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SUMMARY REPORT ON THE USAID AGRICULTURAL
SERVICES WORKSHOP

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WORKSHOP FINDINGS AND ISSUES

The two-day agricultural services workshop was structured along the lines of the draft synthesis paper, in two parts. The first part discussed AID project experience with credit, inputs, and marketing services; the second examined projects by the predominant type of delivery system employed. The delivery system categories employed were public (or government), mixed private and public mechanisms, and private sector approaches. Both workshop days were organized in this manner, comprising presentations by outside academic and non-AID practitioners and group discussions. Therefore, in summarizing workshop results, we will continue to employ this organizational technique although, as revealed in workshop discussion, it is sometimes observed for discussion purposes.

A. General Observations

In conducting the synthesis exercise, a number of summary observations have arisen concerning the methodology employed and issues that cut across all of the agricultural service areas. Specifically:

(1) Methodology: It became clear to PPC (and the workshop echoed this point) that five impact evaluations were inadequate to provide a sufficient experience base to carry out a reasonable analysis of many of the topics to be covered. As a consequence, an effort was made to review systematically other aspects of in-house AID experience, but generally the level of resources made available to this task was also inadequate. Thus, what is included in this and other workshop documents should be treated

as illustrative and hypothetical in many respects. Finally, in future extensions of this work, it would be useful to have a clean a priori specification of analysis goals and measurement techniques (such as assessing the number of farmer beneficiaries touched by different types of projects, as one workshop participant suggested).

(2) Country-Specific Results. A theme that emerged repeatedly in the synthesis process was the degree to which study results applied largely to specific country environments with unique agricultural and socio-economic conditions. While generalization is possible, workshop participants agreed that the most significant problem was the application of fairly general principles to the particular circumstances of given countries.

(3) Africa Unique. Workshop participants continually stressed the uniqueness of development circumstances on the African continent and the difficulty of applying numerous lessons from more materially advanced regions of the world. In terms of agricultural services, the following factors were cited in support of treating Africa separately:

- Small size of most countries, extremely high rates of dependency (measured on any scale);
- Very difficult, dynamic environment with rapid disease spread;
- Overall lack of infrastructure, an entrepreneurial middle class, and a low level of technological advancement in agriculture;
- Low capability in machinery maintenance and repair; and

- Highly dualistic agricultural sectors with declining per capita food production.

Some participants asserted that many of these factors apply to some of the poorest areas of South Asia and Latin America as well, but the differentiation of the Africa region is fully justified when attempting to draw general conclusions.

(4) Development of a Coordinated Research Agenda. This synthesis effort in many ways has raised more provocative questions about the conduct of agricultural projects than it has answered. When making this observation, numerous workshop participants further suggested that this evaluation process (which was generally highly praised) could be strengthened by the generation of a systematic research agenda.

(5) Donor-Coordination. In a similar vein, participants called for greater donor coordination in the agricultural services area. This was due to:

- Differing areas of technical expertise of donors as well as certain outright prohibitions (cotton, for example) limiting AID involvement; and
- Differing modes of operation that can affect the relative success of using different delivery mechanisms in the agricultural sector (direct support for private voluntary organizations and cooperatives, for example).

(6) Local Institutions. Workshop participants strongly supported the axiom that whenever possible existing local institutions should be used in the delivery of agricultural services rather than setting up new ones (a trend all too

frequently observed in this evaluation series). If the existing institution is weak or too poorly structured to perform the desired tasks, efforts should be made to employ project resources to strengthen it.

(7) Pragmatic Analysis of Second Best Solutions. One key point in the workshop was the need to provide practical help to field staff in the pragmatic analysis of sub-optimal situations to cut predictable losses and still achieve at least some of the program's objectives. There was a general feeling that dogmatically holding out for a prescribed technical or institutional solution should be avoided; "conforming to the landscape" was the preferred route. The problem evoked is that project staff and advisors generally do not have the skills to analyze and redesign a project midstream or to negotiate a change.

