AN INSTITUTIONAL VARIANT IN EXTENSION: 
THE RURAL BUSINESS ADVISORY SERVICE IN UZBEKISTAN

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Abstract

Agricultural extension around the world is experiencing structural reforms as countries make the transition from centralized to decentralized and privatized systems. Four principal restructuring reform trends exemplify this pattern. Former Soviet Union countries are just beginning to create market-oriented agricultural systems, and can tailor their extension institutions to this philosophy. The Government of Uzbekistan, which became an independent republic in 1992, is negotiating with the World Bank to restructure its agriculture, including the development of a Rural Business Advisory Service (RBAS). The RBAS can be regarded as an innovative institutional variant of the public-private partnership trend which features commercialized information delivery preceded by government (public) subsidy. A description and analysis of the proposed Uzbek RBAS integrated into a discussion of the above reform trends is provided in the paper. Prospects and challenges of the RBAS are presented.

Introduction

Worldwide, agricultural extension is experiencing institutional changes which promise to continue into the 21st century. The transition from centrally-controlled extension systems to decentralized and privatized systems reveals four principal restructuring reform trends: (a) sub-government enhancement, (b) public-private partnerships, (c) public-sector delegation, and (d) market-oriented approaches. An exception to this phenomenon are the former Soviet Union countries in Eastern Europe and Central Asia which are only now beginning to restructure agriculture and create agricultural extension systems with a market focus.

Agricultural Restructuring and the RBAS in Uzbekistan

Uzbekistan is a relatively small country (173,000 square miles) with a population of approximately 20 million. Administratively, the country is divided into 12 viloyats (regions), 162 tumans (districts), and 118 cities and towns. Uzbekistan has a highly developed agricultural sector. It is the fifth largest producer and the second or third largest exporter of cotton. Substantial quantities of rice, vegetables, fruits, vegetable oil, silk, leather, and wool are produced and exported to the Confederation of Independent States.

Uzbekistan, like other countries in the former Soviet Union, had a pervasive central command structure which dominated all sectors of the economy, including agriculture. To accomplish the transition from this system to a market economy, the Government of Uzbekistan, with assistance from the World Bank, is likely to introduce the Agricultural Enterprise Restructuring Program (AERP) in 1999. The main features of the program are (a) a gradual shift of government management control to the private sector through land reform whereby
government land would be leased to workers previously engaged in farming and agribusiness activities on collectives, (b) a significant change in the relationship between the government’s agricultural institutions and the rural population, shifting from supply-oriented to demand-driven information and services, and (c) a new approach of allowing and eventually enabling individuals, households, and groups to make their own decisions in their own best interests. Enactment of a new land law, a land registration system, and a business-oriented credit system should help the restructuring, which is expected to be completed within ten years.

The policy guiding agricultural restructuring is notable for several reasons. First, it advances an innovative approach to agricultural information transfer and decision-making. Second, it seeks to reduce the power of government monopolies in agriculture by promoting the development of private sector entities (entrepreneurs) rather than simply privatizing these monopolies, as has been done in Mongolia. Admittedly, the public sector still dominates, but the private sector is gradually gaining importance. Private sector values focused on entrepreneurship and a customer-orientation are slowly gathering force, and some responsibilities are being shifted to sub-government units and the emerging private sector.

At the center of Uzbekistan’s agricultural restructuring policy is the proposed RBAS, or agricultural advisory service, based on free market economics and extension principles and methodology. The RBAS is intended to provide information and advice to help workers previously employed on collective farms become entrepreneurs in farming and related agribusinesses. Information services will cover legal and policy matters, including beneficiary rights, restructuring procedures, and technical support on farming and agribusiness development. Advisory services will include farming and agribusiness planning and management, credit, business and financial planning, and marketing. Training programs and materials will be developed to support these services. RBAS beneficiaries include households and agribusinesses in collective farms, and government-sponsored or existing independent enterprises, desirous of transforming themselves into efficient, private profit enterprises.

The RBAS is to be headquartered in Tashkent, the capital of Uzbekistan, with subsidiaries in the six districts where the agricultural restructuring is initially planned to be implemented. Both the headquarters and subsidiary units will have information, advisory, and training support functions.

**Challenges for the RBAS**

As the RBAS is implemented, a number of challenges may be expected to arise which will need to be addressed. These are discussed below along with questions that are relevant to meeting them.

**Autonomy**

The RBAS is intended to be an autonomously managed public entity. Initially, it will be housed within a government agency, the Institute of Market Reform (IMR), and receive government subsidies to conduct its operations. The plan is for the RBAS to become commercialized within three years (phase one of the AERP) and begin charging for some of its services to partially cover operating costs, and to acquire new housing facilities. Relevant questions in this regard are: Is the three-year period adequate to achieve autonomy and become commercialized? Can it maintain independence from IMR’s policies, programs, and priorities while it is housed in IMR’s facility?

