



Focus on Funding

Developing countries are regularly confronted with demands to reduce government intervention in the economy and to dismantle public monopolies in the service sector. In the interest of a more efficient and "modern" government, policy advisors recommend, that even the provision of common good services should be submitted to market rules, expecting that public performance can only benefit from competition.

Much of the debate on public sector service reforms turns around questions of how to rearrange service funding and improve financial discipline. The adjustment of funding arrangements is at the core of any effort to give public service providers the right incentive and stimulate private initiative wherever possible.

"*Services for rural development*" has already addressed the funding issue in an earlier edition (No 2, June 1999), focusing on competitive funds. This edition opens up to the full range of funding options. We report on the results of an international meeting on "funding development-oriented research and extension" organised by GTZ and DSE in Feldafing, Germany, in December 2001. Looking at the experience presented during the workshop, it becomes clear that funding for research and extension remains to be a largely public task and that the move towards market-oriented solutions is rather slow. Interestingly, both conventional budget funding as well as alternative funding arrangements, such as competitive funds or user charges, face similar problems and benefit from similar remedies likewise - clear priorities, involvement of service customers, performance monitoring and contract enforcement.

This newsletter only touches on some of the issues involved. The full story will soon be available on our website at www.gtz.de/agriservice.

The Editors

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Shortcuts & Messages

*News, Questions & Answers Concerning
Service Provision in Rural Development*

News of the Alliance

New Component on our Sectoral Project “Knowledge Systems in Rural Areas”

The development of concepts for non-formal qualification with the aim to promote non-agricultural self-employment in rural areas becomes a new component in our sectoral project “Knowledge systems in Rural Areas”. The integration of the new component was initiated by reflections about the sustainability of occupation in rural areas. Does it make a sense to split qualification in rural areas into a qualification for agricultural and non-agricultural activity? In rural areas the development of both capacities is very often of equal importance, as visible in the process of product chains. And it could be a way to act against migration, too - enabling families in rural areas to become significant producers able to participate in economic life (overcoming the subsistence level).

Strategies to overcome the subsistence level are:

- Asset creation
- Production of marketable surpluses
- Access to local markets
- Increasing competitiveness of farms-enterprises and products
- Qualification combined with basic education

Because of the limits of net products in primary production non-agricultural activity in rural areas becomes a highly important factor; when conditions emerge that facilitate long-term productive activity above the subsistence level.

A non-formal approach to education is at the present more adapted to meet current needs and to create a point of departure for the mid-term transition into a formal education. Keywords in this context are adult education, skills development, training for self employment, qualification, experiential learning (Kolb, Lewin), human capital formation. Many of our partner countries insist on a traditional professional education without regarding the effectiveness of occupation and income. At the same time vocational education is strongly concentrated on urban areas. The trend, however - in development countries and industrial countries, too - goes to a more competency based modular training (CBT), that permits a highly flexible manageability of qualification, the closeness to labour markets and a good costs benefit relation.

What's the role of knowledge management in this context?

- Services in knowledge management constitute preconditions and a component to support education and qualification in rural areas.
- Existing services, agricultural extension included, do not cover the needs of non-agricultural qualification.
- Adequate qualification contents can be developed only after the analyses of the situation.
- Educational organisations and teachers need access to information and to methods to search specific solutions for their clients.

The need of additional instruments of information- and knowledge management is obvious. The sectoral project's approach on qualification is based on a large comprehension of qualification: Qualification means an increase of information and ability to act that enables individuals or groups to achieve better living conditions within their own sphere through employment of making use of their own resources.

Work on impact assessment (IA) continues

In the winter season 2001/02, the project *Knowledge Systems in Rural Areas* participates in three major conferences on impact assessment.

- The first was the technical consultation on “Assessing the performance and impact of agricultural information products and services” held in Bonn from 9-12 October 2001. This conference is an initiative of the “Learning Evaluation Action Programme” (LEAP IMPACT), a group of agencies active in agricultural ICT aiming to improve the monitoring and evaluation practice related to agricultural information services. GTZ is one of the partners. LEAP IMPACT has an online workspace on Bellanet, launched in June 2001 (see <http://www.bellanet.org/leap/impact/>), which contains the results of the consultation and other interesting documents.
- The second and even bigger event was the CIMMYT / SPIA “international conference on impacts of agricultural research and development” that took place in San José, Costa Rica, from 4-7 February 2002. More than 120 experts, mainly from CGIAR institutes, universities and donor agencies, discussed approaches to IA responding to the lead question “why has impact assessment research not made more of a difference?” (www.cimmyt.org/research/economics/impacts).
- The third conference is yet to come: From March 26-29, CORAF, the West-African Subregional organisation for agricultural research, holds a workshop under the title “Institutionalisation of

Impact Assessment of Agricultural Research” in Dakar. Here, the focus will be on ways by which IA would be integrated more thoroughly within African research institutions (see <http://www.coraf.org/agenda/index.html>).

GTZ has made contributions to all conferences and acts as co-organizer of the first and the third event in the list. Our intention is to strengthen the view of IA as a learning process. The discussions show a general move from the understanding of IA as scientific discipline (in economics), to the conception of IA as part of an evaluation process that feeds into better management of research, extension and other information services.

In this context, high hopes are placed in a **new project** for which GTZ has now received the commission: “Strengthening impact orientation of agricultural research in Eastern and Central Africa”. This project is going to be implemented together with ASARECA, the Eastern African subregional organisation for agricultural research and likely to start in autumn this year. Its objective is to contribute to orienting research institutions more effectively towards development goals and the needs of its partners.

Change in the Alliance-Team

Helmut Albert, our appreciated colleague has left the alliance team. His sectoral project “Governance of Service Systems” was terminated by the end of 2001 and he now devotes himself to new challenges. We will miss his constructive ideas, his creativeness and of course his contributions to our Newsletter. We wish him good luck for his new job.

New on GTZ's Website:

Welcome to the Participation Kiosk!