B. Credit for Agricultural Producers

Workshop participants were in general agreement with the synthesis document on the pervasiveness of classical credit project problems, even though they have been recognized for many years. More of the debate focused on what should be done. There was general agreement that clearer guidelines are needed to identify the circumstances under which agricultural credit should be a major project component. Some participants raised the question of whether AID should be involved at all with agricultural credit. Other findings and modifications to the synthesis document and issues paper are summarized as follows:

1. Background to Credit Use. Repeatedly, workshop participants stressed the primordial need for a thorough understanding of the agricultural and socio-economic context in which a proposed credit program would be established. This is particularly true with respect to two factors:

(a) The general absence of many supporting agricultural research and extension and risk-avoidance measures (price subsidies, government purchase guarantees, etc.) associated with credit use in more developed countries. This implies greater risk for the developing country farmer and for the credit fund.

(b) The a priori availability of local investment capital is often unknown or underestimated. If a new or improved agricultural production technology with significant, demonstrable payoff is available, will not local sources of investment capital respond to these opportunities? Not always, of course, but often enough so that lack of local investment interest should raise at least a small constraining flag.

1. Uses for Credit. The credit discussion groups concluded that there were three potential uses for agricultural credit:

- Introduction of a new production technology;
- Transfer of income or equity to target groups on an explicit or informal basis; and
- Building local institutional capabilities and improving the overall efficiency of local production and distribution systems.

There was agreement that agricultural credit should not be used for the second function since other more explicit mechanisms were more efficient and less costly. There was general agreement that agricultural credit could be used legitimately to promote the introduction of new technology if it were demonstrated that local sources of capital would not respond and if that credit investment would enhance the building of local institutions that would be self-sustaining.

There was a corollary notion that credit availability should follow and not precede the availability of other project components, to ensure the soundness of the new technology and the availability of inputs and market outlets and to determine that the relative scarcity of investment capital was truly a constraining factor.

3. Leverage and Policy Reform. There was no disputing the contention that credit programs are often undermined by inappropriate national policies (negative real interest rates, etc.) or by the capture of credit institutions to benefit privileged groups through income transfers, particularly under inflationary conditions. There was some feeling that this might be overstated as a generalization and that the opportunities for real policy reform were fairly rare. Policy reform -- when the issues can be stated clearly and conclusively -- has to take place at the highest governmental levels and generally is not within the scope or power of most AID mission-level practitioners. If the application of leverage at the highest levels fails, a

mission policy identifying long-term desirable policy reforms and a strategy to meet them were seen as the most viable approaches to pursue.

There still remains the issue of what project designers should do when a proposed credit component will be severely hampered by inadequate local credit mechanisms or by the likelihood of funds being subverted or rechanneled to other uses. At this point, the issue becomes a political question of whether the target agricultural production activity for which credit is felt to be essential is more important than the hidden agenda to which credit funds will more likely be put. There was a feeling that project designers need greater guidance in dealing with these situations.

(4) Market Interest Rates. There was substantial discussion of appropriate interest rates for agricultural credit programs. There was general agreement that no attempt should be made to promote or subsidize production technologies through the use of artificially low interest rates. There was, however, significant disagreement about what factors should be included in the computation of appropriate interest rate levels, and a clear request was voiced for greater professional guidance in this process. This would involve development of clearer guidelines and procedures for the determination of market interest rates and the examination of the opportunity costs for use of different categories of foreign, national, and local investment capital.

This topic should be further explored in the context of experimental AID projects designed to determine and use market interest rates.

A related issue concerned the difficulty of avoiding credit abuse under conditions of high inflation rates in target countries. The suggestion was made to investigate the feasibility of eliminating the credit tool in situations where the inflation rate exceeds a threshold level, with the possibility of exceptions to this rule under tightly controlled circumstances.

(5) Credit Administration. Even though interest rates and availability of appropriate technological investment opportunities were dominant focuses, several argued that work-a-day issues in credit administration should not be ignored. In some circumstances (when the interest rate is not greatly out of line), questions of loan repayment and decapitalization become paramount. There are legitimate concerns in the area of organization and management of credit programs. Behavioral norms and misplaced incentive mechanisms often contribute to the erosion of the capital pool even when appropriate farm-level uses for the funds are available.

There was a concern for greater evaluation and analysis of credit default to draw out lessons that can be used to improve credit programs and project designs.

