Assessing Private extension models

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Abstract: Private firms provide services in accordance with their specialized incentives and farmers respond in terms of what they see as most beneficial to them. As each type of extension (public and private) has limitations, the objective for farmers, and agricultural development organisations of all types (local and international) is to attain the best mixture of public, private and NGO services. As Roth (1987) asserts, the public sector in general is over-burdened by numerous activities and moving some of them to the private sector might allow more effective implementation of essential services. While extension services cannot, and should not, be totally privatized, there is room for both some privatization of public extension activities and active promotion of private and NGO extension activities which complement rather than replace existing public extension services. The analysis in this paper draws on cases in which information exchange, feedback to research, and all other major extension functions form only one part of a larger agribusiness operation or agricultural project. This paper focuses on Implication of private extension in developing countries . When agricultural extension is discussed, privatization is used in the broadest sense – of introducing or increasing private sector participation, which does not necessarily imply a transfer of designated state-owned assets to the private sector. In fact, various cost-recovery, commercialization, and other so-called privatization alternatives have been adopted to improve agricultural extension.
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Introduction

The debate on the role of the public sector is not limited to the context of agricultural extension, but encompasses the larger concerns of public policy and institutional and organizational development. Indeed, the degree of government versus private involvement in an economy is an enduring philosophically and politically vexing question. The move toward privatization and efforts to decentralize government functions relate to this theme.

There are two themes in the broader privatization debate: first, a "political economy" consideration of the role and size of government in an economy, which focusses on whether or not there is a failure of private markets; and, secondly, an expressed need to reduce government outlays. While many reassessments of publicly funded extension have reflected the second theme, it is worth considering the rationale for public versus private activity in an economy. In mixed economies, the prevailing economic justification for government involvement in an activity such as agricultural extension is market failure, whereby the market mechanism alone cannot perform all economic functions for appropriate resource allocation. Market failure may arise because some goods or services are public goods (such as publicly funded agricultural research knowledge) which can be consumed in a nonrival fashion by all members of society without any individual's consumption reducing the amount available for other individuals. Because the benefit of providing such goods cannot be appropriated by individuals, individuals generally will not provide such goods in a society even though there may be significant gains for producers and consumers. Some extension activities are clearly concerned with public goods subject to market failure. Other activities (such as individually tailored advice) confer appropriable private benefits which could be adequately supplied by private markets. Private goods sometimes are subject to market failure, whereby the operation of private markets does not provide certain services at a socially optimal level or where external costs or benefits are accrued by others rather than the provider of the goods. Market failure also may arise when current generations place insufficient value on preservation of resources for future generations. These latter circumstances are particularly characteristic of land and water degradation (Cary, 1983). Publicly funded conservation extension is often directed to overcoming such market failures (Barr & Cary, 1992). Government support for the provision of extension services may reflect that such services would be inadequately provided without intervention or, for reasons of equity, because services would not be available to the extent thought socially desirable. Some situations for agricultural extension clearly reflect private goods; other situations clearly are characterized as public goods. There is a lot of fuzzy ground in the middle where it is not particularly clear that an extension activity is conferring a public or private good. In such situations, the extent of publicly funded extension is likely to be determined by the political influence brought to bear by relevant interest groups

(Cary, 1993).

The philosophical thrust of the general privatization debate has centred, on the one hand, on whether certain government activities could be performed more efficiently by private agencies. operating in private markets and, on the other hand, on whether inequities may arise because not all individuals have access to resources to purchase privately supplied services.

Services that cater primarily to large-scale farming.

The Netherlands' experience in moving to a partially privatized system highlights some of the implications for agricultural extension, particularly in developed countries. The Netherlands' approach reduced government outlays as well as the government agency role conflict between concern for farmers' interests and the implementation of increasingly stringent environmental policies. With farmers paying for an increasing share of the extension services, their representatives have more influence on the direction of the extension service. New organizational structures and linkages have had to be established to link the "privatized" and private extension services with the research institutes, experiment stations, and regional experiment farms. Consequent upon, or in parallel with, the changed Dutch arrangements, other changes have taken place in the Netherlands' extension system. There is some evidence, at least for the vegetable greenhouse sector, that the high level of cooperation among extension information organizations in both the public and private sectors no longer exists (Huang, 1992). The more commercial orientation of the system appears to be creating tensions between extension workers and their clients in a less "open" knowledge and information system, with farmers who used to share information during study-group meetings now being more reluctant to do so.

