
**CONTRACTING FOR AGRICULTURAL EXTENSION:
REVIEW AND ANALYSIS OF DIVERSE PUBLIC/PRIVATE CONTRACTING
ARRANGEMENTS WORLDWIDE**

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Abstract

In many countries of the world, both developed and developing, agricultural extension services are shifting from the public to the private sector. In some cases, services are being contracted out in order to improve the financing and delivery of agricultural knowledge. This paper presents work developed by the former Agricultural Knowledge and Information Systems (AKIS) thematic group of the World Bank, in collaboration with the University of Maryland, to examine contracting services. A range of case studies from countries as diverse as Australia, Bangladesh, Chile, China, Germany, Mozambique and the USA are presented to demonstrate the range of approaches. Topics include: off-loading public sector extension delivery services, contracting to improve environmental services and farmers contracting for commercial advisory services. The original cases were published in book form under the title Contracting for Agricultural Extension (Rivera & Alex, 2002). The present text reviews, summarizes, and re-examines the contents of Contracting for Agricultural Extension (Rivera & Alex 2002). Following a brief introduction of the purpose, method, and results of the original study, we examine its educational application. While we find that contracting for extension is a positive development and a vital strategy for the advancement of knowledge transfer in the agricultural domain, we stress that it should not be considered, and cannot be, an answer to unresolved management problems or the incapacities within an institution. In short, despite its advantages and benefits, contracting is not a panacea.

Introduction

Contracting for extension is a useful strategy for public sector extension systems for two reasons. First, the strategies involved tend to promote a greater number and variety of providers of agricultural extension information and thereby encourage more competition in an area that has been strongly criticized for its ineffectiveness and inefficiencies since the mid-1980s. Second, the strategies of contracting for extension tend to foster cost sharing by end-users and thereby tend to insure more relevance and responsiveness to clients.

While we find that contracting for extension is a positive development and a vital strategy for the advancement of knowledge transfer in the agricultural domain, we stress that it should not

be considered, and cannot be, an answer to unresolved management problems or the incapacities within an institution. In short, despite its advantages and benefits, contracting is not a panacea.

Purpose

In this paper we review and analyze the 18 case-study examples of diverse public/private contracting arrangements for agricultural development found in *Contracting for Agricultural Extension* (Rivera & Alex, 2002), but lack of discussion on failed contracting arrangements was a limitation to that study. Thus there remains a gap in the study of extension contracting. Contracting for extension is widespread both geographically and across various agricultural interests, and deserves greater in-depth research as to its performance in different locations and environment.

As the *Contracting* book indicates, contracting for extension is the result of various purposes, viz.:

- Governments' desire to **off-load public sector extension** to private sector entities, sometimes completely as with The Netherlands, New Zealand, and the United Kingdom, but more commonly by contracting for private agricultural advisory services, as in Estonia and Thuringia in the Federal Republic Germany.
- Public sector concerns for improving natural resource management, and therefore **contract to promote environmental services**, as in Australia and Madagascar.
- Public sector need to **contract for input services**, as with veterinarians in Mali, or for precision agricultural services as in Illinois in the United States.
- Private and public entities **contract out for specialized services** – for instance, with small-scale coffee growers in Colombia and to fight the mealy bug infestation in Trinidad and Tobago, and also in Vietnam to train agents in participatory planning methods.
- Private farmers in developed countries often **contract for commercial advisory services**, as is the case with Portugal where the Association for Viticulture Development contracted for IPM extension, and also in Louisiana in the United States where there is a growing interdependency among private consultants, extension and farmers.
- Finally, there are cases that do not fit neatly into the preceding categories. In China government-driven “group-contracting” shifts to individual farmer’s need-oriented contracting for extension services. Finland stands out as having a long history of contracting for agricultural extension both in the public and private sectors. Mozambique exhibits the case where contracting currently being studied for its appropriateness to the country’s needs. Uganda provides an example where private sector non-governmental organizations “contract in”, so to speak, through seconding government extension agents for their own extension projects.

Despite their variety, the cases highlight several generalities: (1) that contracting for extension is a widespread strategy, (2) that it is a strategy employed by all agricultural sectors, and (3) that it is a strategy utilized in diverse extension situations.

Method

The cases in *Contracting for Agricultural Extension* (2002) have implications regarding technical criteria, social consequences, environmental consequences and other impacts of contracting for extension.

