of purpose.

An economic purpose, such as access to markets is often determinant for success. This is expressed in well articulated demand of services as well as clear ownership of such demand; this could even lead to cost-sharing arrangements.

6. Voice is critical

Voice is critical in enhancing responsiveness as well as inclusiveness of services. Voice is primarily about service users exercising pressure on service providers to get responsive, quality services (adapted from Goetz and Gaventa, 2001). Providing platforms and fora for exerting this voice is essential. Critical is also to hear the voice of all, and avoiding the group process to obscure some of these.

Voicing in turn requires empowerment of the rural poor to play a decisive role in demand articulation, service provision and M&E of service delivery. Empowerment is about people taking increased control over their lives and destiny (Kabeer, 2001). Empowering service users can be initiated through adapted methodologies (e.g. "farmer first approaches", use of participatory tools for diagnosis and planning) and enhanced through institutions, for example, through strengthening farmer organizations which link or partner with service providers. Empowerment involves several steps (Bartlett, 2004): (1) means: provide opportunities, enhance capabilities (e.g. skills) and access resources (e.g. finances); (2) process: analysis, decision-making and -taking, and action; and (3) end: control of livelihoods assets.

Empowerment of farmers in service provision often goes through three stages; (i) enhanced participatory planning, monitoring and evaluation; (ii) involvement in resource allocation for service provision; and, (iii) actual service provision by farmers' organizations, although stages can also run simultaneously. Such empowerment requires adapted methodologies (farmer first, participatory tools, diagnosis etc.) and, strong farmer organizations, which link or partner with service providers.

The end (i.e. achievement of empowerment) involves an increased influence of people over the conditions of their lives, i.e. an increased control over livelihoods assets. People gain greater control over their human capital (e.g. knowledge, skills, etc.), social capital (within groups and networks), natural capital (e.g. management of land and water), physical capital (e.g. infrastructure), and financial capital (e.g. savings, credit, wage rates), for which access to responsive, socially inclusive, quality services is required.

7. Favourable policy and institutional context.

Establishment of clear policies on the provision of rural services to the poor is a political choice, often influenced by the rapidly growing urban electorate. Examples of enabling policies are found in rural innovation policies, decentralization policies, policies on the involvement of private service providers etc. This is followed by the development of a favourable institutional context, such as establishment of (learning) platforms,

recognition and registration of farmers’ organizations and certification of qualified service providers.

8. Deliberate policies for vulnerable groups.

This includes policies for specific target groups, for example HIV aids affected, widows, youth, minority ethnic groups, pastoralists. Quality of services is enhanced through competition between providers and also requires mechanisms to enforce commonly agreed standards and norms and strengthen capacities to enhance quality.

Cost-effectiveness of service provision can be enhanced through decreasing transaction costs (e.g. involving farmer groups) and introducing payment modalities (e.g. user fees – even though for training this might not be applicable), which in turn also enhance customer ownership of services and their engagement in planning and monitoring service provision.

9. Holistic approach.

Concerning agricultural innovation, the service system requires functions that are to be ensured by the system as a whole and include (adapted from Johnson, 2001): (i) ‘basic functions’ (i.e. identifying the focus of innovation, creating and disseminating knowledge and information) and (ii) ‘support functions’ (i.e. facilitation and mediation, sharing and exchange of knowledge and information for learning purposes, supply the necessary resources, and providing complementary services and an enabling environment). A more systemic approach also requires strong roles of system facilitators to make interactive learning possible (Klerkx, 2007).

10. “Real participation” in all steps of the process.

Involvement in planning is often referred to as participation. Active participation of service users is based on partnership and interactive learning and hence in all stages of the process. Special emphasis is needed for participatory monitoring and evaluation as an essential contribution to this interactive learning process (Guijt, 2008).

11. Degree of the demand-drivenness of the service provision.

Service providers need to have a client-oriented organizational structure in all its aspects in order to be able to provide demand-driven services (Heemskerk et al., 2003). This often requires organizational change not only in its internal structures for demand-driven efficiency, but also in terms of external relations for effectiveness (see Table)

**Table 2: Types of initiatives for making services more responsive**

| <b>Citizens’ initiatives</b>                             | <b>Joint civil society and public sector initiatives</b>      | <b>Public sector initiatives</b>                         |
|--|---|--|
| Awareness-raising and capacity building for mobilization | Implementation and precedent-setting (including partnerships) | Consultation on users’ needs (for policies and services) |
| Information generation (research for advocacy)           | Auditing  | Setting standards  |
| Lobbying to influence planning and policy formulation    | Joint management of sector programs                           | Incentives, sanctions and performance measures           |



| <b>Citizens' initiatives</b>            | <b>Joint civil society and public sector initiatives</b> | <b>Public sector initiatives</b>   |
|---|--|--|
| Citizen-based monitoring and evaluation | Government frameworks for participatory planning         | Service delivery "ethos" in organizational culture<br>Accessible (government) information and services<br>New rights for citizens or clients |

Source: Goetz and Gaventa (2001)