The new pages on GTZ's website bring together the extensive experience gained by the GTZ over many years in the field of participation.

They give an overview of the ongoing debate and earlier initiatives of the GTZ on this topic.

You will find the main GTZ publications and other links organized by main topic.

www.gtz.de/participation

Past Events

Neuchâtel Annual Meeting in London

The annual meeting of the Neuchâtel Initiative took place in London November 5-8. Two major topics, extension and poverty and financing extension, were discussed. The topic extension and poverty was based on country studies by DfID/SIDA in India, Colombia, Bolivia, Nicaragua, Uganda and Vietnam. The concept for analysis is based on the sustainable livelihood framework from DfID and looks issue like who and where are the poor? Issues that affect the poor in rural areas like systemic collapse and HIV/AIDS; privatisation of services; decentralisation; sector wide approaches and what implications for extension. Finally the summary paper discusses pro-poor policy choices and extension (the papers can be downloaded from the ODI website: <http://www.odi.org.uk/publications/working.html#latest> here numbers 150-155; some are still forthcoming). The second major topic was the draft of a common framework on financing extension and a decision support tool (Alternative Funding for Extension – A guide to decision making) which have been drafted by French, Swiss and German development Cooperation. The Common Framework on Financing Extension will be published in April by the Neuchâtel Initiative

and the decision support tool will be downloadable from the agriservice website.

Trip to South America (Ecuador, Peru, Chile)

During October Paul Schütz undertook a trip to Ecuador, Peru and Chile to foster the cooperation with rural development projects within the topics of the sector project. The trip included one week each in Ecuador and Peru and three days in Chile. In Ecuador the cooperation with the programme GESOREN, the GTZ/INIAP project and ECORAE (a local NGO for ecological projects in the Amazone region) discussed and agreed. The cooperation will combine activities for all results of the sector project. The cooperation will support the networking of the municipalities with their extension branches (including the appropriate use of ICT), set-up and organise three product chains on tropical fruits and build a national network of coaches for the application of knowledge systems.

In Peru the Programme for rural development was visited, the agricultural research institute (INIA) and the Ministry of Agriculture. Discussion about cooperations centred around issues like building of clusters around agricultural product chains; the use of ICT and the specific Peruvian experiences with telecenters in rural areas.

In Chile the Farming Systems Research Network for Latin America (RIMISP) was visited, the issues of the sector network presented and pathways for cooperation were discussed. RIMISP and its staff is involved in conceptual work on production chains and creation of non-agricultural employment in the Latin American context. A second focal point in Chile was a visit to Fundación Chile which is the think tank of the Chilean agro-industry. Experts from Fundación Chile and RIMISP are ready to participate in the development of production chains in neighbouring countries.

Forthcoming events

Development Partnerships Forum: ODA and Private Finance: Attracting Finance and Investment to Developing Countries

The theme of the forum is how to better link-up development co-operation policies and private finance, both domestic and external. The forum will provide a platform for discussion between donors, developing countries and the private sector. The event is scheduled to take place from February 27-28 in Paris. For information please go to <http://www1.oecd.org/daf/ffd/dc.htm>

International Training Course: Participatory Monitoring and Evaluation

The training course will be held by the International Institute for Rural Reconstruction, PM&E Course Coordinator from March 4-22 in Silang Cavite, Philippines. You can contact via e-mail: EducationTraining@iirr.org and visit the website for more information: www.iirr.org

29th Session of the United Nations ACC-Subcommittee on Nutrition

The meeting from March 11-15 in Berlin will be hosted by BMZ in cooperation with DSE and GTZ. For information please contact k.klennert@dse.de, hans.schoeneberger@gtz.de, accsn@who.int

Public Symposium: Nutrition in the Context of Crisis and Conflict

From March 12-13 United Nations ACC-Subcommittee on Nutrition organises in Berlin in cooperation with GTZ and DSE the public symposium on nutrition. k.klennert@dse.de, hans.schoeneberger@gtz.de, accsn@who.int

International Conference on Financing for Development

The United Nations will convene in Monterrey, Mexico from 18-22 March 2002, a summit-level meeting to address key

financial issues related to global development. Visit the website for further information: <http://www.un.org/esa/ffd/>

Access to Land. Innovative Agrarian Reforms for Sustainability and Poverty

The German Foundation for International Development (DSE), Food and Agriculture Development Centre invites to the international conference from March 19-23 in Bonn. The event is prepared by the Permanent Working Group "Poverty Reduction - Helping People to Help Themselves" (AKA). Please take a look at DSE's Homepage: www.dse.de/zell/access-to-land/home.html

Institutionalisation of Impact Assessment

The conference, organised by CORAF/WECARD – CTA Technical Consultation from March 26-29 in Dakar (Sénégal), is an important meeting on the use of impact monitoring in African Agricultural Research. The sectoral project "Knowledge Systems in Rural Development" gives a financial contribution and presents a keynote paper on the issues of impact orientation in research by Andreas Springer-Heinze. Sigfrid Schröder-Breitschuh will moderate the event. For details please go to www.coraf.org/agenda/impass.html

Regional Conference on Landmanagement

From April 5-7 GTZ, FAO and the World Bank will organise the conference in Budapest. For more information please contact Christian.graefen@gtz.de

Combating Desertification: International Symposium Rural Community Interaction and Workshop

The event takes place from April 8-20 in Kapstadt, South Africa and Gobabeb, Namibia. If you are interested you can take a look on the website: <http://des2002.az.blm.gov>

5th European Symposium on Farming Systems

The symposium will be held from April 8-11 in Florence, Italy.

Contact: ifsa.symposium@unifi.it

Mehr möglich machen – aber wie? Fundraising für die Eine-Welt-Arbeit

The Akademie Franz Hitze Haus is organising a seminar on fundraising from April 12-13 (seminar for voluntaries) and from April 18-19 (seminar for full-time employees) in Münster. The seminar concentrates on information about fundraising concepts, organisations and ethical questions.