A brief review of information on technical criteria reveals specifics about the selection, monitoring and evaluation, and certification of advisory consultants, as well as different

approaches to funding and delivering programs for contractual advisory services, including differences as to who decides the content of extension messages and who decides who will receive the advisory service.

The social and environmental consequences are several and refer to stakeholder participation, poverty, equity, food security, natural resources management, capacity building and other concerns, such as women and children. Judging from the cases these consequences of contracting tend to be positive. Poverty is addressed in ten cases and indications were that farmer incomes had increased as a result of the contracting scheme.

Natural resource and environmental outcomes appear to be positive in seven cases. Contracting for extension positively affects women farmers and laborers in five cases. On the other hand, we note that contractors are unlikely to focus on gender-equity unless this was expressly specified within the contract.

Equity impacts are ambiguous in most of the cases. Greater equity in the distribution of benefits from the extension services was cited in only three cases, and this was balanced out by a negative impact on equity of benefits for small and poor farmers reported in four other cases. Food security was enhanced in only two cases, and this issue was not otherwise cited as a significant aspect of the contractual arrangements.

Contracting for extension services can have a negative impact on the equity of the benefits for small, poor, and marginal area farmers, if public funding does not specifically target these producers. Contractual arrangements can also create undue competition between organizations, both those providing advisory services and those purchasing the services.

Educational application

The cases suggest that contractual arrangements involve an evolutionary process and tend to move through phases to reach maximum efficiency and equity, as in the case of Chile. Success depends on finding practical solutions to local particularities. A good agricultural development process -- including farmer access to inputs and markets -- is basic to a meaningful advisory service. Too often government services are restrained by limited funding, which inhibits contractual arrangements even when the latter would be more efficient. Too often qualified service providers are lacking.

Contracting Private Provision of Public Services

In contracting out extension delivery, generally public funds are used to contract private providers of services. Anticipated benefits include greater operational efficiency and cost-effectiveness; greater accountability of extensionists to perform and produce results; and a greater variety of providers of extension services. When publicly financed extension services are contracted out, the role of government changes from that of implementing agency to that of quality controller, overseer, and provider of training and technical information to agencies contracted. In Mozambique, the idea is that both the public and private sector may provide services, with division of labor by district and province.

With private sector service delivery, extension workers can more easily be rewarded for good performance and dismissed for poor performance. Although there are obvious and well documented problems with public sector extension systems, there is no guarantee that extension provision by the private sector is going to be more effective. White and Eicher (1999) observed that "there is a lack of conclusive evidence that NGOs are more efficient than government or private agencies in delivering farmer support services."

Chile, Hungary, and Venezuela achieved successful public-funding/private-delivery of extension services. In Chile, services tend to be provided by private for-profit firms, in Hungary by universities, and in Venezuela by NGOs. Such cases illustrate the range of potential service providers and the options for contracting services from universities, NGOs, or farmer organizations when contracting with for-profit private service providers is not an immediate possibility.

Commercializing Publicly Provided Services

Although emphasis is generally on public sector contracting for services, there are frequent instances of cost-recovery or fee-for-service systems in which private sector entities contract the public sector for delivery of specialized services. In these situations the private sector pays for, and the public sector delivers, extension services. Fee-based public extension services exist throughout Europe. Commercialized public extension recognizes that many extension services are private goods for which users are willing and able to pay, but for which economies of scale and scope make it more efficient for government to develop and deliver the service.

NGOs, farmers, farmer organizations, private companies, religious organizations, and other groups often enter into agreements with government extension agents (usually at the local level) to provide services (particularly technical advice) to their members or clients. These entities are generally agreeable to agents staying with the government not only for economic reasons, but also to ensure linkages with the government and to facilitate access to public services and resources. Moreover, NGOs and private companies often find cost advantages in collaborating with government extension services, as they can tap technical skills on an as-needed basis without carrying staff on their payrolls.

Policy Issues in Contracting Extension Services

The efficiency and effectiveness of contracted extension services depend on many of the same factors that influence any extension program. Macroeconomic and fiscal instability increases cost of capital and reduces the propensity for private investment. Inadequate protection for property rights reduces producers' ability to secure credit and invest in long-term productive enterprises. Government controls and market interventions reduce the efficiency of input supply and output markets, and thus limit farmer ability to respond to market incentives. All of these policy issues condition the ability of extension — whether via contract or not — to impact on productivity and innovation in agriculture.