(6) Linkages to Credit in Agricultural Transformation. Finally, there was confirmation that credit is not an input and that its role is to facilitate the mobilization of other

resources. This implies that there are critical roles to be played largely outside the credit agency to develop and support new technology. Specifically, the following points were stressed:

- Supervision of new technology adoption is a function outside the credit agency and its costs should not be added to the cost of borrowing funds; however, there should be an adequate charge for credit system administration. Supervision is a social cost to agricultural development with subsidization implied.
- Should the credit agency take the lead in coordinating and ensuring that other agricultural service organizations play their role in promoting the production and marketing of specific crops?
- Acknowledgment that many credit programs do not reach the poorest rural populations who can use improved technologies (the bankable poor) prompted debate about how funds may be channeled to those groups. It was felt that this is difficult without a specific political commitment to equity in the distribution benefits to less powerful societal groups.

- One technique to improve credit administration and system access by small farmers is to use group credit mechanisms where peer pressure and local cooperation can lower transactions costs of reaching small farmers (clearly a major problem), improve repayment, and serve as a vehicle to promote improved vertical coordination.

C. Provision of Agricultural Inputs

There was complete agreement with the synthesis paper emphasis on the necessity of farm inputs being appropriate to viable farming systems and delivered in a timely fashion. Much discussion revolved around adding more specificity to those conclusions and providing field staff with better assistance to make sure those conditions are met in project design and execution.

1. Input Categories. Breaking input categories down into biological, chemical, and mechanical components was useful and provided a framework for additional observations:

- Biological technologies involved only seed multiplication efforts in this evaluation series. Unfortunately, the fact that there was only one full impact evaluation of a seed project (Tanzania), with limited reference to other AID experience, makes it difficult to draw general conclusions. In addition, improved seed is often contained in new technological packages requiring agricultural research and extension services to evaluate and disseminate it properly. Finally, it was pointed out that seed is somewhat unique in the improved input family

since it is the only member that is a natural part of all existing farm systems (in contrast to chemical or mechanical inputs, which may be foreign to the farmer's experience). While improved seed may be the easiest input to manage, it is only as effective as its timeliness and proper use allow.

- Chemical technologies that were reviewed almost exclusively involved the manufacturing of fertilizer with some limited discussion of projects aimed at improving distribution systems. It was pointed out that other chemical inputs (insecticides, fungicides, and herbicides) are increasing in importance and potential difficulty for AID and other donors, and should receive increased attention in future evaluations and analysis.
- Mechanical inputs were virtually untouched in the projects reviewed so far in the evaluation series. While the large-scale, high-technology mechanization disasters of the 1950s are generally no longer perceived to be a problem (except on seed farms, such as in Tanzania) there is little in the evaluation series to review in the more important areas of appropriate mechanical technology, such as animal traction investments in Africa and small-scale motorization (including walking tractors, power tillers, and sprayers) in the Asian rice-producing countries.

2. Input Production vs. Farm Adoption and Use. Much of the experience from the AID project portfolio concerned the production of inputs (manufacturing fertilizer, producing

improved seed, etc.) and less with the distribution and farm-level use of these inputs. Further, the successful production of inputs was generally seen easier to achieve than the promotion of changes in farm-level use. This is not to suggest that input production projects are inappropriate; instead, all parts of a loosely coupled but changing agricultural system have to move together in some synchronized manner. In other words, genetic improvements in seed or availability for the correct fertilizer blend should advance alongside of improvements in farmers' ability to employ profitably a new technical package of inputs and agronomic practice, including improved seed, fertilizer, pesticides, and proper cultivation.

3. Ecologically-Specific Demonstrated Effectiveness. The workshop participants' views on what it takes to introduce improved technologies successfully in a field project focused on the need to test the technology in all agro-ecological zones where it is to be used. This idea first emphasizes the need for improved technologies to be proved suitable to highly variable micro-environments. Second, it underlines the need for demonstrated market viability for the crop. Much depends on infrastructural adequacy, price appropriateness, exchange rates, etc. Thus, AID should employ multidisciplinary teams of agronomic, farming systems, and marketing experts who are knowledgeable of the target country and its agronomic production potential and understand the socio-economic context in which new

or improved production systems should be fit. Ecologically-specific demonstrated effectiveness of a new technology must precede design of input supply projects.

