

**The Neuchâtel Initiative**  
**Review of Experiences on Market Oriented Agricultural Advisory Services**  
**(MOAAS)**

**Macedonia Agricultural Advisory Support Programme (MAASP)**

**Country:** Republic of Macedonia

**Name of intervention:** Macedonia Agricultural Advisory Support Programme (MAASP)

**Time period under analysis:** 2005 to present

**Institutions/agencies involved:** Ministry of Agriculture, Forestry and Water Economy (MAFWE) and other stakeholders in the Macedonian AKIS, funded by Sida with technical assistance from OPTO International

**Project purpose:** To improve the quality of advisory services through capacity building and institutional strengthening amongst agricultural service providers; addressing the relevance of the services through the adoption of a demand-driven extension process; and enhancing the accessibility by better delivery systems, training and resource support.

**Main Results:** Initiation of a process of institutional reform, enhanced capacities to plan and implement advisory services, changed attitudes toward pluralistic services, better readiness for EU accession

Rapporteur: Ian Christoplos

Date: 28.8.2006

**Question 1: What are the general settings and arrangements for MOAAS?**

Over the past 15 years, Macedonia has faced major challenges in shifting its agricultural system from one of supplying other Yugoslav republics to one of competing in wider European and international markets. Major constraints in access to markets include extreme land fragmentation, poor knowledge of markets among farmers and many actors in commodity chains, mismatch between processing and production capacities and difficulties in re-orienting production from former products and markets. Macedonia has been relatively fast to adopt market reforms, but its relative poverty, small size and weak public sector institutions have meant that it has until recently reaped little benefit from these changes. It has opened its markets, but lacks financial resources to maintain the levels of subsidies (including advisory service provision) enjoyed by its larger and wealthier neighbours. Many crops, especially grain production (wheat) have declined, while wine and tobacco have begun to make a significant comeback in the past few years.

MAASP is a MAFWE programme and as such it is MAFWE's overall goals of production growth, profitability and EU integration that should be stressed. Sida supports the programme

primarily in the interest of achieving its goals of poverty alleviation in Macedonia through economic growth, private sector development and EU integration.

MAASP has provided an opportunity for MAFWE to reflect on what it actually should and could expect from advisory services in support to market and EU integration. This was rather unclear at the outset of the programme. There was an awareness that the agricultural sector was facing tremendous challenges with impending EU pre-accession processes, WTO membership, new free trade agreements, loss of former markets in other former Yugoslav republics, etc., but there was no clear consensus on how (or even if) advisory services should be part of the solution. A discontinuation of governmentally funded advisory services was under consideration.

The National Extension Agency (NEA) had received support from the World Bank during the late 1990s, during which time it underwent a transformation from earlier socialist structures of supporting socially owned enterprises and distributing inputs/subsidies. NEA was established as an autonomous government agency, governed by a board without representation from MAFWE. It has struggled since its inception with problems of weak leadership, politicisation and generally poor motivation among aging staff who fondly remember their role from the socialist period. After World Bank support was discontinued, the activity level declined considerably. Donor inspired efforts to create a network of private advisors collapsed. Sida began discussions with MAFWE in 2003 concerning opportunities to reform and revive MOAAS (including NEA but also with other actors), spurred by an awareness of the importance of advisory services in supporting Macedonia's process of accession to the EU.

All actors have now generally accepted a commitment to moving toward a pluralistic system, but NEA has had difficulty in developing an internal consensus on how to reform. With technical support from MAASP, MAFWE has considered options for reforming and restructuring NEA and a proposal has been made to integrate NEA into ministry structures. This is expected to be approved by parliament in the near future.

MAASP has also supported greater involvement of other actors through value chain initiatives (e.g., training for EUREPGAP certification), establishment of primarily municipally-led Rural Information Centres and other activities. Pilot efforts have been undertaken with advisory packages using group methodologies, bringing together researchers and local experts. Adaptive research efforts are also currently underway.

These field initiatives have been based in five pilot municipalities where multi-stakeholder advisory groups have been established. This experience has shown a great (and for many, unexpected) interest in MOAAS. Advisory groups have taken immediate ownership of the programme and have made clear demands. A de facto decentralisation of advisory service structures is underway in agriculture, which was previously been one of the most centralised government sectors.