Email: info@franz-hitze-haus.de,

internet: www.franz-hitze-haus.de

International Conference: Medicinal Plants, Indigenous Knowledge and Benefit Sharing

For further information on the conference that will be held from April 16-19 in Den Haag, Netherlands, please contact Drs. Jessica Ertsieck: j.ertsieck@frw.uva.nl

Stakeholder Meeting of the CGIAR System-wide Program on Participatory Research and Gender Analysis (PRGA Program)

The meeting will be held at the German Ministry for Economic Co-operation and Development (BMZ) in Bonn from April 22 - 24, 2002. contact: Kirsten Probst: kprobst@Uni-Hohenheim.de

3rd International Congress & Trade Show Green-Tech 2002 / 5th European Symposium on Industrial Crops and Products

Europoint BV, IENICA & Elsevier Science are organising the congress from April 24-26 in Floriade, Netherlands. For more details please contact Sietske Oord, congress manager: soord@europoint-bv.com

International Meeting of the European Forum on Agricultural Research for Development: Strengthening the European Contribution

The event takes place in Rome, Italy, from 15.05.2002 - 17.05.2002. For further information please contact at GTZ: Stephan.Krall@gtz.de

International Conference: The Governance of Daily Life in Africa: Public and Collective Services and their Users

For further information about the conference that will take place from May 22-25 in Leiden, Netherlands please contact Mr Giorgio Blundo (APAD secretary), centre de la Vieille Charité, 2, rue de la Charité, 13002 Marseille, France. Email: apad@ehess.cnrs.mrs.fr

12th International Soil Conservation Organization Conference: Sustainable Utilization of Global Soil and Water

The event will be held on May 26-31 in Beijing, China. In case you are interested please take a look at the website www.isco2002.org and/or contact Wyh.cj@ctsho.com

Approaches and Partnerships for Sustainable Extension and Rural Development

The 18th Annual AIAEE Conference will be held from May 26-30 in Durban, South Africa. For registration and information contact the website www.aiaee.otg/2002.htm

Eschborner Fachtage (EFTA) 2002: „Zukunft gestalten durch internationale Zusammenarbeit“

Like in the past years the EFTA 2002 from June 18-19 in GTZ headquarter Eschborn will create an attractive forum for representatives of economy, politics and science to discuss problems of development cooperation and to look for approaches of sustainable development. Workshops and discussions will be organised to discuss the subject of this year – creating future through

international development - in three aspects: to maintain peace, to reduce poverty and to protect environment. For further information please contact agenz@gtz.de

Naturschutz, Biologische Vielfalt und Entwicklung – Grundlagen und Konzepte

From June 30 - July 06 GTZ and the Bundesamt für Naturschutz (BfN) will promote a seminar on nature conservation in development cooperation. Themes will be new concepts, instruments and problems of nature conservancy and new methods concerning nature conservancy in development cooperation. The event will take place at the Internationale Naturschutzakademie Insel Vlim. For registration and information you are asked to send an Email to: bfm.ina.vil@t-online.de

Indigene Völker und Biodiversität – Probleme und Chancen

Another seminar organised by GTZ and BfN (Bundesamt für Naturschutz) will be held from July 7-11 at the Internationale Naturschutzakademie Insel Vlim. It works on possible alliances between nature conservation und indigenous people, on potential conflicts of interests between indigenous people, nature conservationists and other users of resources. You can register and ask for information via Email: bfm.ina.vil@t-online.de

Land Use, Nature Conservation, and Stability of Rainforest Margins in Southeast Asia

The international symposium takes place from September 30 - October 4 in Bogor, Indonesia and is organised by the University of Göttingen, Germany, the Institut Pertanian Bogor, Indonesia, the University of Kassel, Germany and the Universitas Tadulako, Indonesia. For details and contact: symp2002@gwdg.de

The 3rd World Summit on Internet and Multimedia (WSIM)

From October 8-11 WSIM invites representatives of active IT and multimedia enterprises, universities, international

organisations, NGOs and humanitarian organisations in Montreux (Switzerland) to submit a paper on the theme of "Bridging the Digital Divide: the Multimedia Industry Speaks Out". The event will be supported by Hewlett Packard. For details please go to www.internetworldsummit.org/ and click an "Themes".

Deutscher Tropentag 2002: Herausforderungen für den organischen Landbau und einer nachhaltigen Landnutzung in den Tropen und Subtropen

ATSAF, the working group on tropical and subtropical agricultural research organises the event from October 9-11 in Witzenhausen, Germany. Please contact Dr. Volker Hoffmann. Email: ATSAF@ATSAF.de

Symposium of the A.F.W. Schimper Foundation: Ecological Studies Outside of Europe

From October 9-11 the foundation will present at the University of Hohenheim the various results obtained from research work and indicate the current status of research and development in ecology outside of Europe. For further information please contact a.f.w.schimper-stiftung@t-online.de



“Funding Development-Oriented Agricultural Research and Extension” – An Overview of the GTZ-DSE-Workshop in December 2001

In December 2001, the supra-regional sectoral project “Knowledge systems in rural development”, and DSE-ZEL organised a workshop on “Funding Development-Oriented Agricultural Research and Extension”. That was held at the DSE premises in Feldafing. Around 30 participants included GTZ staff from headquarters, development projects and partner organisations, as well as international experts from the World Bank, the Oxford Policy Management Institute, the University of Maryland and LBL (the Swiss Agricultural Extension Institute) who gave presentations on alternative mechanisms for agricultural research and extension.