**Leadership, Organization, and Management**

The management and staff of the RBAS will need to show leadership and market-oriented business acumen and preparedness so that program beneficiaries get appropriate guidance and advice. In meeting this challenge: Will the leadership and staff of the headquarters RBAS have the organizational, leadership, and managerial skills to assist tuman staff in the development and distribution of information,
organization of a business advisory program, and production of appropriate training materials? Will the tuman staff, in turn, be able to help their clientele with the needed information, advice and training?

**Outreach**

Developing and implementing appropriate outreach programs for clientele is a challenging task. Significant questions which will arise in this context are: What outreach methodologies and techniques should be used, and in what kind of mix so that clientele in widespread geographic areas are efficiently and effectively reached? How can the needs of a large number of diversified farmers and agribusinesses, estimated at 123,000 families in each of the six districts, be reached by a small complement of three staff per district? To what extent should mass media be used to complement limited staff resources, and will mass media be as effective as more personal methods in alerting and informing beneficiaries about restructuring policy, legal rights, and access to initially free RBAS services? How could a strategy of assisting farmers to form farm associations in the tumans be implemented? When and how should business planning and management training programs be provided? Likewise, when and how can the tuman staff become more engaged in assisting farmers, farm associations, and agribusinesses with specific crop and livestock production, and input, credit, and marketing processes? What will be the role of information technology, including computers and computer-assisted instruction, in delivering programs?

**Infrastructure**

Ultimately, the Government of Uzbekistan will have to take appropriate measures to establish the infrastructure to cope with the developments that will flow from the RBAS, namely increased demand for agricultural production inputs, and marketing, pricing, and storage mechanisms to deal with increased production. Will it have the will and the wherewithal to do so?

**The RBAS as an Institutional Variant in Agricultural Extension**

It was mentioned in the opening of this paper that the RBAS may be viewed as an innovative institutional variant in an evolving framework of extension systems. Further discussion of the RBAS as an extension system is appropriately taken up within the context of structural reform strategies and innovations that have marked this evolution. Figure 1 depicts structural reforms in agricultural extension as (a) subgovernment enhancement, (b) public/private partnership, (c) public sector delegation, and (d) market-oriented approaches. Each structural reform consists of one or more innovative institutional arrangements. These arrangements are shown on a continuum from least radical to most radical forms of structural change. As depicted in Figure 1, they are public sector reinvention (1), structural deconcentration (2), structural devolution (3), power-sharing (4), delegation (5), public funding/private delivery arrangements (6), commercialization (7), and privatization (8). A ninth arrangement, public restructuring (9), is suggested for the newly independent states of Eastern Europe and Central Asia, including the Uzbek RBAS.

**Sub-Government Enhancement**

This term is synonymous with decentralization. It implies shifting of authority from the central (federal) government to a subgovernment, such as a state, province, district, governorate or other administrative unit. In some countries, such as Australia, Brazil, Canada, Germany, and the United States, sub-government enhancement has existed historically, in that federally constituted governments share authority for extension in varying degrees with sub-government authorities. Variations of shared authority for extension are found in federally constituted countries. These variations can be identified: (a) centralized federalism in which authority is strongly influenced by the federal government (eg. Brazil), (b) dual federalism, wherein authority is shared with subgovernments (eg. Canada), and (c) cooperative federalism characterized by shared authority among federal,
state, and local governments (e.g., the United States). Themselves subject to downsizing and pressure to rely on contracting out for extension services.

Public sector reinvention (1) occurs when extension systems revamp their programs and institute minimal fees for services, but do not radically change structurally, as in Israel and the United States, although the systems may find themselves subject to downsizing and pressure to rely on contracting out for extension services.

Structural deconcentration (2) takes place when the national government “deconcentrates” power and responsibility to branch offices. There has been some move in this direction in North African countries, such as Egypt, Morocco, and Tunisia.

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<th>Innovations</th>
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<td><strong>Subgovernment Enhancement</strong></td>
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<tr>
<td>1. Public sector reinvention</td>
<td>No radical changes in structural authority, although system subject to downsizing and other pressures</td>
<td>Least Radical</td>
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<td>2. Deconcentration</td>
<td>Central authority assigned to branch office(s)</td>
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<td>3. Devolution</td>
<td>Central authority shifted to subnational government</td>
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<td><strong>Public/Private Partnership</strong></td>
<td>Authority for extension funding and delivery shared between government and farmer associations</td>
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<td>4. Partnership (“Dual” Authority)</td>
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<tr>
<td><strong>Public-Sector Delegation</strong></td>
<td>Authority for funding and delivery delegated in large part to independent nonprofit NGOs, and to a small extent private companies.</td>
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<td>5. Delegation</td>
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<td><strong>Market-Oriented Approaches</strong></td>
<td>Authority for funding remains with central government, but delivery responsibility shifted to private companies</td>
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<td>6. Public funding, private delivery arrangements</td>
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<td>7. Commercialized</td>
<td>Government agency has been commercialized</td>
<td></td>
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<td>8. Privatized</td>
<td>Authority transferred entirely or in large part to private sector</td>
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<td>9. Public restructuring (Public-Private Hybrid)</td>
<td>Commercialization preceded by public sector subsidy</td>
<td>Most Radical</td>
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Figure 1. Agricultural Extension Structural Reforms
Structural devolution (3) refers to the decision of a national government to devolve power to a subgovernment, as is the case in several Latin American countries, such as Colombia and Mexico.