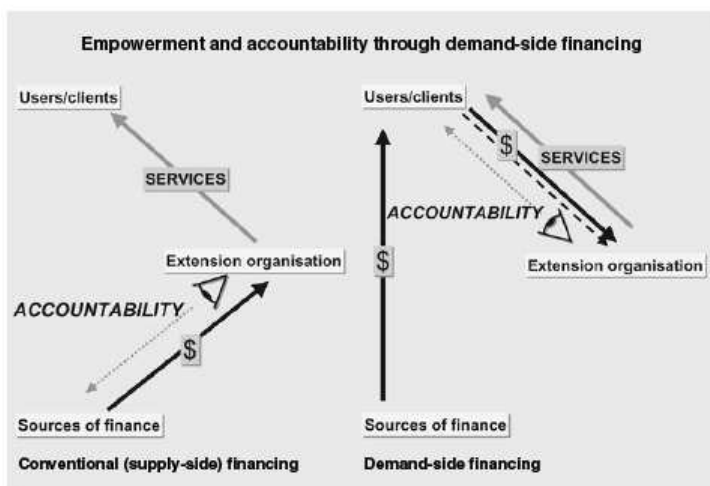
12. Degree in which social capital has been created.

Rural poor respond to service demand through collective action, but the reverse also applies. Services cannot become truly demand-responsive in the absence of effective demand or pressure from the organized rural poor, hence the need for social capital i.e. strong groups (bonding social capital), strong farmers' fora and platforms (bridging social capital), as well as organizations strongly embedded in the innovation system( linking social capital) (Heemskerk and Wennink, 2004).

13. Degree of accountability.

Besides voicing to make their needs taken in account, service clients/users also need to make service providers accountable, i.e. take their responsibility for the services they effectively provided. Increased accountability requires not only an effort from the providers (e.g. attitude change) but also an effort from the rural poor (e.g. creating different, more equal types of relationships towards their providers).

Accountability mechanisms can either be organised 'vertically' of political authorities (e.g. through elections) or 'horizontally' of service providers (e.g. by civil society) (Goetz and Gaventa, 2001). For effective horizontal accountability by rural service users and their organizations, in order to improve impact of the service on rural people's livelihoods, a direct relation between service providers and users is essential. Users then can request adaptations and make providers accountable for the success or failure of a service. This requires efforts from the providers (e.g. attitude change) but also an effort from the rural poor (e.g. creating different, more equal types of relationships towards their providers). Service providers feel more accountable towards clients who pay for services. In poverty stricken rural areas, few service providers are paid directly by the users, the rural poor. As a result service providers, whoever they are, feel more accountable towards those who provide them with the means, the government or donors, rather than those who effectively use their services.



Source: Neuchâtel Group (2007), Chepita, S. (2006).

## 6.2 Analytical framework for the scouted cases

The analytical framework used to analyze the access of the poor to services is the innovation systems perspective.

The application of the innovation system perspective has the following features (World Bank, 2006):

- Focus on innovation as its organizing principle and used in its broad sense, i.e., the activities and processes associated with the generation, production, distribution, adaptation and use of new (technical, institutional, organizational, or managerial) knowledge.
- Conceptualization of 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, and the wider set of relationships in which they are embedded.
- 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 enormously important for understanding the focus on poverty.
- 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.

Its use as an analytical framework for “access to agricultural services” is based on the premises that:

- Accessible rural services contribute to improving and sustaining rural livelihoods.

- Transforming rural service systems requires interaction and learning among the stakeholders.
- The direction the transformation process intends to take is negotiated through a coalition of interests or a collective purpose, which depends on the policy and institutional context and the capacities of the stakeholders. The framework provides a means of examining and revealing, which agendas are, being promoted and how the voice of the poor is promoted.
- Interaction involves facilitation and mediation and often includes negotiation, since interests may diverge and power relations may be unequal.

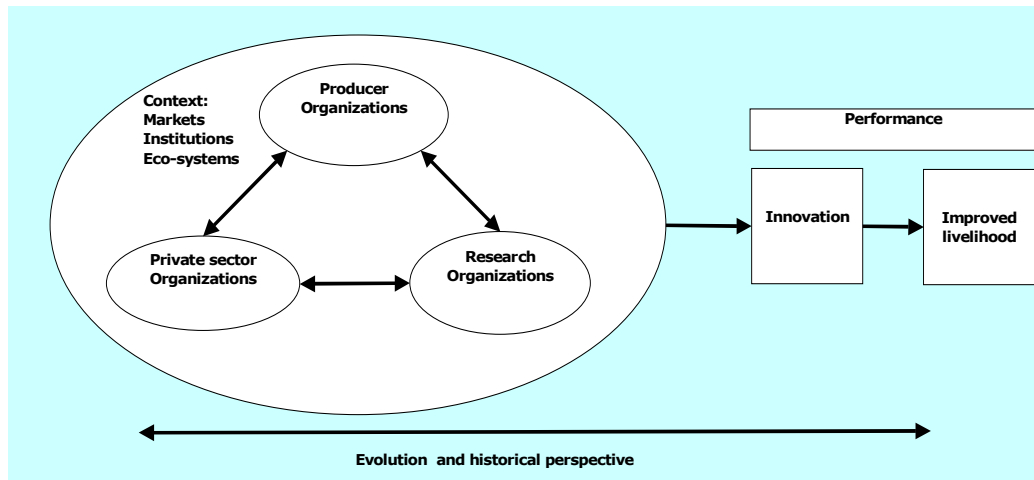
The proposed analytical framework underlines the governance of the system, the functional relationships, the stakeholders as well as their interests, assets and capacities. The role of stakeholders is flexible and 'partnerships' are often 'messy', determined by the nature of tasks, the national institutional context as well as by the resources available.