Still, strategies for contracting extension services---particularly public financing of private service delivery---present some important policy issues for national extension systems. Many countries have few private sector service providers. Contracting procedures are important, but may vary considerably. Relative cost-effectiveness and cost-efficiency of public and private providers is important. Social and equity issues must be considered, as must program impacts on government budgets and state capacity to manage contracted extension services.

Reducing Barriers to Entry for Private Sector Providers

The limited existence and availability of competent non-state providers in many developing countries reduces choice and competition, thereby restricting opportunities for contracting extension services. This may be due to the scarcity of private organizations with a mission to serve farmers through agricultural advisory services, lack of demand for information

services, excessive government regulation, or government services having “crowded out” private participation. Expansion of private sector capacity could improve producer access to a range of services and meet the needs of a diverse clientele.

Developing Explicit Contracting Procedures

The cases indicate that public contracting of private service provision can be politically sensitive, if there is even the appearance of nepotism or unfair competition in the award of contracts. Contracting processes require complete transparency through the use of clear procedures and accountability mechanisms, such as certification of service providers, competitive contracting processes with broad-based selection committees, and regular reporting and routine financial audits. Accordingly, competitive selection procedures are desirable to ensure fairness in contractor selection, and to establish competitive prices for contracted services. Contracting for extension demands procedures that are clearly defined and documented, with:

- Legal contract documents to formalize agreements between parties;
- A detailed “Operation Manual” describing contracting procedures and roles and responsibilities of parties involved;
- Clear terms of reference to guide the bidding process, outlining the type of proposals expected, and objectives of the contract. Services must be specified sufficiently to establish a contract for: work to be done, responsibilities of the parties, geographic area (if applicable), target clients, and products or outputs expected;
- A contracting process that advertises widely for service providers, and provides adequate time and information for potential providers to prepare and submit proposals;
- A technically qualified selection committee to evaluate proposals;
- Contracts signed promptly upon award; and
- A procedure to inform all parties of the selection results, giving unsuccessful bidders information on how to improve proposals for subsequent calls for proposals.

Comparative Cost-Efficiency and Impact Effectiveness

Cost/benefit estimates and cost accounting are important aspects of extension program management, but few extension staff seems adequately trained to carry out these tasks. Contracting procedures that require attention to unit costs create strong pressures to keep costs in line, and to purchase services from suppliers having competitive cost advantages (Scott 1996).

Private providers are expected to use resources more effectively or be more likely to deliver desired outputs and goals, since most public extension services appear to neglect cost-effectiveness indicators and lack real incentives for good staff performance. Costs are likely to vary from country to country, and will depend on the type and intensity of services. As a reference point, extension advisory service programs in Nicaragua and Mozambique are estimated to have annual unit costs per farm family of about \$400.

Social and Equity Considerations

The case studies underscore the varied impacts contracting extension services have had on social and environmental issues. In ten cases contracted services addressed poverty issues and increased farmer incomes. Three cases reported greater equity in the distribution of benefits from extension, but four reported negative impact on poor farmers. Contracting positively affected women farmers and laborers in five cases and stakeholder participation in program decision-

making increased in 14 cases. Seven cases had positive environmental outcomes and contracting enhanced capacity of institutions to provide advisory services in 14 of the 18 cases.

Social and equity issues are important considerations for extension policy, especially for countries with a high proportion of small, resource-poor farmers and endemic rural poverty. Public policy generally seeks to direct services to poverty alleviation and social equity, while for-profit private firms are thought to be less concerned with these issues than is the state sector.

How can contracted extension systems avoid having negative impact on services for the poor? Some cases suggest that contracting extension services can specifically target small, poor, and marginal farmers, and require contractors to work with these groups and address poverty issues. Private sector for-profit providers are generally unwilling to service difficult areas but might under favorable contract terms, and NGOs often have greater aptitude for working effectively with disadvantaged communities. Contracts can target the poor by stratifying clients according to income level, as is done in some Latin American extension programs (Chile, Mexico).