(4) Input Projects in a Production/Marketing Systems Context. As another variation on the theme, participants stressed that input projects should be designed and evaluated in the larger context of the system or sub-sectors in which they operate. For example, seed projects are often designed and executed with genetic improvement as the only function, neglecting problems associated with distribution, farm-level use, or product marketing.

(5) Meeting Preconditions for Most Modern Input Use. It was stressed by the input discussion group that the use of the most modern inputs or the most technologically advanced production systems should be evaluated against sets of likely preconditions, including:

- Literacy and numeracy;
- Appropriateness to the general level of technological advancement and production specialization;
- Prices, foreign exchange concordance;
- Degree to which farmers have moved away from largely subsistence agriculture and are market oriented.

(6) Other Issues to be Stressed. Workshop speaker Dr. Jon Moris effectively highlighted some additional issues:

- Sustainability. Long-term appropriateness demands that project interventions be sustainable by host country institutions with available resources at the end of AID funding. This is often not the case with production projects that use imported inputs and advanced techniques that are difficult to maintain.
- Aggregate Impacts. Often ignored are the longer-term effects of new technologies, particularly if the intervention is successful. An example of an unintended effect is the rapid depletion of local gene pools (losing acquired natural disease resistance, for example) with the dominance of improved varieties. In many areas, this is of increasing concern to plant scientists.
- Pollution: Potential pollution problems often receive very little attention in project design. In Africa, for example, heavy rainfalls coupled with long, flat rivers make chemical pollution from improved agricultural technologies a potential problem of grave concern.
- Policy Space: Local agricultural officials often have very little operating room or few viable policy choices when confronted with tradeoffs between input pricing, product pricing, and the use of marketing margins for national revenue generation. These constraints must be incorporated into the design process.

(7) AID Problems with Project Design and Implementation.

It was pointed out repeatedly that AID has some notable constraints in its design and implementation of appropriate technology input projects. Specifically cited were:

- Source Origin Procurement Restrictions that often effectively preclude the use of the appropriate technology, particularly in mechanical and chemical inputs. This also applies to legislative prohibitions and mandated implementation requirements.
- Rapid Turnover in AID Mission Staff often precludes the development and maintenance of sufficient competency to produce adequate and appropriate project designs and follow-up. The lack continuity in project management creates confusion and unnecessary changes.
- Beneficiary Specification and Quantification are often extremely difficult at the farm level, and the most direct benefits in input projects are often at the first handler level.

(8) Input Project Guidelines. There was general consensus that it would be useful for USAID to sponsor the development of sets of technical guidelines for specific types of input project design. Where appropriate, these input-specific guidelines should contain technical coefficients that can be used in costing out farm-level interventions and would also allow non-technical project officers a means to verify recommendations made by outside consulting experts. FAO fertilizer guidelines were cited as an example.

(9) Improving Input Project Design Process. The input discussion group recommended that project design support materials might help in the alleviation of persistent problems. Specifically, they wished to see:

- Improved project design criteria in ongoing revisions of AID documentation such as Handbook 3.
- This should include specific guidance on the preconditions that should be met before projects are undertaken. For example, types of preconditions suggested include:
 - Are required project personnel adequately trained?
 - Are farmers capable of undertaking new technology, sufficiently literate, and numerate?
 - Are key national policies appropriate? and
 - Are there appropriate technologies that have been field-tested and proved technically and economically?

D. Agricultural Marketing Services

Workshop participants agreed that the provision of agricultural marketing services was an area of relative AID program weakness. There has been less emphasis on marketing projects in the past decade, and the marketing efforts that have taken place have not received the same technical support as production projects. As in other agricultural service areas, very sharp differences in regional experience were pointed out, confirming the findings in the synthesis paper. All these factors highlight a confusion over what the correct strategy for AID should be in the marketing area. The time is right for AID to rethink its marketing strategy, examining innovation in marketing research, project design, and particularly in experimental project approaches to improving vertical integration in the marketing system.