The key elements of the framework are (adapted from Albert, 2000 and CTA/UNU-Intech/KIT, 2005):

| Elements                                 | Issues   |
|--|--|
| Policy and institutional environment     | <ul style="list-style-type: none"> <li>- Agro-ecology and natural resources</li> <li>- Political system and economy</li> <li>- Market access</li> <li>- 'Strength' of the State (fragile state)</li> </ul>   |
| Stakeholders and their capacities/assets | <ul style="list-style-type: none"> <li>- Smallholder and large holder farmers (organizations)</li> <li>- Public and private service providers</li> <li>- Services provided (e.g. level and scope)</li> </ul> |
| System functions                         | <ul style="list-style-type: none"> <li>- Policy making (e.g. investments) and assurance</li> <li>- Organizing the demand</li> <li>- Financing of services</li> <li>- Service delivery</li> </ul>             |
| Linking and interaction                  | <ul style="list-style-type: none"> <li>- Linkages (e.g. asymmetry)</li> <li>- Participation of stakeholders in functions</li> <li>- 'Governance'</li> </ul>  |

The performance of the system (success factors and challenges) could be assessed in terms of innovations (institutional, organizational and otherwise), which lead to enhanced 'pro-poor policies and practices' and results in enhanced livelihoods of rural poor. The performance is based on effective interactive learning between key stakeholders (producers and processors, markets, research, input supply services) facilitated by intermediaries such as agricultural advisory services.

This could be captured in a figure as follows:



Enhancing interactive learning between producer organizations, private sector organizations and research organizations, facilitated by intermediary advisory services is the main output, contributing to innovation as an outcome and leading to an impact on enhanced rural livelihoods in all its dimensions.

## 7 Key lessons

This is a preliminary selection of what, based on the above, can be expected in terms of key messages that are derived from the case studies. The key lessons are clustered according to the clusters of sub-challenges identified in the paper. (see preliminary list of cases scouted for the IFAD RPR 2009).

### **Capacities of the rural poor as service users**

1. Need to link financial services that are adapted to the specific situations of the rural poor and provide opportunities to enhance innovative capacities, mainly for the most vulnerable, with other services (CIRAD Cases).
2. Farmers' organizations can play different roles in the pro-poor orientation of services (Wennink *et al.*, 2007:62-63): (1) lobbying for an enabling policy and institutional environment (2) facilitating the voice of the rural poor (3) exercising influence on advancing socially inclusive research and advisory service agendas (4) becoming involved in the implementation of research and advisory services (Cases from producer organizations in Rwanda, Tanzania and Benin and Latin-America).
3. Enhance the need to articulate inclusive demands through capacity strengthening of farmers' organizations (Wennink *et al.*, 2007).

### **Provision of sustainable, relevant and quality services**

4. Need to differentiate services depending on intended beneficiaries (i.e. with a particular focus on vulnerable groups to enhance social inclusion) (Rivera and Alex, 2005: FFS in Philippines/Indonesia, NAADS in Uganda, Egypt)
5. Service providers need to design, in close participation with the rural poor, appropriate methods to create and implement pro-poor service in such a way that they effectively respond to the needs of the rural poor.
6. Steering and coordination of service providers and services at the local level is needed to enhance (1) coherence and synergy of services and (2) a more efficient use of services by the rural poor, as well as (3) stimulation of interaction and learning between service providers.
7. Need for effective linkage between productive investment/ technological innovation and financial services/ risk management/ vulnerable reduction, requiring new roles for intermediary and facilitatory services rather than dissemination of information (Rivera and Alex, 2005: Cases from Bangladesh and, Mali and Chile).

### **Enabling policies and institutional arrangements for pro-poor services**

8. Provide multi-stakeholder driven evidence (through local knowledge institutes) for effective policy context change in terms of innovation, decentralization, public-private partnerships and rural empowerment.
9. Enabling interaction between farmers' organizations, and private sector organizations as well as research and advisory organizations through institutional innovations (platforms, funding mechanisms, regulation and certification etc.)

10. To improve the access to rural services, there is a need for a continuous interaction between rural service providers and the rural poor and information of service users (i.e. information asymmetry).
11. Building social capital for improved interaction amongst stakeholders and enhanced performance of the AIS (ASP, 2005: Mozambique,
12. Enhance capacities of local governments/authorities to steer/coordinate services and service systems for effective service provision/delivery. To improve the access to rural services, there is a need for a continuous interaction between rural service providers and the rural poor and information of service users (i.e. information asymmetry).