Additional Costs when Out-Sourcing Extension Services

The decision to contract provision of extension service entails long-term planning and costs. Managing contracted extension services requires skilled staffs with the capacity to monitor, supervise, and evaluate work of contractors. Financial management and administration systems in many government agencies also require strengthening to handle contracted extension. Other costs are the loss of institutional memory, when contractors develop exclusive expertise and retain experience with extension programs. In the extreme, this can lead to an effective monopoly on service provision. A further cost is the loss of key government staff who might be presented with comparatively attractive employment conditions in the private sector.

Outsourcing services might also require heavy initial costs, if reforms include staff redundancies and retirement packages in addition to financing of contract services. Political and social concern over downsizing public sector staff is frequently an obstacle to contracting services from private providers. However, a well-managed program of training, grants, and severance packages to assist staff into retirement and new occupations can mitigate this problem. Over the medium term, private sector expansion leads to progressive increase in private sector employment opportunities and facilitates rationalization of government staff numbers and cost. Indeed, the development of new services and innovations by the private sector may result in more people being employed in extension, as in New Zealand, where extension has been totally privatized and there are now more extension consultants than when extension was a state monopoly (Walker 1993).

While the cases tend to emphasize field advisory services, some cover other activities, such as group formation, mobilization, marketing, product preparation, and farm management. In all cases, the requirements for successful contracting of extension are similar, as outlined below.

Essential Preconditions for Publicly Contracted Extension

A sound policy environment for agricultural development (including farmer access to inputs and markets) is basic to any meaningful extension service. The case studies reveal four additional preconditions for successful programs of contracted extension: political will to promote system reform, clarity in institutional roles, adequate capacity in service providers, and effective demand for extension services.

Political Will to Promote Extension Reform. Reform of agricultural extension is an urgent need in many countries. If government operations are improved by contracting for service delivery, farmers can receive better services, public expenditures can be reduced, and private enterprise can be expanded. Change threatens all, however, especially vested interests, and the shift to contracted extension implies a fundamental change in the traditional view of government.

For contracted extension services to be successful, adequate funding is required – whether from donors and government, the private sector, farmer organizations, or a combined effort by the various parties concerned. There must be a willingness to cooperate among all parties, including politicians, service providers, and clients. Government agencies must be responsive to clients' needs, whether expressed directly or through the contracted service provider. Building trust and political will for reform is the essential first step in initiating a strategy of contracting extension services.

Clarity in Institutional Roles. The government role needs to be spelled out and clearly understood in systems of contracting services. Governments have an essential role in looking after public goods and the public interest. This frequently requires government to maintain a role in training extension advisers, contract oversight, program monitoring, program evaluation, and overall strategy formulation. Contracting for extension ideally involves co-production of services with collaboration between government, service providers, and farmers.

Contracting arrangements provide opportunity for extension providers (including government, NGOs, private venture companies, and farmer organizations) to share experiences and resources, and to engage in collaborative planning. Collaborative planning with clients encourages a sense of local ownership and tends to enhance program effectiveness. Contracts that ensure client participation in decisions on content and delivery of services strengthen demand-driven systems, and increase relevance of information services provided.

Adequate Capacity in Service Providers. One of the common constraints to contracting extension services is the real or perceived lack of qualified service providers. Barriers to entry cited above limit the number of institutions engaged in provision of extension services, but often institutions are active in the field, even though “invisible” to government officials and agencies. Establishment of a registry of service providers is helpful to facilitate the contracting process. Private sector agencies, both for-profit and non-profit, are innovative and quick to enter a field, when funding is available.

Contract extension arrangements can exploit the comparative advantage of service providers. However, provider professionalism and technical capacity are fundamental to success. Training and education (through strong coalitions among agricultural education institutions, research and extension) may be essential in the short term for upgrading, and in the long term for advancing a professional consulting industry.

Effective Demand for Extension Services. The other aspect of the technical services market is the demand-side. This is usually weaker than the supply-side of service providers, as farmers are usually small and not formally organized. Furthermore, past experience with top-down extension services has not stimulated a great appreciation for the value of technical services. Public programs to finance or co-finance services for farmers, and approaches that put the farmer in charge of the extension agenda, tend to strengthen demand for extension services.

Farmer organizations are critical to strengthening the demand for technical services, because they provide economies of scale and a mechanism for promoting small-farmer interests. Technical competence of farmer organizations is important in dealing with service providers and farmer education and training are crucial to enhance agricultural development over the long term.