1. The Policy Context for Marketing Interventions. In promoting agricultural transformation marketing projects, a number of interrelated questions relating to policy must be asked. Do adequate country-specific food and general agricultural policies exist? Is there strategic long-term planning and a clear definition of food security goals? Within this context, it is possible to begin to explore the marketing dimension of specific food or cash crop subsectors.

2. Building the Knowledge and Research Base. It is clear from the marketing discussion groups' presentations that the building of an adequate knowledge base on particular

production/marketing systems is a necessary prerequisite to the design and execution of enhanced AID project work in the marketing area. Specifically, the group concluded that:

- More effort is required to coordinate AID actions with other donor marketing projects, and to draw on existing private sector marketing knowledge and academic studies of the structure and functioning of particular types of marketing systems.
- There was strong support for using a systems approach in building the knowledge base on marketing subsectors beyond the boundaries of specific project interventions. Sub-sector assessments may look at broad categories such as food grains, livestock, and fruits and vegetables. The key, however, is a coordinated examination of farm-level production technologies, the distribution system for inputs, and the marketing of output. Diagnoses of these overall systems point up critical constraints and blockages amenable to a variety of interventions from policy reform, to training, to infrastructure development, to improved extension, to the development of new marketing channel participants.
- It is clear that there are major opportunities for micro-level marketing research studies along lines analogous to farming systems on the production side. These relatively quick market assessments can lead to the use of small experimental projects to test the feasibility of large project interventions.

- There was agreement that, rather than insisting on the imposition of leveraged solutions to food policy problems, AID should promote the development of indigenous institutional capacity for policy analysis in the food and agriculture sector and the capability to undertake policy and project interventions derived from sound analysis. Indigenous capacity to initiate innovative marketing projects should be developed in the same way that AID promotes the development of trained scientific staff on the production side.
- In the development of an adequate knowledge base and indigenous research capacity, the role of the underground or illegal economy or of parallel markets should receive careful attention since it may be in these areas that clues will be found to workable marketing mechanisms.

3. Getting the Prices Right. There has been substantial emphasis in recent years on exposing blatant examples of economic inefficiencies and distortions caused by the inappropriate setting of both agricultural input and product prices. Dr. Harold Riley in addressing this question emphasized that getting the prices right is a necessary but not sufficient condition for improved performance. He pointed to the following factors that must be considered in both the macro and micro components of the pricing environment:

- Macro-Level:
 - Urban consumer biases;
 - Exchange rate distortions;

- Food imports and food aid;
- Farm price supports;
- Buffer stock management;
- Pan-territorial pricing;
- Seasonal price adjustments; and
- Anti-speculation measures.

- Micro-Level:

- Farm-level market access and support prices;
- Thin markets, particularly for perishables;
- Availability of information; and
- Farmer response to price changes.

(4) Market Access and other Non-Price Factors. Workshop participants further illustrated the richness of the marketing subject area by pointing to some dimensions of the question of market access, including:

- Infrastructure: the adequacy of roads, transport equipment, and market facilities, and the existence and scale of storage and processing facilities;
- Institutional Development: existence and promotion of private trade, local markets, cooperatives, parastatal agencies, etc.; and
- Information Systems: adequacy of mechanisms for reporting of sales, quantity, and price information at all levels of the market system for various commodities.

(5) Non-Economic Factors in Marketing Systems. Workshop participants emphasized the importance of a variety of non-price economic aspects such as timing, quality, and market failure that influence the distribution marketing margins and provide data for

the assessment of marketing efficiency. They pointed particularly to factors, such as ethnicity, and cultural, traditional, and historical institutional development, that can both define and constrain the performance of given market situations.

(6) Suggestions for the Improvement of Marketing Performances. In designing market projects or project components, the major suggestion made by the discussion groups was to acquire a complete understanding of the structure and functions of the relevant marketing institutions. In addition the following points were made:

- It was strongly urged that methods be developed whereby firms in the U.S. private sector could become more involved as catalysts and resources in working with private sector marketing agents in developing countries. There was a perception that AID does not employ the services of U.S. private sector firms as extensively as do other bilateral donors.
- While it is hard to prejudge what sorts of recommendations for interventions will emerge from the market assessments, there is a strong suspicion that in many cases they will involve basic government investments in infrastructure, information systems, and other traditional government activities to encourage and facilitate the development of private sector marketing systems.
- Many interventions are possible that will contribute to making the markets more competitive and more efficient.