**It is anticipated that the Rural Poverty Report will emphasize the following key messages:**

- Rural poverty reduction is possible when and where rural poor people are empowered and when the right combination of enabling policy and interaction amongst stakeholders is in place.
- Pathways out of poverty are multiple and diverse. There are no blueprints. These pathways are affected by globalization but depend on local conditions, institutions, initiatives and investment.
- More attention from global and local policy makers and more policy space are needed to enhance rural poor' innovative capacity and as a result lead to improved livelihoods.
- Rural people, and in particular smallholder farmers, are key stakeholders in bringing sustainable solutions to the challenges of tomorrow: achieving the MDGs, adapting to and mitigating climate change and ensuring sustainable development, are parts of a common agenda in which 2.1 billion poor rural people have a key role to play.

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## **Annex 1: Terms of Reference and Guidelines**

### **Extract from ToR (annex to institutional contract)**

IFAD's Rural Poverty Report 2009 (RPR09)

Access to Improved Agricultural Services

(Background Paper as an input to Chapter III of the Report)

### **KIT Main Responsibilities:**

KIT will be the key partner in the formulation of a Background Paper for Chapter III as an input to IFAD's Rural Poverty Report 2009 (RPR). The Background Paper will cover all geographical regions: Africa, Asia, and Latin America. Completion of the Background Paper is expected for March 2008. The overall responsibilities of KIT are as follows:

### **Background Paper:**

- Comments/inputs to IFAD's Draft Guidelines on "Access to Improved Agricultural Service Provision for the Rural Poor" (as an input to Chapter 3) prepared for the Start-up Workshop of December 2007, and their finalization in collaboration with the IFAD team.
- Preparation of a Background Paper (40-50 pages plus annexes if relevant) as an input to Chapter III:
- Definition of a list of Key challenges to be analysed in the Background Paper and to steer the scouting and stocktaking of successful case studies.
- Development of an analytical framework and a draft annotated outline of the Background Paper.
- Workplan, approach and main issues of the Background Paper: KIT will produce a Note on the updated work plan, how the challenge approach will be adapted to the chapter, key issues that need to be addressed and how these will be dealt with in the Background Paper and timeline following the RPR Start-up Workshop of 5-6 December 2007. The Note should be submitted to IFAD's Chapter Leader, Philippe REMY, who in turn will share with the IRG<sup>7</sup>.
- Finalise the Background Paper incorporating the comments and observations of IFAD's Policy Division, the IFAD core group on this background document, the Inter-Departmental Reference Group and any others who would be requested to review the Background Paper.

### **Scouting and stocktaking for successful case studies:**

- Scouting and stock taking for successful case studies from field experiences other than IFAD's (January 07 – March 08) and incorporation of IFAD's case studies as provided by IFAD on the basis of the key challenges. This entails close collaboration with IFAD to: (i) identify relevant data; (ii) coordinate and merge the two parallel processes, and (iii) select and reporting successful case studies.

<sup>7</sup> Access to Improved Agricultural Services outline: The IFAD Chapter Leader will be sharing the Access to Improved Agricultural Services outline prepared by KIT for this Background Paper with other IFAD Chapter Leaders for the remaining chapters to facilitate the consistency of the Report and the use of the analytical framework.

- KIT will conduct its own screening and presentation of non-IFAD Case Studies following the general principles of the Scouting Methodology prepared by IFAD. Case studies will be included in the Background Paper.

#### **Regional consultations:**

- KIT will provide a “writeshops” methodology and relevant costing for the organization and its implementation at the five regional consultations regarding Chapter III.

#### **Communication and information flow:**

- To carry out the above activities, it is expected that KIT will keep a close interaction, collaboration and coordination of activities with IFAD through IFAD’s Chapter Leader. This implies intellectual and technical dialogue and coordination of relevant activities throughout the preparation of the Background Paper.
- It is also expected that KIT will interact with IFAD’s field partners and with other global knowledge centers, in particular: CIRAD, FAO, IFPRI, IFAP and other POs networks from all regions; with other RPR contributing authors such as the Future Agricultures Consortium (IDS/ODI/SOAS) and some CGIAR centers, among others.

#### **Brief guidelines for the RPR09 Background Papers (12.12.07):**

(as inputs to Challenge Chapters 1-6)