The New Zealand Ministry of Agriculture and Fisheries advisory service, now fully commercialized and receiving no direct government funding, if sold will be the first extension service fully privatized from government ownership. In 1994 the number of consultants employed in this agency was about half of the peak number of advisers employed in 1987. Some of these advisers will have retired or departed voluntarily; others have established private consulting businesses. The consequence of the changes in New Zealand has been an increase in fee-for-service consulting (the number of farm and horticultural consultants has approximately doubled), with the traditional "advisory" extension no longer existing on a large scale. While, in most cases, the changes seem to have been readily accepted, there remains concern over the effective transfer of scientific findings to agriculture (Walker, 1993). Wider structural changes have sharpened the focus and efficiency of research agencies and advisory consulting work. Traditional technology transfer extension is now largely confined to agricultural commodity boards. Agriculture New Zealand engages in some specific "public good" technology transfer projects on a contract basis to commodity research agencies and the national Foundation for Research, Science and Technology.

There has been no formal assessment of the impact of the New Zealand changes. However, there does appear to be less interaction among organizations, reduced feedback from farmers to science providers, and more limited information distribution, particularly to less well-off and poorer performing farmers (Walker, 1993).

The new developments highlight greater institutional pluralism. Extension, interpreted broadly, now is often a mixed system or a "complex" where services are provided by private and public sector entities. The larger context in which a mix of public and private services operates presents a new challenge with new potential roles and responsibilities for the public sector. A major premise of this chapter is that policy makers must consider the entire agricultural extension complex when planning to allocate funds or seeking alternative funding arrangements for the public sector.

Strategies for change

Public sector extension, facing criticism for its cost and its lack of efficiency and for not pursuing programmes that foster equity, is confronted with a number of possibilities for change. There has been a trend, perceptible throughout various extension systems undergoing adjustment, of greater flexibility and multiple partners in funding agricultural advisory services (OECD, 1989). Le Gouis observed three major policies adopted by government and farm organizations regarding privatization of extension:

1. Public financing by the taxpayer only for the kinds of services that are of direct concern to the general public

2. Direct charging for some individual services with direct return (in the form of improved income)

3. Mixed funding shared between public and private professional association contributions for some services where the benefits are shared. A pervading development in new forms of financial support for extension is the trend to mixed sources of funding, reflecting strategies to gain access to additional sources of funding. In several developing countries, public-private extension coordination is already established. Alternative patterns indicate a fostering of private corporate initiative, encouraging cooperative ventures by farmers, coordinating public-private extension services, and privatizing the public system (Wilson, 1991).

The need for improved and expanded extension activities, together with a strengthening philosophical view of less government involvement in national economies, has led to a number of strategies for changing the way extension services are delivered.

1- Revitalization

The United States Cooperative Extension Service, when criticized for lack of relevance and vision (Dillman, 1986), regrouped and reviewed the criticisms. Its Extension Committee on Organization and Policy (ECOP) organized a Futures Task Force to review issues and put forward recommendations with a view to revitalizing the system (ECOP, 1987), which has led to various alterations structurally and programmatically.1 Meanwhile, the advancement of electronic information systems is resulting in increased privatization, with important implications for the future structure of U.S. agriculture (Goe & Kenney, 1988).

2- Commercialization

New Zealand's Ministry of Agriculture and Fisheries' (MAF) agricultural advisory service now operates under user-pay, commercial criteria (Hercus, 1991). The MAF advisory service, renamed MAF Consulting and, subsequently. Agriculture New Zealand, has remained (temporarily) a public agency, although its employees have given up a number of public employment benefits and now receive commissions for consulting work undertaken. The agency depends for its annual budget on consulting fees received from farmers and contractual arrangements with government for the supply of policy information and rural intelligence to government.