(7) Remaining Priority Issues. There are two additional issues that must be wrestled with on a country basis, and both are important. First, at the mission level a balance between whole-farm and vertical commodity approaches must be maintained during design. The whole-farm approach, typical of IRD and IAD projects in recent years, is concerned with the overall economic return of a variety of crop and livestock activities at the farm level. Its limitation is that, in not examining the entire sub-sector for a given crop, key opportunities for improving real farm income are lost. In contrast, focus on the vertical coordination and efficiency of marketing for one crop may miss key farm-level factors that could constrain farmer participation.

The second issue concerns the feasibility of different production and marketing systems having a positive impact on the smallest and poorest farmers. There generally must be some balancing of equity considerations and aggregate income generation potential in the choice of project mix in a mission portfolio.

E. Choice of Delivery Mechanism

The organizing principle used in the synthesis paper of categorizing AID's project experience in the agricultural services area along the lines of the predominant type of service delivery mechanism employed in the project or program was a controversial one. First, some participants felt that this division of projects by type of service delivery was not easy to apply and tended to obscure many critical issues.

Second, in contrast to the situation in the United States, in developing countries the distinction between public and private institutions is often blurred. This is particularly true in societies with strong patron/client networks that extend across institutional boundaries, and in other societies in which there is a strong intermixing of government and private business organizations.

A third reason for controversy was that this categorization of projects elicited strong partisan statements from representatives of different interest groups represented at the workshop. While this promoted lively and occasionally heated debate, it perhaps overemphasizes different delivery mechanisms and does not reflect the pluralistic approach that most practitioners claimed characterized project design decisions in the field.

The consensus was that institutional delivery options along the entire range from purely governmental to purely private had roles to play in the agricultural services arena under different circumstances. Making choices involves approaching each situation without ideological preconceptions about what type of delivery mechanism should be used. The choice of a delivery mechanism to employ in an agricultural service project depends on a wide range of factors, including:

- The nature of the agronomic production environment;
- The socio-economic context of the country;
- Where the target farmers fall on the continuum between pure subsistence farming and commercial agriculture; and

- Sustainability, replicability, and questions of scale.

The private sector panel suggested an approach to institutional evaluation that asks three questions:

- What does this institution have an easy time doing and a hard time doing?
- What is the distribution of benefits with the use of this institution?
- What are the costs of learning associated with the institution's mode of operation?

The following paragraphs discuss a few additional ideas offered by the small discussion groups that focused on three categories of delivery mechanisms.

1. Government Delivery of Agricultural Services. The discussion group felt that there were four alternatives for government as a provider of agricultural services to farmers:

- It can provide the services directly;
- It can regulate other institutions' provision of services through control over market entry, prices, or the allocation of benefits;
- It can provide facilitating services to private sector providers of agricultural services (in terms of credit, technical assistance, loan guarantees, etc.); or
- It can provide support to agricultural marketing channels and firms through the provision of physical infrastructure, credit, technical assistance, research, and assistance in the creation of reliable market information systems.

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The discussion group felt that there were only limited circumstances in which the direct provision of agricultural services to farmers through government channels was warranted:

- When there is little or no private profit opportunity foreseeable (although hard questions must be asked if the market channel is unprofitable).
- When non-market resource allocation is desired for equity or planning purposes or when a pioneer economic activity is involved; and
- When the production technology has a long learning period.

Determinants of success in government provision of services were seen to involve the following critical factors:

- The quality of the service, represented by the variables timeliness and appropriateness;
- The need to build incentives for both institutional and individual performance;
- The need to build in mechanisms to deal with the failure of incentive systems; and
- The need to have a mechanism to detect failure in the incentive system (management information system).

2. "Mixed" Delivery Systems. In the synthesis analysis of agricultural services, it was pointed out that many projects were implemented through partnership relationships between government and non-government organizations or through mixed organizations such as parastatals. In developing countries, there are a large number of organizations in the latter category, quasi-governmen-

tal institutions with variable amounts of operating autonomy. The equity ownership mixture may depend on a variety of factors such as region and level in marketing channels.