- **1.** Explaining why access to - and capacity to take advantage of “policy processes” (or other identified challenges) is and will continue to be a priority challenge (“an objective with an obstacle”) for most poor rural women and men. The answer must first describe “what is to be accessed”, the extent to which rural people have or don’t have access to the asset, service, opportunity or process and the capacity to take advantage of it and why it is an objective for the poor. The answer must take into account the dynamic of the rural worlds and the fundamental changes analysed in Chapter 1: population/demographic changes, climate change and resource scarcity, markets. The answer(s) provided in the Background Papers will be discussed and validated through the regional consultations.
- **2.** Mapping the diversity (in different contexts), the different dimensions (local to global, private to public) and the evolution (including future trends) of the challenge (or challenge cluster), in particular of the obstacles from the point of view of poor women and men in rural Asia, Africa and Latin America. This part will go more in the detail of the relation among access and the capacity to take advantage of a challenge, and the livelihood of rural poor people: why having access to a challenge (or an opportunity) is necessary but not sufficient to overcoming rural poverty in specific contexts and what are the obstacles in terms of social and economic relationships, institutions (understood as rules of the game) and policies. This section will also highlight links to the other challenges. (Is there a need for a typology of “situations/context” and of rural households?)
- **3.** Mapping past and contemporary successful responses to the challenge, from rural people, communities and organizations as primary stakeholders and from public policies and programmes as enabling factors. This part is presenting the framework for scouting / stocktaking of successful or promising responses. Successful or innovative/promising character of the

response will have to be assessed against changing context and future trends.

- **4.** Summarizing the key lessons that can be learned (key success factors) in terms of public policy and programmes at the local, sub-national, national, regional and international levels that enable rural poor women and men to respond successfully to the challenge and “work their way out of poverty.” Links with other challenges and responses, in particular linking the four core challenges to the policy and governance chapter (Chapter 6) will be highlighted.



## Annex 2: Definitions

*Capacity* is the ability to hold, receive or absorb.<sup>8</sup> Capabilities refer to what people can or cannot do. In our view, *poverty* is the deprivation of basic capabilities.

*Empowerment* is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets.<sup>9</sup> Empowerment hence is an expansion of capabilities and freedom.

*Service* has many definitions.<sup>10</sup> We in our work refer to services as rural services i.e. services provided to rural families and households. Such services can be divided according to source of funding (e.g. public or private), provider (e.g. State, farmer organization, NGO, bankers, private enterprises) content (e.g. process or output) or method (e.g. facilitation, advice, research, or training). We deliberately do not refer to input services (such as fertilisers), but we include agricultural credit.

In our view, *service provision* refers to the decision-making on the target group/beneficiaries of services, the volume and quality of the services and the financing of services ('governance' issues). Service delivery is the process of converting inputs into outputs ('management') and can involve different combinations of inputs and a variety of arrangements (adapted from Schroeder and Matthews, 2001).<sup>11</sup>

*Social inclusion* of service provision essentially refers to the access to services by the most vulnerable farmers in rural society. Social inclusion hindrances refer to: (1) lack of assets (resources, social relations etc.); and (2) institutionalized barriers to access services

*Institutions* are humanly devised frameworks that shape human interaction.<sup>12</sup> It is the set of formal and informal rules of the game. Organizations are groups of individuals which are bound by some common purpose to achieve agreed objectives.

A *sustainable livelihoods* perspective focuses on: (1) a holistic understanding of access to, and control over, capital (natural, financial, social, human and physical); (2) the context of vulnerability for the poor; and, (3) processes, institutions and policies at all levels that help or constrain people to use their different kinds of capital for improved livelihoods.<sup>13</sup>

<sup>8</sup> From: <http://en.wikipedia.org/wiki/Capacity>

<sup>9</sup> From <http://www.worldbank.org/poverty/empowerment.htm>

<sup>10</sup> See for example <http://en.wikipedia.org/wiki/Service>

<sup>11</sup> From:

[http://www.uncdf.org/english/local\\_development/documents\\_and\\_reports/thematic\\_papers/capetown\\_paper2.pdf](http://www.uncdf.org/english/local_development/documents_and_reports/thematic_papers/capetown_paper2.pdf)

<sup>12</sup> North, D. C., 1990. Institutions, institutional change and economic performance.

<sup>13</sup> DfID/FAO, 2000. Interagency lessons and experiences.

### **Annex 3 Rural poor**

The poor are those who live on less than 1USD a day. The poor mainly live in Sub-Saharan Africa. In Asia, a small minority of the population belongs to the very poor. During the last decade (1990 – 2004) the number of poor people in Sub-Saharan Africa even increased, contrary to the Pacific and East Asia.

Poverty is the result of exclusion from economic, social and political processes (World Bank, 2000). The poor people belong to groups that have in common that they are excluded, e.g. living in remote areas, having little assets such as land or basic skills. The poor mainly live in rural areas and the disparities between urban and rural areas tend to increase (Ahmed et al., 2007). In agriculture-based countries (with a 32% share of agriculture in GDP growth; mainly Sub-Saharan African countries), 70% of the poor live in rural areas. In so-called transforming countries (with 7% share of agriculture in GDP growth; East and South Asia, the Pacific, the Middle East and North Africa), 82% of the poor are rural. In urbanized countries (with less than 7% share of agriculture in GDP growth while agribusiness and food industry account for one-third of the GDP; Latin America and the Caribbean), poverty is mainly urban, although 45% of the poor live in rural areas (World Bank, 2007).