3- Cost Recovery

Other public extension systems have moved toward cost-recovery approaches. Mexico has developed a fee-based system among large-scale farmers in the northwest region and plans the development of a similar arrangement among small-scale farmers in the south central region (Wilson, 1991). The Agricultural Development and Advisory Service (ADAS) in England and Wales, notionally "commercialized," operates on a partial cost-recovery basis. Clients of ADAS pay a fee for advice which formerly was free of charge. This process of cost recovery, introduced in 1987, was directed towards the agency receiving 50 per cent of its income from commercial fees by 1993-94 (Bunney & Bawcutt, 1991; Harter, 1992).

4- Voucher Systems

Some countries have replaced public extension delivery systems with vouchers, distributed by government services, for farmers to use in hiring private extension consultants (as in Chile). Coupons attached to agricultural bank loans, committing a certain percentage of the loan for extension services, have been used in Colombia.

Other Arrangements

Some countries have never developed public sector agricultural extension services, leaving the function of agricultural extension to private sector commodity enterprises or industry agencies, albeit often with some government financial subsidy. In France, while chambers of agriculture and private sector companies provide extension services, the former are substantially supported financially by public funds. In New Zealand, extension services to the dairy industry for many years have been delivered by the Dairy Board consulting service, financed by the dairy industry. In other cases, nongovernmental organizations have been used to supplement public sector extension services, especially in the area of rural development (Amanor & Farrington, 1991).

This arrangement has certain advantages for increasing extension coverage and encouraging farmer participation in technology systems, but it also has certain inherent limitations. In most countries, private sector companies are already important contributors to technology transfer and the advancement of agricultural development through, mainly, contract arrangements with farmers. Rightfully, the private sector has come to be acknowledged as a major information provider to both large and small farmers involved in monocropping (Cary & Vilkinson, 1992). The characteristic of "privatized" extension systems is a focus on commercial farms. It is salutary to state the obvious in relation to decisions regarding private and public provision of extension: when extension is delivered privately, it represents a commercial decision; when extension is delivered publicly, it is a political or bureaucratic decision. In determining whether to privatize, it is important, in the first instance, to establish whether an extension programme is designed to help commercial enterprises or small-scale farming and rural development.

Conclusion:

Private delivery agents will be less responsive to government policy direction, and there may be linkage problems with public applied research organizations. While the process of information transfer amongst farmers traditionally has been characterized by a cooperative, free exchange of information, industrial information traditionally has been a private good characterized by patent rights, process licensing, the use of paid consultants, and differentiated production and marketing processes. In developed economies with commercialized agriculture sectors, many of these

features of industrial information transfer are becoming more common in agriculture. The trend to privatization will be stronger the more such circumstances exist. The range of different circumstances prevailing in agricultural extension worldwide suggests that a wide variety of approaches should prevail.

The rationale for private sector provision of agricultural extension services is generally based on an expectation of increased efficiency with the operation of private markets and with the resulting efficiencies contributing to the growth of a country's GNP. In contrast, the rationale for public provision of agricultural extension services is based on the following points: (1) much agricultural information is a public good; (2) only government extension services are likely to promote concern for natural resources management; (3) public sector extension may enhance the education of farmers who often lack adequate access to educational institutions; (4) the public service often provides information that reduces risk to farmers; (5) the service may provide information that reduces transaction costs; and (6) an extension service may be concerned with community health issues related to possible human hazards such as accidents and poisonings linked to agricultural chemicals. The argument for privatization is based upon:

- More efficient delivery of services
- Lowered government expenditures
- Higher quality of services

The diverse financial arrangements adopted in the last two decades by governments worldwide to fund agricultural extension services provide a valuable menu of options for consideration by other countries confronting the "privatizing" of public sector services. Still, several countries have resisted the trend toward privatization of agricultural extension, concerned perhaps by the implications reviewed in this chapter. In both developed and developing countries, renewed debate and experimentation around extension is certainly needed, but not only around allocation decisions and how best to develop cooperative arrangements with the private sector.

In most countries, government-funded extension is likely to focus its activities more selectively on public-good activities which exist and on areas where the marketplace is unlikely to provide services at a socially optimal level. Such areas will include "broad" rather than "specific" technology transfer, dissemination of environmental and resource technology, and human resource development. The move in the public sector toward privatization and efforts to decentralize government functions can serve to highlight the continuing and key role of the public sector and focus the operative question on its responsibility as a coordinating agent. Its roles of regulation and providing service for priority audiences unserved by the private sector will be undiminished.

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