Operational Requirements for Contracting Extension

Contractual arrangements often involve an evolutionary process and move through phases before reaching maximum efficiency and equity (as note in the cases on Chile and The Netherlands). Success depends on finding practical solutions to local problems. The case studies reveal seven operational issues important to contracting for extension.

Selection of extension agents. Success of extension activities depends largely on extension agents and their relationship with farmers. Selection of extension agents is therefore critical to program success, and contracting services should allow greater discretion and flexibility in selecting them. Farmers or members of farmer organizations should play a greater role in selecting the extension agents who serve them.

Monitoring and evaluating contract extension service. Government, sometimes with input from NGOs and farmers, is generally responsible for monitoring and evaluating the work of contracted extension agents. Each extension contract should include a plan to monitor the performance of the consultant and/or the consultant firm. Evaluation records should be kept to maintain a record of available consultant firms for extension work, and to record the assessment of the firm's performance. Capacity to monitor and evaluate contracts is crucial.

Time-bound milestones should be included in contracts, and contract objectives should be clear and backed by verifiable monitoring indicators. In Zambia a separate unit has been established dedicated to this purpose, and a similar development is planned in Zimbabwe (Ashworth 2000). Monitoring and evaluation mechanisms must provide for monitoring both performance of contract service providers and impact of contracted services.

Farmers and farmer organizations should be more involved in monitoring and evaluating the work of extension agents

Certification of extension agents. A system of professional accreditation is needed for quality control and monitoring qualifications of extension service providers and/or extension agents. In most cases, government is responsible for maintaining a registry and certifying capacity of private service providers financed by public funds. The certification process can however be problematic and can open government staff to charges of abuse or favoritism. Private sector or civil society mechanisms for certifying extension agents and service providers are probably the best solution for a long-term objective in contract-extension systems.

Payment/cost sharing of extension costs. Government continues to provide funding for most contractual extension arrangements, but cost-sharing arrangements between governments and farmers are increasingly prevalent. In industrial countries, farmers are paying either a large portion or all costs for extension. Farmers also co-finance extension services from the for-profit private sector, NGOs, and research institutions. Cost sharing appears to be greatly facilitated

when farmers are involved in selecting, monitoring, and evaluating extension agents, and in determining program content.

Contracting extension services. As governments move to outsource extension service provision, the initial approach is usually that of government contracting services on behalf of farmers. Although this is expedient and government maintains a certain level of comfort with the management of public funds, it maintains a top-down mentality and a relationship of government doing something for the client. Empowering farmers to purchase their own services gives them true responsibility for service provision. Many community and producer organizations are weak and poorly organized, but experience indicates that they frequently can contract services efficiently and effectively (De Silva 2000).

Deciding on the content of extension messages. Governments continue to determine the extension messages to be provided to farmers, although they now more often do so in consultation with NGOs. Farmers and the for-profit private sector are less involved in determining content of extension services. Farmers, NGOs, the private sector, and research institutions should be closely involved in decisions on extension program content. Diversity in sources of technology (research, private sector) is important, especially in countries where extension must serve many types of farmers.

Deciding who will receive extension services. The decision as to who should receive public services is very much a political decision and will be affected by the political process. To the extent that clients value services and lobby for them, this is a legitimate means of allocating services. There are, however, important public goods issues involved in targeting services. Equity concerns dictate that services be targeted to the poor, women, or minority groups, to address specific problems. Environmental concerns may dictate a need to focus activities on a particular area or problem.

Final comments

The impact of contracting as a type of reform by the public sector has yet to be fully evaluated but there appears little—if any—move to return to previous systems and governance. This suggests that the clients of extension—producers and other stakeholders—are mostly satisfied with the transformation and with the evolution of truly demand-driven services. However, recent signals from Chile also suggest that reform is a constant.

The cases point out two public sector priorities: the need to reduce government fiscal burden and the need to strengthen public sector staff. The lessons cited in *Contracting for Agricultural Extension* (2002) underline that outsourcing does not come without costs. Staff redundancies and retirement packages require heavy initial costs. Managing contracts calls for skilled staff to ensure the success of sub-contracting. Thus, financial management and administration systems in many state agencies require considerable strengthening.

While we find that contracting for extension is a positive development and a vital strategy for the advancement of knowledge transfer in the agricultural domain, we stress that it should not be considered, and cannot be, an answer to unresolved management problems or the incapacities within an institution. In short, despite its advantages and benefits, contracting is not a panacea.

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