There are several dimensions to 'being poor', such as: (i) lacking adequate food and shelter (income), poor access to education and health services, and other deprivations that keep a person from leading the kind of life that everyone values; (ii) facing extreme vulnerability to ill health, economic dislocation and natural disasters; and, (iii) being exposed to poor treatment by institutions of the state and society at large, and being powerless to influence key decisions affecting one's life (World Bank, 2001). In order to consider the various dimensions of poverty and to put the poor in the centre, it is useful to adopt a sustainable livelihoods perspective (for more information, see IDS, 2006). A sustainable livelihoods perspective pays attention to: (i) a holistic understanding of access to and control over capital (natural, financial, social, human and physical); (ii) the context of vulnerability for the poor; and, (iii) processes, institutions and policies at all levels that help or constrain people to use their different kinds of capital for improved livelihoods (DfID/FAO, 2000). Such a perspective helps us find ways to enhance a policy and institutional environment to better support poor people's livelihoods while building on their strengths. Poor people have their own strategies to secure their livelihoods depending on such factors as their socio-economic status, education and local knowledge, ethnicity and the stage in the life cycle of the household (Messer and Townsley, 2003). (Wennink et al, 2007: 10)

The policy paper on targeting the rural poor (IFAD, 2006: 8) states that the cornerstones of IFAD's approach are capacity-building and empowerment. They stress (ibid: 22) that targeting also implies creating capacity to provide services (including financial service institutes) that meet target groups' needs. They therefore state that activities and services must be self-targeted to the poor, because success depends largely on whether the service is crafted around the assets, livelihood constraints, productive potential, development opportunities and priorities and aspirations of poor people (ibid: 29).

## Annex 4: Rural service systems

From a service system perspective, five important aspects can be distinguished: (1) *type of service*, comprising *key features* of a specific service, including technical and economic characteristics; (2) *stakeholders* of the service system, including both the service providers and the clients/users; (3) *functional relationships* of the service system on different levels, including the *components* of service provision, the *interaction* of and amongst stakeholders and services, and the *governance* of the service system; (4) the *level and scope* of the service system; and (5) the *frame conditions* of the service system, under which the service system is functioning (according to Albert, 2000<sup>14</sup>).

All *types of services* have in common, by their nature, that they are mainly immaterial. The technical characteristics of services, contrary to goods, are that they are intangibility, heterogeneous, and inseparable; while their economic characteristics are the degree of excludability and subtractability,<sup>15</sup> their quality aspects (product-based and/or user-based) and effects (external and internal). We would like to stress again that we specifically focus on services and not on goods.

The three main groups of *stakeholders* in a rural service system are the service providers (e.g. governmental and parastatal organizations, private companies, civil society organizations, farmer organizations, informal service providers) and the service clients/users (e.g. individuals, farmer groups and associations), as well as those stakeholders who organize or facilitate the interaction between providers and client/users. The performance of agricultural and financial services can be rated according to their effectiveness, efficiency, accountability, equity and enforceability. Furthermore, accessibility and affordability of services are highly important to the users.

*Functional relationships.* The provision of services includes four *components*: (substantive) *demand, financing, delivery* and *assurance* (modified after Albert 2000). Four models result from the distinction between financing and delivery (see also Rivera, and Heemskerk et al, forthcoming), with at one extreme the traditional model of publicly financed and delivered services, and on the other extreme services paid for and delivered by the private sector. Five potential sources for financing services can be distinguished: taxes, direct fees, indirect fees, governmental subsidy and external contributions. The components of service provision can be taken care of by different stakeholders; e.g. the State can finance services that are contracted out to the private sector for delivery (i.e. outsourcing). So, several combinations of services and stakeholders are possible. The assurance of services implies that clients/users can expect that services will be delivered on time and in the right place. Under the traditional model, the State is responsible for assurance through financing and delivery. The assurance of services that are financed and delivered by the private sector is guaranteed through rules and regulations that are developed and enforced by the State. Yet, in this last case, market mechanisms may rather influence the way services are being delivered.

Within a rural service system, *interaction* takes place between stakeholders, either within a specific stakeholder group (among service providers, client/users or facilitators/inter-stakeholders) or between stakeholder groups.

<sup>14</sup> The text that follows develops these aspects based on Albert (2000).

<sup>15</sup> These are two characteristics for classifying public and private goods. In practice though, goods and services show a mix of both characteristics.

The interaction between service providers and clients/users can be rather more complicated, depending on the types of services and stakeholders involved. The distinction of components of service provision helps to assess the interaction between stakeholders, and particularly the participation of users (i.e. the rural poor), in demanding, financing and delivery, and assurance, and hence the effect of services. The interaction between service providers can be characterised by elements of *competition*, *coordination* or *cooperation*. Collaboration and cooperation are often driven by a common purpose or interest; e.g. the economic development of a geographical area or the need for complying with standards imposed by markets. Yet, competition can also be a driver for development.