A key factor emphasized in workshop discussions is that in most developing country environments the use of parastatals or mixed implementation mechanisms is the norm rather than the exception. The discussion group stressed that mixed systems were partially appropriate in a changing agricultural environment since the government can absorb the social cost of new experimental technologies with high risk elements. That group suggested that, where possible, government participation in agricultural services should be limited to the following aspects of policy and production interaction:

- The policy area has and should continue to be a government role. In mixed operations, supervision of joint ventures and regulation of others was also felt to be appropriate.
- In terms of production, the group felt that the role of government should be limited to the stimulation of production through the provision of public goods such as research, marketing information, and infrastructure. Where new approaches are being tried, it is appropriate for government to share disproportionately in the risk taking (social risk).

In the mixed discussion group, there was substantial discussion of parastatals, and some felt that AID should provide guidelines on divestiture procedures since that is a current subject, particularly in sub-Saharan Africa.

Finally, the mixed group offered some suggestions for further applied policy research. Specifically, they wished to see the following addressed:

- What are the major differences in benefit distribution among alternative distribution system?
- How do private sector organizations operate in specific developing country environments?
- Is it more appropriate and efficient for government to finance the private supply of inputs to farmers (in a mixed setting) than to provide them directly itself?
- In a similar vein, under what circumstances is regulation more effective than direct service provision?

3. Use of the Private Sector to Deliver Ag Services. Much of the discussion of the private sector involved more controversy than that relating to other topics. As a result, many points raised in the synthesis and issues papers were not addressed directly and still remain to be addressed. It was also clear that AID operating procedures make it difficult to employ large elements of the private sector in developing countries due to paper work and reporting requirements.

Many discussion points concerned definitional issues. Some private sector people were not comfortable including private voluntary organizations and cooperatives in that category. Cooperative representatives also felt that many participants had varying perceptions about what should be included in the private sector category. When this issue is posed at the farm gate, farmers' direct contact is more often with small independent

traders (who represent one end of the for-profit private sector spectrum) than with multinational corporations, which are at the other end of the spectrum. There are, as stressed in the synthesis paper, circumstances in which the latter can be used, but these need to be defined. This was not done by the private sector discussion groups.

One obvious point is that there has to be a perceived profit opportunity of sufficient magnitude to initiate and sustain private sector involvement whether by an developing country trader or a multinational corporation. It was also stressed that often a useful role for government is to demonstrate that there are profit opportunities in new technologies that can then be taken over and run more efficiently by private entrepreneurs.

In addition, the two discussion groups highlighted the following points related to the use of private sector project delivery mechanisms:

- An ability to deal with elements of the underground economy;
- Continuing strength of neo-colonial private sector ties to the old mother country, particularly in Francophone Africa;
- The pervasive and confounding role of corruption (and differing cultural norms regarding its definition) that complicate use of private sector mechanisms; and
- Difficulties for private sector partners in coping with USAID source and shipping requirements and legislative prohibitions.

A recurring theme in these discussions was that there continues to be many opportunities for USAID and other donors to promote the use of the private sector through investments in roads, other infrastructure, and information systems, and through promoting liberalization in legal and regulatory environments. In many instances, it was argued, making the markets facing farmers more competitive will result in better service, lower input prices, and higher output prices.

One private sector discussion group offered some thoughts on an approach to be used in considering the use of private sector alternatives in the delivery of agricultural services to farmers:

- First, needs or market research must be conducted to establish the effective demand for agricultural services within particular agricultural regions and within the overall socio-economic environment.
- Second, from the range of potential delivery mechanisms, the most appropriate must be chosen for that function.
- Third, if that mechanism chosen falls in the private sector group, the following selection criteria may be employed:
 - Social and political viability,
 - Economic and institutional self-sufficiency potential;
and
 - Supporting physical and social infrastructure.

- Fourth, given the above steps, what should AID's role be in enhancing the role of the private sector to participate in the development project process, specifically in the areas of:
 - Personnel training and managerial quality,
 - Facilitating access to appropriate technology,
 - Access to and mobilization of credit, and
 - Potential adjustments in national policy?