Generally, it is too early to ascertain whether the approaches being tested will prove sustainable. MAASP experience has demonstrated for Macedonian actors the meaning of formerly abstract concepts, such as pluralism. MAASP is half-way through its first three year phase, and will continue for an additional phase (probably five years), during which time clear lessons can be learnt.

## Question 2: Who are the clients of MOAAS?

Currently the primary clients of public sector agricultural advisory services are better off, commercial farmers. Private advisors work with large commercial farmers. The programme is helping to improve access among smaller commercial farmers and is initiating discussions among municipal level actors about how to engage in wider rural development/livelihood support as part of local economic development initiatives.

With some notable exceptions, farmers have been dissatisfied with the advisory services that they have received in the past. One reason for this is that many still hope for a return to the socialist system when 'advisors' were primarily bearers of subsidies rather than advice. Nonetheless, MAASP experience with advisory packages has shown that there is a strong latent demand for services when the quality is improved and when farmers are involved in choosing the priorities (a very new procedure in Macedonia). In addition, demand is growing for advisory support related to certification and for preparing business plans as a prerequisite to accessing credit. In the near future Macedonia will begin receiving what is expected to be large quantities of pre-accession EU structural funds. It is very likely that the need to present market-relevant business plans in order to access these funds will be a very major part of farmers' demands for MOAAS.

Farmers' abilities to demand services are not strong. A large number of farmer associations were established during the period of World Bank support, motivated by hopes of receiving subsidies and other forms of financial support. Many of these have now collapsed but a number remain and have created an apex Federation. They are active in demanding better advisory services and have a relation to advisory services that is sometimes close, often critical, and not always constructive. The Federation was active in encouraging the creation of private advisory services but were unwilling to pay for services, so this initiative was unsuccessful. There are initial indications of an emerging willingness to provide partial payment for quality services, but this cannot be confirmed yet.

## Question 3: What approaches and methods are used for agricultural advisory services?

Approaches to advisory services have traditionally focused on technical messages provided in one-to-one contact with farmers. This (combined with declining resources for farm visits) has severely limited the scale of contact between advisors and farmers. And thus the overall impact of advisory services is inadequate due their small number of clients. This has created a vicious cycle leading to declining credibility of advisors among their clients and financiers in the government and donor community.

Government financing of advisory services is modest. Consideration is being given to new financing methods, but MAFWE is very hesitant to use public funds for private deliver. MAASP has engaged in extensive discussion of options for voucher schemes (with technical support from Agridea) and is beginning limited piloting.

MAASP is supporting the introduction of group approaches in conjunction with pilot advisory packages. These packages have been selected by advisory groups in municipalities and primarily reflect technical needs. This is perhaps due to a lack of awareness of the potential role of advisory services in market issues and a tendency to assume that advisory services are,

by nature, technology transfer institutions. Some of the packages (e.g., milk hygiene) are related to market demands. In general these packages appear to have provided a forum for discussion of market issues, even if this is not part of the formal curriculum.

In addition, Rural Information Centres are building directories of input suppliers, credit institutions, processors and traders so as to enable farmers to better access a range of market services and to stimulate greater competition among service providers. Seminars/information materials on the implications of WTO membership/free trade agreements/the EU Stabilisation and Association Agreement are proving effective in raising awareness among farmers and other local level AKIS actors (including advisors). MAASP is not targeting the training of advisors alone, but is developing training packages in management and other skills for different actors at local level.

NEA has also managed a Farm Monitoring System which collects data that is fed into a provisional Farm Accountancy Data Network (FADN) that is a key requirement for EU accession. MAASP has worked with NEA to ensure that this is not a mere data collection exercise, but that it also becomes a basis for learning among both advisors and their clients about markets and profitability.

Training is being provided to advisors through a wide assortment of initiatives related to MOAAS. Advisors are being trained in ToT efforts related to entrepreneurialism (integrated into gender awareness training), preparation of business plans as part of the process of accessing EU pre-accession funds (for farmers and other rural entrepreneurs), and various training related to certification, markets, etc. A range of local consultancy firms and academic institutions have been mobilised to undertake this training.

It is too early to begin significant up-scaling of the approaches being used. This will begin in Phase 2 starting in 2008.