Public-Private Partnerships

Public-private partnerships (or power-sharing), though they tend to be overlooked in analyses that stress only decentralization and privatization strategies, often take shape in the form of dual government-farmer association arrangements. An example of a power-sharing dual arrangement (4) between the national/provincial governments and farmers associations is found in South Korea and Taiwan. In that arrangement, funding and decision-making are shared by government and farmers.

Public-Sector Delegation

Public-sector delegation of responsibility can involve shifting the burden of extension funding and delivery to a third party, including companies, farmer cooperatives, and NGOs. Delegation (5) captures the spirit of this reform strategy. The Latin American term for this strategy is “tercerizacion” involving principally nonprofit NGOS; in Africa, responsibility is most often delegated to a private company: Compagnie Francaise pour de Developpement des Fibres Textiles (French Company for Textile Development). These organizations operate as the main commodity developers and marketing agents for francophone African countries.

Market-Oriented Approaches

Market-oriented approaches also involve delegation of responsibility by the public sector to a third party. But, in this case, it is to private companies for agricultural development and various forms of extension commercialization, involving cost-sharing, fee-based arrangements, and sometimes graduated steps toward privatization. Public funding/private delivery arrangements (6) are devised when a national government decides to continue to fund extension but uses vouchers, or contractual arrangements, for private sector companies to deliver extension, as in the case of Chile, Estonia, and Hungary.

Commercialization (7) occurs when a public sector agency is reconstituted on the basis of private contractual arrangements, which may eventually, as in New Zealand, become fully privatized.

Privatization (8) is the shift of extension functions, albeit on a graduated basis, to private sector companies, as in The Netherlands.

Another innovative strategy that has recently evolved is public sector restructuring (9) following a period of control by and dependence upon an external entity. This is found in the countries of the former Soviet Union, where, in some cases, governments are seeking to restructure the previously command-driven agriculture sector. Part of these restructuring plans call for establishing agricultural and business advisory systems to help workers formerly employed on collectives to become entrepreneurs in farming and related agribusinesses.

It is too soon to identify exactly where such a strategy will lead, but it appears that the advisory services policies are likely to involve a schema that is directed toward commercialization preceded by public sector subsidy. In short, once the restructuring is completed, this strategy is unlikely to remain an operative direction among those currently dominant.

The public restructuring reform strategy and its business orientation toward “commercialization preceded by public sector subsidy” involves an institutional innovation which is different from those in non-FSU countries. The innovation suggests a public/private extension hybrid on its way to privatization. Indeed, the proposed Uzbek RBAS seeks to decentralize the burden of authority, and, at the same time, to gradually shift the financial costs to farmers and agribusinesses. This shift of responsibility to regional and district subgovernment levels and its fee-based
orientation is a kind of hybrid, one that appears to represent an institutional variant in the innovations that have resulted from the various reform strategies.

It is notable that all nine types of innovations underscore the diminution of national or central government control of extension. The delivery function of public sector extension services in particular is being reduced as more countries augment subgovernment or private sector responsibility for extension delivery, or contract out for these services. As noted, various countries have decided to hire private companies to reach agricultural producers. In such cases, the national government pays for, but does not deliver extension services. This division of public/private as to who pays/who delivers is graphically illustrated in Rivera and Cary (1997), Kraft (1997), and further revised in Cary (1998). Needless to say, the prevailing policy-driven public sector extension decentralization and privatization reform trends are loaded with political and practical meaning and deserve further analysis.

Summary

An innovative extension system is poised for development in Uzbekistan: the Rural Business Advisory Service (RBAS). The RBAS would foster both agricultural information transfer and business advice. The innovations embodied in the system concept and action plan differ from other extension system innovations. As such, the RBAS represents an emergent extension variant. This innovative system promises to integrate farmers and associated agribusiness workers on collective farms into a market-oriented agricultural economy. To succeed, however, the system will require considerable government commitment, institutional leadership, and staff interest to develop fully this innovative extension variant.

References


Endnotes:

1. At present (1998), The Netherlands Government is obliged to buy specific extension programs unilaterally from the DLV (Dienst Landbouwvoorlichting) private company. But by the year 2000 all government programs will be open to public tender procedures and the DLV will then have to bid along with others for government contracts.

2. Subgovernments at the state level are also being diminished as regards extension delivery. In the United States, the curtailment of the subgovernment state role appears to be occurring at different rates in different states. Wolf notes that: “A privatization gradient can be observed across higher and lower competition counties within each state.” He finds that in sites with a strong private sector and where competition is high, Extension is less active and relied upon less, independent crop consultants are more active, and dealers are more fully engaged in service delivery and promotion (Wolf, 1998:167). Boehje (1998:34) states that: “Growing competition by private sector providers and decreasing budgets of public sector providers of information will require significant reassessment of the role of the public sector in the information markets.” Bennett (1994) argues that the public sector should not try and compete with the private sector but allocate resources to areas where private sector investment is inadequate.