

Experiences on Market Oriented Agricultural Advisory Services

Case Study

Agricultural Sector Support Programme (PASA) Nicaragua

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Intervention objectives

PASA main objective is a sustainable contribution to poverty reduction by agriculture. This objective has an operative consequence. "Sustainable" means that the activities and investments must be financially viable and at least maintain the productive capacity of natural resources. "Poverty reduction" means that the activities that receive support must lead to one or more of the following results: more food, more employment, increased income (cash), more capital, better health and/or a reduction in vulnerability. The Programme has three components:

1. Agricultural Technology;
2. Rural Financial Services and
3. Sector Framework Support

Settings and arrangements for MOAAS

The agricultural sector in Nicaragua is mostly comprised of small and medium sized peasants, not entirely market-oriented but producers who from time to time enter into market activities while preserving subsistence practices. PASA is contributing to the development of service markets and particularly promoting activities that increase value added in processing and marketing, especially in coffee production, which is predominant in Las Segovias (area of intervention of PASA). At the same time, a deeper integration of producers into rural markets is encouraged. As far as coffee production and marketing are concerned, small and medium coffee producers have in the past been confronted with imperfect competition (i.e. few buyers – exporting companies), PASA is supporting cooperatives to be able to trade their own produce and sell in world markets, avoiding the middleman and increasing income.

Clients

The clients are small and medium sized peasants with development potential and cooperatives, which are also formed by small and medium sized producers with potential (i.e. Target Group). Although, there is a constant discussion and debate regarding the target group, from those who argue that there should be more focus on subsistence producers to those that say that only medium and big farmers should be supported, the truth is that small and medium sized producers with potential are predominant and represent the bulk of the producers in the countryside in Nicaragua.

Approaches and methods

The PASA component, “Agricultural Technology” is in general demand driven with the objective of increased adoption of viable productivity enhancing agricultural technologies by subsistence and commercial producers. Different approaches and methods are used such as Support for Public Research and Extension Roles, which include Variety Validation and Seed Multiplication, Integrated Pest Management (IPM) and Capacity Development and Regulation of Service Providers with the Public Institution INTA (which is the National Institute for Agricultural Technology Transfer). Another approach includes Support for Extension Services in Las Segovias (situated at the north of Nicaragua and where the programme has its main influence) provided through a semi private organisation called FUNICA in order to expand coverage of its competitive funds in support of technological development and create technological markets in the country.

Other approaches and methods include support to both public and private extension services in agriculture through the use of competitive funds (with FUNICA); collaboration with private sector in developing of research agenda and in actual research; collaboration with the private sector also to enhance production of certified seeds by this sector (using new varieties developed by INTA).

There is also a credit component with rural financial service provision for small producers and rural enterprises. The programme works with selected micro credit institutions such as FDL/ NITLAPAN. Moreover, it also works directly with private commercial banks (BANCENTRO & BANPRO) to establish and develop the links between these banks and the target group (small and medium sized producers organised in cooperatives in Las Segovias.) Institutional support to the cooperatives is provided in order to improve their capacity to handle loans from the banks and make an optimal use the credits provided.

Finally, PASA is providing support for the development of a sectoral policy framework through support to the Ministry of Agriculture in its effort to design and develop a national strategy for the Nicaraguan Agricultural Sector for the coming years.

Outcomes and impacts

Indications are that the credit component has increased both income and employment in Las Segovias.

In general, the MOAAS should be conducive to increase food availability, more employment, increased income (cash), more capital, better health and/or a reduction in vulnerability. The PASA II monitoring system is currently under revision. The existing set of indicators has focused particularly on activities implemented but a new approach is emphasised now which should focus more on household income generation, employment creation, changes in marketing practices, changes in yield and productivity and the like.

Role of development agencies

Development agencies role is to support national effort within the framework of the national strategy and government policies, in Nicaragua case, Pro-rural. Development aid such as the one provided by Danida has a variety of roles and functions but as far as PASA is concerned more emphasis has been placed in technical advice, organisational development, funding and policy development ensuring poverty alleviation and gender equality.

Linkages to other services

Agricultural technology is linked to credit services as they complement each other (a technological transfer without finance is difficult to implement). Furthermore, through support to cooperatives in Las Segovias under components 1 and 2 other activities such as processing, transport and marketing are promoted. Finally, Danida also supports Las Segovias with the improvement of secondary and tertiary road networks contributing to reduce marketing and transactions costs.

Insights and lessons learned

One of PASA's main achievements has been bringing together commercial banks and cooperatives. During the early nineties and after more than a decade of state oriented economy, commercial banks were formed again in Nicaragua but a significant mistrust between rural producers and banks existed. Banks regarded agricultural activities as inefficient and risky whereas farmers regarded bank credit as inaccessible and expensive. PASA through the provision of funds using commercial banks as financial operators has contributed that commercial banks have regained trust in rural producers, particularly successful cooperatives and banks have started lending and providing credit with their own funds.