#### **Question 4: What are the outcomes and impacts of agricultural advisory services?**

Both the advisory services and their clients are frustrated in determining how to deal with market constraints. Despite some notable successes noted above, wider impact on building market access, profitability and rural economic development is thus far presumably very modest. MAASP has focused its primary attention on achieving outcomes with respect to developing the capacities and influencing the attitudes of advisors, policy makers and other AKIS actors regarding how to confront market constraints. It is working toward a fundamental reorientation in their perspectives toward the market. There are many positive signs, but some older advisors are unlikely to change.

As mentioned above, one of the central tasks of MOAAS in the near future will be in enabling farmers, processors and other rural entrepreneurs to access EU pre-accession funding for needed investments. Their success or failure in using these funds effectively will profoundly shape the future of rural areas as Macedonia is increasingly integrated into the EU.

### Question 5: What is the role of development cooperation and other key stakeholders?

NEA receives some modest, largely fragmented project support from various donors. MAASP is the major donor, but has concentrated support on institutional reform, capacity building, website improvement and experimenting with new modalities for pluralistic engagement. It has not provided support for general operations.

There is considerable interest from a variety of donors in supporting advisory functions related to WTO membership, free trade agreements and the EU Stabilisation and Association Agreement. MAASP has supported MAFWE with information materials and in establishing a database on these initiatives in order to better coordinate training and other activities. This is a key area for donor harmonisation, but thus far MAFWE has not taken a strong leadership role in this process. It is interesting to note that most of the initiatives mentioned here are targeted at other actors in the value chain than farmers.

MAFWE is a weak ministry, and its capacity to lead advisory services has been limited due to internal weaknesses and NEA's somewhat ambiguous autonomy. Both of these factors appear to be changing and new optimism is appearing regarding central government taking a clearer leadership role.

As mentioned above, within government the agricultural sector remains centralised. Municipalities have received major support in recent years to assume greatly expanded new responsibilities for other sectors, but agriculture and rural development are still largely a 'blind spot'. They recognise this and have eagerly welcomed MAASP support to link with NEA and local MAFWE units and to begin including agriculture and rural development in municipal planning. MAASP is working closely with UNDP in this process.

Private sector actors, such as processors and traders, have in the past had relatively little contact with NEA and MAFWE, but have shown themselves eager to work with MAASP to improve MOAAS. In pilot packages and other activities MAASP has acted as a matchmaker to bring these actors together.

There is a very high degree of distrust between the farmers' associations and the private sector that is often difficult to overcome. Initial efforts have been made to bring actors together to obtain EUREPGAP certification and discuss milk hygiene issues, but this remains a difficult area.

### Question 6: What linkages exist between agricultural advisory services and other types of services?

Advisory services are still, to some extent, associated with their role from the socialist era of providing other services rather than advice per se. Many advisors and farmers do not want better links with other services. They want the advisors to provide complete packages. This nostalgia remains a problem, even if it is gradually diminishing.

As mentioned above, there is a degree of distrust in relations among farmers, advisors and other private agricultural services. For example, dairy farmers are highly distrustful of milk testing laboratories, fearing that they are influenced by the dairies. Some progress is being

made and some owners of agricultural pharmacies are running their own private advisory services and are leading farmers' associations. There is an awareness that the development of value chains will require more than mere advice.

One major task of advisors is in helping clients to prepare business plans for credit applications. The main window for this is an IFAD supported credit programme. Expanded business planning advice in the future in relation to applying for EU pre-accession funds (not only for farmers, but also for processors and other service providers) will presumably expand awareness among advisors of how to strengthen an articulated system of services.

### **Question 7: What are the general lessons learnt in terms of e.g., good practices, obstacles, pitfalls?**

MAASP began work at a turning point in Macedonian MOAAS. Many actors in the system were on the verge of turning back. MAFWE was considering discontinuing funding to advisory services. NEA was largely inactive and disillusioned. The farmers' associations had little hope that their needs could be met, and longed for a return to past market control. There was a belief that past donors had abandoned (or even betrayed) the reform effort.

In a short period of time attitudes have changed significantly. There is a growing sense that the market represents not only a threat, but also an opportunity to maintain a viable rural economy during EU accession. Resources for advisory services remain thin, and willingness to pay for services is still very limited, but there is a constructive dialogue on ways to strengthen MOAAS.