The workshop was meant to provide a forum for GTZ and its partners to meet and exchange their experiences and views. As such, the workshop continued a tradition of similar meetings that had taken place every one or two year, each time treating a particular aspect of development cooperation in research and extension. For this workshop, the objectives were formulated as follows:

- **To identify problems and potentials in funding agricultural research and extension from a project perspective,**
- **To give an overview of the full range of options in the context of funding, including relevant methods and instruments,**
- **To clarify conditions for the improvement of funding arrangements in agricultural research and extension.**

The workshop provided for a combination of theoretical inputs and reports of practical cases. The conceptual presentations all referred to the funding alternatives applicable to research and extension, from budget funding to privatisation. This overview showed the wealth of options that are available in principle. At the same time it made clear how much thoughtful decision making and development work is required engaging in the reform of funding systems. While there appears to be a general agreement on the relevant principles and criteria for designing a funding scheme, the problem is in the actual implementation.

The discussion turned around the term “funding arrangement” for agricultural services, with the emphasis on knowledge-based services such as research and extension. Analysing funding arrangements we can take two perspectives, viz. the view from the service side (what kind of services need to be funded?), and the view from the funding side (How are services funded?). A “funding arrangement” describes both aspects: In the workshop it was understood to be a particular combination of a service and a funding option. Examples are “budget funding of public extension in grain production”, “competitive grant funding of research projects on processing technology” or “user charges for the provision of statistical data”. Such arrangements define units of analysis for the workshop (and for studies in general), because they allow to judge the appropriateness of a funding decision and develop alternative models. Interesting enough, participants came up with a great number of concrete examples. The workshop reviewed the experiences with these arrangements, be they planned or already being used in practice, and analysed their development perspectives.

A full documentation of the theoretical inputs as well as the cases presented is in preparation. Box 1 presents the contents. The workshop documentation will be published in paper form and also become available on our website www.gtz.de/agriservice, probably around May or June this year.

Box 1: Table of contents of the workshop documentation (forthcoming)

1. Introduction to the topic
2. Executive Summary of the workshop, *Andreas Springer-Heinze*
3. Overview of Alternative Mechanisms for Agricultural Research and Extension, *Stephen Akroyd*
4. Privatising Agricultural Extension Worldwide, *William Rivera*
5. Contracting for Extension, *William Rivera*
6. Competitive Funding of Research and Technology, *Andreas Springer-Heinze*
7. World Bank Strategies for Funding Research and Extension Services, *Marie-Hélène Collion*
8. Financial Participation in Practice, *Elisabeth Katz*
9. Alternative Funding Options for Rural Extension – A Guide to Decision Making, *Paul Schütz*

provides an overview of the current trends in funding practice, problems and challenges encountered by projects, and the most promising ways forward. It is interesting to note, that the focus of attention is on specific institutional questions, such as capacity building and the management of contracts. Purely private service markets remain to be the exception.

- The abridged version of a decision-making tool in funding developed in the context of the Neuchâtel Initiative on agricultural extension presents the main elements of a methodology to select a funding option for extension services.

The article by Barbara Krause (page 21) has also been presented during the workshop and shows an interesting and successful practical case of fund raising in the BOSAWAS region in Nicaragua.

Andreas Springer-Heinze

This newsletter summarises the main results of the workshop into four contributions:

- The main conclusions of Stephan Akroyd's keynote paper "Overview of Alternative Funding Mechanisms for Agricultural Research and Extension" stand for the wealth of conceptual presentations on the different funding options (see table of contents for the individual presentations of funding options).
- Country cases referring to projects in Azerbaijan, Benin, Bolivia, Cambodia, Egypt, Ghana, Kenya, Nicaragua, Nigeria, Madagascar and Zimbabwe provide examples for the range of different funding arrangements used in practice. See the summary table on page 15 featuring all cases presented or mentioned during the workshop.
- The results of the deliberations are presented in an executive summary. It



**Funding Development-Oriented
Agricultural Research and Extension
GTZ/ DSE Workshop in Feldafing,
Germany - December 2001**

Executive Summary of Workshop Results

1. Introduction into theoretical and conceptual aspects of service funding

The workshop included a series of presentations on the principles of funding and design of individual funding arrangements. The principles of public funding and a decision guide to alternative funding options for rural extension was

complemented by treatments of special arrangements, viz. privatisation/ private payment, contracting, competitive funding, and cost-sharing with service beneficiaries. Besides the practical cases introduced by the participants, World Bank presented its strategies for funding research and extension. These papers are available in the workshop documentation.

2. Overview of funding arrangements

- Most participants presented brief descriptions of funding situations they are involved in. All cases involve some aspect of institutional reform or represent conscious choices of a funding arrangement. The sample may be small, yet it provides an overview of the evolution of funding systems in agricultural development. The most important funding arrangements that were mentioned in the workshop are budget funding, competitive grant funds and service contracting between public agencies and service providers. The table below (see box 2) categorises the cases (also see the overview table, box 3, for a detailed listing).
- The funding sources still are predominantly public, with few

exceptions. There are only few examples of arrangements funded with private money. Probably this is due to the fact that agricultural development remains to be a domain of public action, in the first place.

3. General observations on current funding practice

- The trend clearly points to alternative ways of channelling and managing public funds, rather than raising private money. The reform of public funding systems appears to be more prominent than the mobilisation of private money. This may have an influence on the tasks of development policy.
- The interest in funding arrangements is motivated by the public funding crisis, and the review of government functions. Nevertheless, public funders hardly expect to actually save money and reduce state financing.
- Typically, private payment of services is focused on veterinary services and input supplies. In research and extension, farmers only cover full cost of services in cases of highly commercial and export products. In these cases, funds are

	Number of cases	Category of Funding Arrangement	Working Group
1	5	Budget funding of public research and extension agencies (with measures to improve the efficiency and effectiveness of funding)	Group 1
2	7	Competitive grant funds (CGF) for research and technology development	Group 2
3	6	Service contracting between public donors or government, and service providers, especially NGOs	
4	3	Private payment of technical services, veterinary services and contract research	Group 3
5	3	Cost-sharing between donors and farmers in the framework of development projects	
6	2	Levies on particular export products used by producer associations to contract services or pay for own services	./.
7	(1)	Sponsoring of a public information centre by the private sector	./.