Collaboration and cooperation practices point out the interdependence of services; one service often depends on another service for achieving its final aim. Therefore, intervention in one service must take into consideration the conditions in other services and hence the relationship and interactions between different services have implications for effective problem solving and enhancing impact at the level of the rural poor. This also requires service clients/users and their organizations to articulate issues of interdependency

Within the context of rural service systems, *governance* can be defined as the 'rules of the game' for the main stakeholders involved, service providers (i.e. stakeholders for the four components), service clients/users and facilitators of interaction. For further details we refer to the background paper to chapter 6 on policy and governance. Facilitators are needed to support and to enforce the transactions (i.e. contracts) between particularly the service providers and users, while reckoning with the external effects on the society (adapted from Ruys, 2005). Mechanisms for facilitation can include mediation, brokerage and coaching (see also Klerkx (2007)). Modes of governance are based on (supposed) rational behaviour of the stakeholders involved. Examples of modes of governance are the "market", which gives decision-making power to service providers and users who behave "commercially" and have to respect a set of legal regulations; and the "State" where the public sector, who behaves "politically", defines the needs for services (on behalf of the community) and provides the services through planning and control procedures (adapted from Albert (2000) and Ruys (2005)).

In terms of the *level* of services, rural service systems embrace the micro level (e.g. farm households), the meso level (e.g. sub-national administrative bodies, user organizations such as producer organizations) and the macro level (e.g. national policies and legal frameworks). The *scope* of the service system can be differentiated according to people-based (e.g. small holder farmers in general), commodity-based (e.g. cotton supply chain) and area-based (e.g. irrigation schemes). The *frame conditions* include the agro-ecological, socio-economic and political conditions.

## Annex 5: Changing paradigms

Services include agricultural extension and research. Different explanations exist to explain why research had such a limited impact on resource-poor farmers' livelihoods in West Africa. For an overview see Table 1 (Nederlof, 2006).

| First emerged    | Explanation for lack of research impact  | Interventions   | Methodology/ approach   |
|------------------|--|---|---|
| 1950s 1960s      | Farmers are backward and ignorant  | Agricultural extension teaches farmers the 'right technology'   | Transfer of Technology, Training and Visit  |
| 1970s 1980s      | Farmers do not have the necessary means  | Agricultural extension facilitates access to credit, implements and inputs                            | High Yielding Varieties, Inputs, Package approach   |
| 1970s 1980s      | The proposed technologies do not fit the conditions of the farmers                 | Researchers study the conditions of farmers and generate fitting technology                           | Farming Systems research, On-farm research, Interactive prototyping   |
| Late 1980s       | The proposed technologies do not match with resource-poor farmers' goals           | Farmers participate in planning and evaluation  | Participation (Participatory Learning and Action (PLA), Participatory Rural Appraisal (PRA))  |
| 1990s Early 2000 | Researchers alone cannot grasp the complexity and the dynamics of local situations | Researchers join forces with farmers (and extension workers) to explore and design viable innovations | Facilitation of learning, Participatory Technology Development (PTD), Farmer Field School (FFS) (in Integrated Pest Management), PID* |

Source: Adapted from Scheuermeier *et al.*, 2004: 5

\* PID stands for Participatory Innovation Development. In PID the systemic knowledge of villages about their own complex situation is combined with external knowledge, which includes scientific knowledge, as well as the knowledge of farmers from other areas, extension agents, etc. The emphasis is on conducting practical experiments together in villages. The objective is to find new things and ways that work. (Scheuermeier *et al.*, 2004: 5)

The table already indicates that different methodologies and approaches towards engaging with farmers are followed. From the 1950s, access to services was based on a Transfer of Technology approach. Chambers and Jiggins (1987: 4) state that in the Transfer of Technology model: "pressure groups and scientists determine research priorities, and then scientists design experiments, conduct these under controlled conditions on experiment stations, in laboratories and in greenhouses, and hand over the results (varieties, treatments, and so on) to commercial interests and extension organizations for adoption and transfer to estates and to farmers." This transfer of technology approach is a very linear approach, which was for example implemented in the Training & Visit approach promoted on a large scale by the World Bank. Subsequent to this reductionism view<sup>16</sup> a more holistic approach emerged, in

<sup>16</sup> Since the early 17th century, problems were more often than not analysed with the view to identify one single solution or propose a component technology. Often such efforts take place within an arbitrarily limited area of discourse or discipline. This approach is called reductionism. It reduces a problem to the smallest unit of analysis, habitually within one scientific discipline. Reductionism often goes along with positivism: Access to agricultural services | version

which knowledge of farming systems was key (Dixon et al, 2001). Collinson (2000: 1) defines the Farming Systems Approach to Research (FSR) as “a diagnostic process; a basket of methods for researchers to elicit a better understanding of farm households, family decisions and decision-making processes.” and continues (Ibid: 4) “Appropriate intervention for farm improvement remains the heart of FSR.” The awareness that both local and outside knowledge are important, brought about an attitude change, and indigenous knowledge was increasingly valued. This is when research turns more into an advisory role. The Farming Systems Approach, even though increasingly becoming normal in research became watered down and its impact remained limited. The Farming system focus in itself did not include farmer participation. Researchers needed to learn on farming systems through farmers and as a result the farmer participatory approaches emerged, such as the farmer first and last approach (Chambers, 1990, 1997), farmer-back-to-farmer approaches (Rhoades and Booth, 1982), and other farmer participatory research approaches. However, participation soon became a buzz word and was used to even mean service providers telling rural poor what to do, rather than empowering the users. Subsequently learning became central (e.g., Röling and Wagemakers, 1998a). In this vision stakeholders and the interaction amongst stakeholders is central. In this approach it is not the outcome (for example a technology to increase production) but the process (innovative capacities of the rural poor which can be applied in different circumstances) that is key (Spielman, 2005).