Finally, the group also posed two broader issues concerning AID's use of the private sector:

- Are AID missions -- in philosophy and staff -- geared to work with the private sector? (There was substantial objection to the inference that missions were not oriented toward using the private sector.)
- Are there additional approaches that AID can employ that will help it bridge the gap and more fully mobilize the indigenous private sector in the development process? (Previously, the suggestion of using U.S. private sector or private voluntary organizations to help in this bridging process was reported.)

SUMMARY RECOMMENDATIONS

The provision of agricultural services to farmers remains a central component to the overall AID economic development mission. This is a vast and complex subject that has only partially been covered by the impact evaluation process. The work that has been done has helped to define the boundaries of the problem, gather useful background information, and focus on key issues. Workshop participants felt that these useful first steps must be extended and key topics must be explored in more depth. Specifically, the following summary recommendations reflect the thoughts of most workshop participants:

A. Further Study and Analysis of Credit, Inputs and Marketing.

It is recommended that each of the major agricultural services subject areas -- credit, inputs, and marketing -- be the subject of separate and more detailed evaluation analyses. This has been confirmed as the most useful way to divide up the agricultural services subject area.

Methodologically, it would be useful if these investigations would separately examine these three subject areas for Latin America, Africa, and Asia. (Thus, for example, agricultural inputs could be handled by three separate individuals for the three continents, and they would coordinate their work at the beginning and at the end for report write-up). Second, it could be useful to denote specific attention to clarification of the conditions in which different delivery mechanisms can be effectively used in the delivery of the given agricultural

service. Finally, these efforts would be strengthened if the subject matter boundaries could include vital complementary services (such as extension and agricultural research) where appropriate.

The emphasis for each particular sub-topic may vary to be most useful:

- Credit: There is a substantial research base, and the nature of the classical credit problems has been fully explored. Emphasis should be placed on dealing with design and implementation issues concerning the need for credit, analysis of interest rates, credit administration, etc.
- Marketing: Due to relative neglect, the issues and opportunities in the marketing area have not been as thoroughly explored. The emphasis should be more evenly divided between research and implementation.
- Inputs: A larger number of cases should be examined in the design and implementation of classical seed, fertilizer, and mechanization projects. In addition, emphasis should also be given to an exploration of approaches involving new chemical technologies because their use will spread rapidly in the coming years.

B. Further Exploration of Specific Delivery Systems

While the broad-scale use of the concept of delivery system to categorize and analyze projects had some shortcomings, it did highlight practical issues that need to be explored further with

respect to specific delivery systems and their use in AID project implementation. The following are suggested areas for future work:

1. Government agencies and parastatals. Two areas demand attention:

- (a) Analysis and change in operating procedures and incentive structures to improve operating efficiency of these institutions; and
- (b) Procedures and methods of public divestiture to offer guidelines when this topic arises.

2. Private voluntary organizations: Changes in AID procedures that can enhance the use of both U.S. and host country private voluntary organizations in project implementation. Key issues are specified in the draft synthesis paper.

3. Corporations. The environment or circumstances (or pre-conditions) within which both multi-national or host-country corporations can play expanded roles in AID-sponsored production and marketing projects should be more clearly defined. Some stringent conditions must be met. What are they, and do they apply uniformly across regions and levels of development? Is this type of involvement largely restricted to high value cash crops for export or intensively grown products for domestic up-scale food markets?

C. Handbooks and Guidelines

There was a general feeling in the group that many lessons of the various evaluation series are not being made readily available to AID field staff. Numerous suggestions were made for

making them more readily available, particularly at the field and training levels. There was no desire to add additional steps or requirements into the project design process; it was to have better, more useful reference material available. This could be done by:

- Providing technical guidelines for particular agricultural service areas (standards for the design and implementation of grain storage and marketing projects in sub-Saharan Africa). French bilateral aid and FAO have done some handbooks in some of these technical areas;
- The material in design handbooks (AID Handbook No. 3) could be improved; and
- Finally, and most important perhaps, guidance is sought on how to deal with the imperfect world, with second-best situations, how to analyze and maneuver effectively in different bargaining arenas in the world of bureaucratic politics so that more realistic, sustainable project interventions result. This is not an easy task, but experienced field persons understood its importance.