Box 2

predominantly channelled through producer associations, partially with a contracting arrangement (e.g. contract research of a commercial farmer association).

- This means that a great majority of farmers in low-income countries would not bear the full cost of services but only a share of it. The most interesting arrangement involving financial participation of farmers thus is cost-sharing. The variety of cost-sharing examples is great. Many arrangements are set up within the framework of development projects using funding conditions as an incentive. Some are linked to farmer associations paying for services (see below).
- The contracting principle is at the core of any of these arrangements. Except small-scale marketable services (soil test, vaccination etc.), provision of R&D services is framed in a contract. This also applies to competitive grant funds, which always imply contracting the implementation of grant projects. Contracting is faced with sometimes difficult problems concerning the administration and enforcement of contracts.
- There is a clear trend to conceive funding arrangements as a development instrument in order to achieve greater client orientation, efficiency and accountability. However, introducing a new funding arrangement adds to the complexity of development projects. Conflicts may arise between the conditions of a funding arrangement (e.g. contracting out service provision to NGOs or consultants) and the achievement of public goals (e.g. conservation of natural resources).

4. Future perspectives for the development of funding arrangements.

- A general observation is the increasing pluralism of organisations in rural development producer organisations and the private sector receive growing attention. Similarly, there is a trend

towards more flexible ways of organising the co-operation between development partners. Donor-funded projects co-operate with NGOs, private sector and government agencies likewise.

- *Reform of budget funding:* The bottomline is the limited availability of funds and unsustainable donor support. The general trend leads towards cutting public service provision and/or cost recovery and the restructuring of public extension agencies. Donor pressure for reform is strong. Today, government policies normally recognise farmer associations and NGOs as providers of extension services. However, although viewed with sympathy by many stakeholders, it is extremely difficult to create cost recovery or user-paid service systems.
- *Perspectives of competitive grant funding:* Competitive agricultural technology funds (CATF) are the dominant means of funding research at present, but their future is unclear. Most CATF are clearly donor-driven and depend on continued external funding.
- *Trends in service contracting:* Contracting arrangements are of increasing importance, as more and more aid agencies turn to charging local organisations with the implementation of programs. The same applies to co-operative implementation agreements and funds provided through international conventions.
- *Trends in private payment and cost-sharing:* The growth of commercial agriculture ensues the development of private service markets, a trend supported by policies to increase private sector participation. Thus, private payment is a high potential, yet risky arrangement. The attention is focused on commercial farming enterprises in the first place, though local cost-sharing arrangements involving smallholders may be more relevant from development point of view.



After hot discussions the participants enjoy a “cool” break in the snow

5. General problem issues

- A general observation is the widespread capacity constraints in operating funding arrangements. Problems may concern the whole management cycle of service provision, from demand assessment and budget planning to fund allocation and accounting.
- The reliability and sustainability of the flow of funds is another critical issue. This is true in the case of public funding from government or donor sources as well as in the private sector depending on the economic situation.
- Other critical issues mentioned by participants regard the client participation in planning and funding

decisions - the representation of client needs wherever decisions have to be made on the allocation of funds from public sources.

6. Ways of addressing the constraints of specific funding arrangements

- *Budget funding (working group 1):* Problems of budget funding that are encountered worldwide include diminishing and erratic funds, unclear priorities and ever shifting policies, bureaucratic procedures and weak accounting for resources and results. The current payment and incentive structures result in low motivation. The recommendation is to support development of more rational strategies for agricultural research and extension

services. This would include, first of all, a policy on public and private goods, for which different modes of funding and service provision would apply. Research and extension services producing direct and tangible benefits for well defined groups of users would be classified as private goods and should not be financed from public funds. The long-term view of the group was that such goods are to be provided by the private sector (or by the public sector and at full cost recovery). It is clear that both the formulation of the policy and its implementation require sufficiently powerful and knowledgeable people to initiate and lead the transition process. A stepwise process would start with a classification of the public service portfolio according to the characteristics of the services provided (public or private good nature and possibility to contract out their provision). It is expected that this classification would require an economic framework of analysis and a series of negotiations with relevant stakeholders. Policies would be designed with a view to raise the level of cost recovery according to the degree of private interest. In the long run services with a high degree of private interest would be produced according to the users' willingness to pay. For services of a public good nature, some form of priority analysis would be required on which to base budget funding decisions. The detailed modes of funding and delivery are negotiated with the stakeholders. The key is to give clients a role in problem definition and agenda setting. Implementation of this policy is contingent on a set of skills, competencies, and information that will allow for appropriate stakeholder involvement, adult education, market information, and business development.

- *Competitive grant funds (working group 2)*: Participants identified a number of common constraints in CATF and came up with potential strategies to counter them: (a) Many CATFs are weak in responding to client needs. Also,

CATF procedures often do not ensure that research results are made available on a broad basis. Besides involving farmer representatives in the selection process, one option to mend the problem is to call on farmers to propose subjects to be treated and organise the fund into farmer need-specific lines for funding (Bolivia). Another suggestion is to decentralise the CATF and the fund management, so that decisions on allocation are taken at district (or local) level (Benin). In general, CATF should stipulate the co-operation with users (extension agents, projects, farmer groups and other rural organisations) as a prerequisite for funding and clause in the grant contract. In any case, clients should receive support so that they can articulate their needs.

(b) CATFs may imply conflicts between different policy goals and stakeholder interests. The point is to create transparency on the criteria and procedures of proposal selection. The quality of funding decisions can be improved by a fair representation of stakeholders in the panel, and the credibility of panelists.

(c) On the issues of proposal and project quality and relevance, the recommendation is to invest in capacity building. Any CATF scheme should devote a considerable proportion into training and assistance to the participants in the scheme. In addition, preference should be given to proposals that include partnerships with other actors in development. Each project would have to carefully study its potential contribution to development by specifying hypotheses on uptake / impact pathways.