Farmer Field Schools<sup>17</sup> deliberately intend to enhance interactive learning. They are season-long platforms which accommodate field-based groups of approximately 25 to 30 farmers, who meet regularly to learn together through discovery and experience (Nederlof, 2006: 72). Farmer Field Schools not only intend to enhance a convergence between local and scientific knowledge, they also aim to make producers better decision-makers. Whereas the conventional ‘transfer of technology’ approach focused primarily on ‘the best technical means’ and on transferring these to farmers, the FFSs approach belongs to another paradigm oriented towards helping farmers become better decision-makers and towards developing or adapting technologies that work and also are acceptable to farmers (Ibid: 72, see also Nederlof et al., 2004; Röling, 2002; Röling et al., 2004).

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one can only discover the reality by reducing it to tangible pieces. The contrast to reductionism is holism. (Nederlof, 2006: 32)

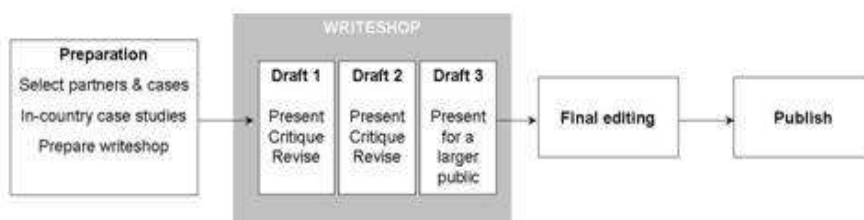
<sup>17</sup> FFS were originally developed in Indonesia in the late eighties as an approach to IPM learning (Van de Fliert, 1993). IPM in its turn was a reaction to second-generation problems of the Green Revolution, such as pesticide resistance, pest resurgence, and secondary pest outbreaks. The FFS approach assumes that farmers experiment as experts, learn systematically, and value their own knowledge (van den Berg et al., 2001). FFSs aim at farmer education and differ from the conventional practice of transferring technology through extension. In FFSs, farmers learn to draw reasoned conclusions from their own observations. Thus they learn principles and practices that they can apply in diverse conditions. (Nederlof and Odonkor, 2006)

## Annex 6: Preparations needed for the write-shops

### Key steps:

- After a selection of the cases scouted, authors are approached for preparing the case study.
- The case studies are reported according to a pre-formulated outline (to allow for comparative analysis, deducting key messages). The authors receive this outline, which is in turn based on a conceptual framework (innovation systems approach); the authors also receive guidelines on how to prepare the draft.
- Authors send a draft of their case at least two weeks before the write shop will take place
- A write shop (see figure) is a useful tool to document innovative experiences of enhancing access to services. It helps to put cases/ stories on paper in a relatively short time. A write shop could be designed as follows: Day 1: Present the analytical framework and create common understanding, present the six case studies. Take time to comment on each other's cases; Day 2: All authors write a second draft of the paper in close collaboration with the facilitators; Day 3: Each case is presented and commented by the participants; Day 4: Each case is re written and prepared as a final draft; and Day 5: Final drafts are presented and general conclusions are drawn on the basis of the framework proposed. Lessons on access to services are drawn (including implications).

Figure 1: The "writeshop" process



Source: Adapted from Paul Mundy, Evelyn Mathias and Isaac Bekalo (2006), *Out of heads and onto paper*, LEISA Magazine, March 2006.

### Instructions for authors on preparing a case study

#### Guidelines

(methodology)

*Outline for the case study* (which will allow for comparative analysis and as a result key messages on access to services)

#### Preamble

- a. Introduction (importance of access to services and country context)

- b. Methodology of the case study and issues for analysis presented, including reasons for choice of case study
- c. The services (mapping) in their context (policy and institutional), environment, reported SWOT (Strengths, Weaknesses, Opportunities and Threats) by different stakeholder groups (beneficiaries/ rural poor, public sector services, private sector services)
- d. History of AKIS (Agricultural Knowledge and Information System)/ AIS

#### Framework

- e. The environment (institutional setting, bio physical eco system)
- f. The main stakeholders involved including diversification of needs of (categories rural poor) – including role of farmer organizations, empowerment of farmers
- g. Interaction mechanisms (and innovation), linkages and learning

#### Outcome

- h. Performance of the system: Success factors (in terms of amongst others voice of the poor, market access, enabling policy environment) and challenges

#### Innovation

Analytical issues: physical, social, cultural, political, institutional

Cross cutting issues: gender, social inclusion, generation

- i. Future scenario (how to improve access to services for improved livelihoods of rural poor)