(d) The biggest threat to CATF is the problem of funding sustainability. CATF managers have to make sure, the portfolio of grant projects is of high quality. Political support has to be sought by demonstrating success. Potential institutional solutions include to build up a capital stock (endowment) and to find the CATF an institutional home in a private foundation or NGO.

- *Service contracting (working group 2):* Contract management faces a series of difficult tasks, viz. the appropriate selection of service providers, supervision of contracts and of service quality limiting administrative costs incurred by contracting, enforcement of contracts and the avoiding of corruptive practices. Another important issue is the capacity and qualification of service providers, their ability to actually perform. A potential strategy to enhance the compliance of service providers at reasonable cost is investing into the social context surrounding a service contract: Create transparency on the service market, involve clients in supervisory tasks and devote sufficient time and effort to guiding the contractors.
- *Private payment of services and cost-sharing with farmers (working group 3):* Private service markets are largely self-regulating and public supervision may be limited to quality control. From a development strategic point of view, a more interesting arrangement is cost-sharing between projects, public agencies and private enterprises. Cost-sharing is one among several mechanisms to transfer technology 'on the shelf' to the client. The design of cost-sharing arrangements should follow a series of systematic considerations: (a) assessment of the legal and policy framework, (b) situation analysis of the service in question, in terms of conditions of the farmers and the farming enterprise, the needs and demand, (c) definition of the service product, (d) design and planning of service organisation, collaborative arrangements, equipment and staff and assessment of the costs of provision, (e) determination of tariff and fee structure. The "ideal cost sharer" has the following characteristics: He/she produces a commercial commodity with good market prospects, is well organised into an

association, willing to expand commercial activities, and able and willing to pay for services. Development co-operation should support the arrangement backstopping and (re)training extension service providers.

7. Implications for development co-operation

- There is a general consensus on the development interest in introducing new funding arrangements that deviate from the conventional budget funding. It is motivated by the objectives to develop institutional capacity, involve farmers and strengthen participation, set more development-friendly incentives and enhance efficiency.
- Specific recommendations for linking funding arrangements and development strategies concern the institutional development aspects in the first place. Reforming funding arrangements or introducing new ones requires training, and a close co-ordination with other services needed to promote innovation. Funding issues are embedded in a wider development perspective and have to be linked to other policies, especially the public sector reform, decentralization and business development.
- The basic considerations and criteria for making decisions on funding arrangements are available - the need is for application. The presentations provide the basic guidelines how to improve funding practice. What is missing, is a collection of good practices examples for success stories (as "failure stories") for development practioners to refer to. And there is a considerable trainig need, on issues such as project development and proposal writing, Contract management, and project management by contractors.

Andreas Springer-Heinze

Annex: Summary Table of all cases of service funding arrangements mentioned in the workshop

Case Nr	Country	Service(s)	Funding Arrangement	Detailed Description
1	Egypt	Extension (fruits and vegetables)	Public budget funding of the Central Administration for Extension and Development	See table by H. Saleh and J. Amend
2	Malawi	On-farm research	Budget funding (by government and donor) of a government service agency	n.a.
3	Nigeria	Training of public sector extension agents	Budget funding through DfID and the Ministry of Agriculture for the Cooperative Extension Centre	See table by Ms. A.V. Ode
4	Nigeria	Advisory services for horticulture production	Budget funding through World Bank loan (NARP) and the Ministry of Agriculture for universities and research institutes	See table by I.O.O. Ayielaagbe
5	Zimbabwe	Agricultural Research and Extension	Budget funding with cost recovery fund (of DRSS and Agritex)	See text and table by M. Connolly and O. Neuendorf
6	Nicaragua	Technical extension and training courses for farmers	Service Contracting between external donors (funders) and NGOs (service providers)	See text by B. Krause
7	Kenya	Adaptive research	Contract research (service contracting) for Kenya Breweries and flower-exporting company (Osarian)	n.a.
8	Nigeria	Extension and farmer training	Service Contracting between external donors or private company (Nestlé) and service providers (university)	See table by I.O.O. Ayielaagbe
9	Uganda	Extension (and other village development services)	Service Contracting between sub-county administration and various service providers	n.a.
10	Madagascar	Extension (and other village development services)	Service contracting between farmers' associations and individual technicians laid off by public agencies and projects	n.a.
11	Zimbabwe	Extension and know-how transfer	Service Contracting between International donors and national and international NGOs	See text and table by M. Connolly and O. Neuendorf
12	Bénin	Adaptive research	Competitive agricultural research fund with local committees	See text by A. Matthe and D. Arodokoun
13	Peru	Adaptive research and extension	Competitive grant fund (World Bank)	n.a.
14	Bolivia	Extension and adaptive research	Competitive Fund	See summary table by G. Janssen
15	Azerbaijan	Technology development for medium and large farmers	Competitive grant fund (World Bank) used by public research institutes	See text by F. Karimo
16	Kenya	Adaptive research	Agricultural research fund (ARF)	Table
17	Kenya	Extension and information supply	(Competitive) Fund for community-based organisations and NGOs (ATIRI)	n.a.
18	Zimbabwe	Agricultural research and extension	Competitive Fund (Agricultural Research and Extension Fund – AREF)	See text and table by M. Connolly and O. Neuendorf
19	Ghana	Technical extension of solar-drier technology to small-holder farmers (incl. marketing assistance)	Cost-sharing between development project and small private entrepreneurs	See text by P. Asibey-Bonsu und Posamentier
20	Zimbabwe	Farmer-to-farmer extension	Cost-sharing between donor (seed money) and farmers	n.a.
21	Cambodia	Farmer-to-farmer extension	Cost-sharing between donor (subsidies) and farmers	See table by G. Deichert and K. Salorn
22	Azerbaijan	Advice on the use of inputs sold to farmers	Private payment	n.a.
23	Kenya	Various analytical services (land surveys, soil analyses, others)	Private payment of commercialised laboratories (e.g. KSS)	n.a.

24	Cambodia	village-based veterinary and livestock services	Private payment by livestock owners	See table by G. Deichert and K. Salorn
25	Malawi	Technical Extension and adaptive research for commercial horticulture and tobacco	Levies (on exports) to fund services of the tobacco producer association	n.a.
26	Zimbabwe	- Technical Extension - adaptive research on tobacco	Levies (on tobacco exports) to fund services of the tobacco producer association and contracts with research organisation.	See text and table by M. Connolly and O. Neuendorf
27	Ghana	Information provision at a rural information centre	Sponsoring by local private sector	n.a.



Topic in Focus

Conclusions and recommendations from the keynote paper

“Funding development-oriented Agricultural Research and Extension” by Stephen Akroyd

Stephen Akroyd’s keynote paper for the workshop concentrates on alternatives to the standard model of a publicly provided agricultural research and extension system. In the following we highlight the main points and document his conclusions and recommendations (slightly shortened and rearranged). The full version of the paper can be found in the workshop documentation.

Stephen Akroyd classifies the alternative financing approaches into two groups:

Those that reduce the scope of state financing in areas where the private sector

may be willing to participate or beneficiaries may be willing to pay:

- (i) complete state withdrawal (privatisation)
- (ii) cost recovery (levies, user charges)
- Those that improve the cost-effectiveness of remaining services:
 - (iii) improved priority setting
 - (iv) making services more user-orientated
 - (v) improving financial management and efficiency of service delivery.

The first strategy, “reduced state financing”, includes the options of state withdrawal, cost recovery, user charges and royalties. “Improving cost effectiveness” implies to improve priority setting, user orientation and financial management. This distinction allows to categorise funding approaches according to the goals pursued: Approaches such as consolidated funding, the contracting out of public service functions, voucher systems giving beneficiaries a greater influence on service provision, and competitive funds, are related to the funding effectiveness.

The conclusions and recommendations

Conditions for success

The conditions under which the different options are most likely to have positive fiscal, efficiency and distributional consequences are as follows:

... of reduced state financing

State withdrawal will work best when there is already an active private sector, and the macroeconomic and sectoral policy framework is conducive to further private investment in service provision.

Levy financing will be most appropriate when the marketing structure is sufficiently concentrated to permit ready collection of levies.

Cost recovery and other commercialisation measures will work best when adequate financial management systems exist and collection costs are low.

Equity concerns will be best protected when there is a political commitment to maintain services to the poor and / or to implement alternative, possibly more efficient, poverty alleviation measures.

... of improving cost effectiveness

Priority setting will work best when the need for efficiency oriented priority setting is internally recognised and capacity exists for processes to be internally led.

Measures to improve user-orientation will work best when there is effective organisation and representation of all interest groups, including those representing the resource poor, and when there is commitment to, and skills in, more participatory approaches to research and extension.

Reforms to the management of funding and the contracting out of service delivery will be most effective when transparent and efficient financial and contract management systems are in place, and sufficient competition exists between potential service providers.

Specific recommendations

... for financing research

The state should withdraw from financing research services with high private good characteristics. This would include much applied and adaptive research of a chemical or mechanical nature, and of hybrid seed varieties and animal breeding. The focus of public funded research should be on basic and strategic research, on applied research into open-pollinated seed varieties and research of an agronomic nature, on products or technologies where a high proportion of the benefits go to consumers (particularly non-tradable products with inelastic demand, such as staple foods), and on health, safety and environmental issues unlikely to interest the commercial sector.

... for financing extension

The state should withdraw from financing specialised extension advice, particularly to more commercially-oriented producers. This might best be achieved by the progressive introduction of user charges (where possible, stratifying client groups so that user charges are consistent with ability to pay). The state should focus on the financing of general extension advice, mass media forms of broadcasting, and extension aimed at environmental concerns and health and safety issues.

... for promoting the private sector

The conditions for successful private sector entry need to be created if they do not already exist. These include: liberalisation of input supply markets; a consistent macroeconomic and sectoral policy framework conducive to private sector activity; improved access to finance; strengthening of IPR legislation and mechanisms for enforcement; removal of restrictions on technology imports; continued investment in human capital; improved access to public research results; and tax breaks on private research expenditures. The regulatory capacity of the public sector will, in many cases, need to be enhanced.

... for the use of levies

The introduction of commodity-specific levies to finance R&E should be encouraged where the marketing system is sufficiently concentrated to permit ready collection of levies (primarily relevant for industrially processed and export crops), or where producer groups are sufficiently homogeneous and organised to enable widespread voluntary collection that minimises the problem of free-riding.

... for the introduction of user charges

User charges for most analytical and regulatory functions should be increased towards full cost recovery levels. Where it can be demonstrated that free provision to the poor represents an effective form of support (compared with alternatives), a case can be made for some element of continued subsidy for selected beneficiaries. Where there are public health and safety or environmental implications, some degree of subsidy for such services may also be justified.

... for the use of priority setting

Priority setting for research expenditures has a crucial role to play, both in terms of marshalling donor resources around a domestically generated research agenda that meets national objectives and seeks to ensure a more efficient allocation of research finance, and in terms of raising the profile and appeal of agricultural research to domestic Ministries of Finance.

... for enhancing client orientation

Measures to strengthen farmer organisations (primarily in management, administration, needs assessment and negotiation skills), particularly those representing the poor, is warranted. However, the use of proxy representatives, drawn perhaps from the NGO community, for particular target groups which are insufficiently organised may be a more effective means of seeking to ensure that their needs are adequately addressed. Training of government staff in participatory approaches to the analysis of needs and

constraints of the poor and of women is also necessary.

... for improved financial management

Support should be given to improved accounting and financial management procedures, enabling the more specific monitoring of expenditures and the allocation of resources to different research programmes. Where there is adequate management capacity, greater financial autonomy should be decentralised to the level of districts or individual research centres.

Stephen Akroyd



Alternative Funding Options for Rural Extension: A Guide to Decision Making

This guide has been developed in the context of the Neuchâtel Initiative (NI). It is the result of a tripartite cooperation within NI. At the annual meeting 1999 in Uppsala the topic funding extension was chosen and the Swiss, French and German NI members opted to work on the topic. The main result of this cooperation is a Common Framework on Financing Extension (which will be available by the end of March 2002) and the decision support tool which is shortly described here. Both are based on extensive work by LBL in analysing and structuring current practice on financing and substantial contributions from Dr. Andrew Kidd and Dr. John Lamers (formerly both PACTeam).

This guide is elaborated to **assist in the selection of appropriate funding options for agricultural extension**, by enriching the

discussion process towards better-informed choice. This tool **does not substitute for the creativity and intellectual graft** required in making choice. Furthermore, it should be stressed that making a sound choice on the funding of extension will benefit from the involvement of a broad range of stakeholders.

Users should consider first *whom to involve* in the process of thinking about alternative funding mechanisms for extension. Different stakeholders may be involved in different ways at different stages. This may also vary from context to context.

Before arriving at the appropriate mix of funding mechanisms, first it must become comprehensive what funding mechanisms actually are appropriate under a fix set of conditions.

The flow chart shown in Figure (2.1) gives an overview of different steps that can guide the user towards alternative funding options. It provides a structure for thinking through what is known about the nature of the service demand and actual or potential clients, while guiding users towards an appropriate group of funding options for a particular circumstance. For improved understanding the aspects should be looked at in the following sequence:

1. What are the service needs in a particular context (these may be articulated by private actors—producers, firms, consumers or by public actors at different levels);?
2. For each extension output, consider who stand to benefit and negotiate levels of public and private interest, and use this as a basis to define appropriate balance of public and private funding for particular extension outputs;
3. In order to fund particular extension outputs effectively, consider various means for mobilising private funds and/or allow for effective allocation of public funds. This will involve consideration of different flows of these funds, as follows:

- A. For private finance, determine the willingness and ability to pay either through:
 - A.1 Direct payments; or,
 - A.2 Indirect payments.
 - B. For public finance, consider the extent to which producers should have control over the allocation of funds either through:
 - B.1 Demand-side financing with greater producer control; or,
 - B.2 Supply-side financing with limited producer control.
4. Agree an appropriate mix of sources and flows of finances to fit the particular needs and context, and define the conditions related to them and any transition mechanisms or period that will be necessary.

In order to arrive at potentially appropriate options for funding extension, this guide highlights some of the issues to think through under each section. The sections are structured as above and with reference to Figure (2.1). The process will guide towards various alternative funding options.

Figure (2.2) shows the major groupings of funding mechanisms, in respect of mobilising private funds and effective allocation of public funds. It is important to stress once again that there can be different levels of public and so, for example, a producer organisation could use many of the means for allocation of 'public' funds when they are implementing on behalf of the public sector or using their own finance for the commonly agreed interest of their members.

The decision support tool will be available asdownload from the webside of the Alliance by the end of February. In the full version the tool entails in the annex section sets of questions that need to asked and openly answered in order to get a clear picture of the particular funding situation.

Figure (2.1). Thinking about funding options for extension.

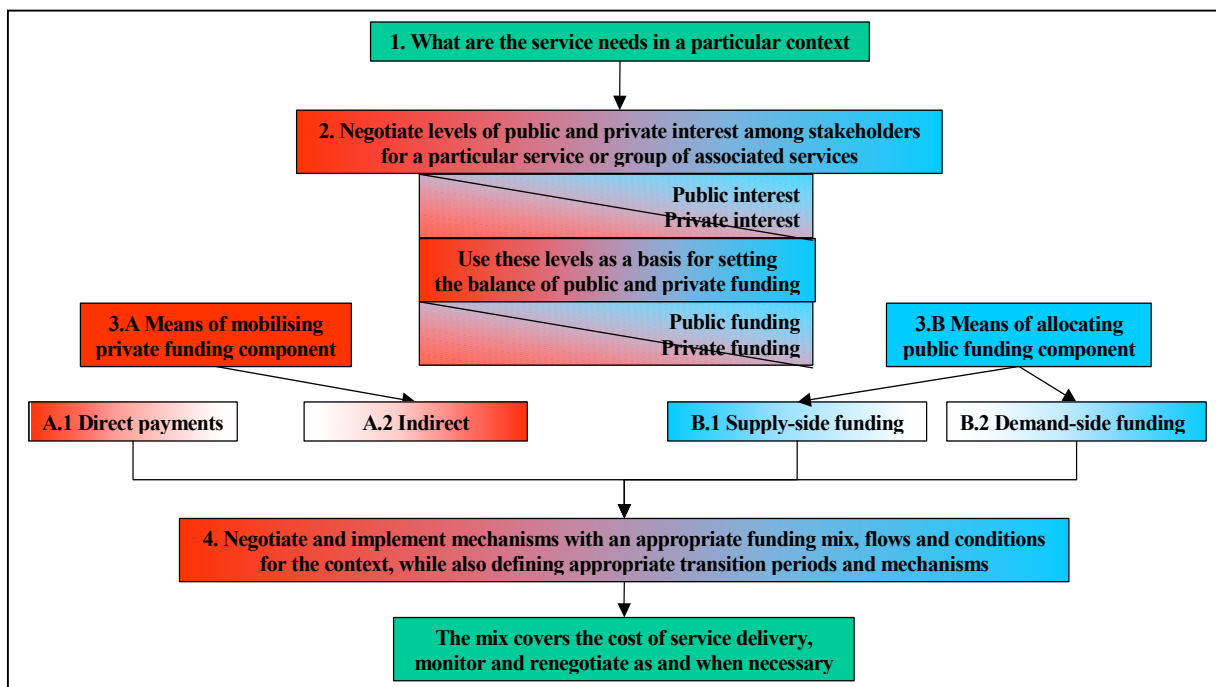
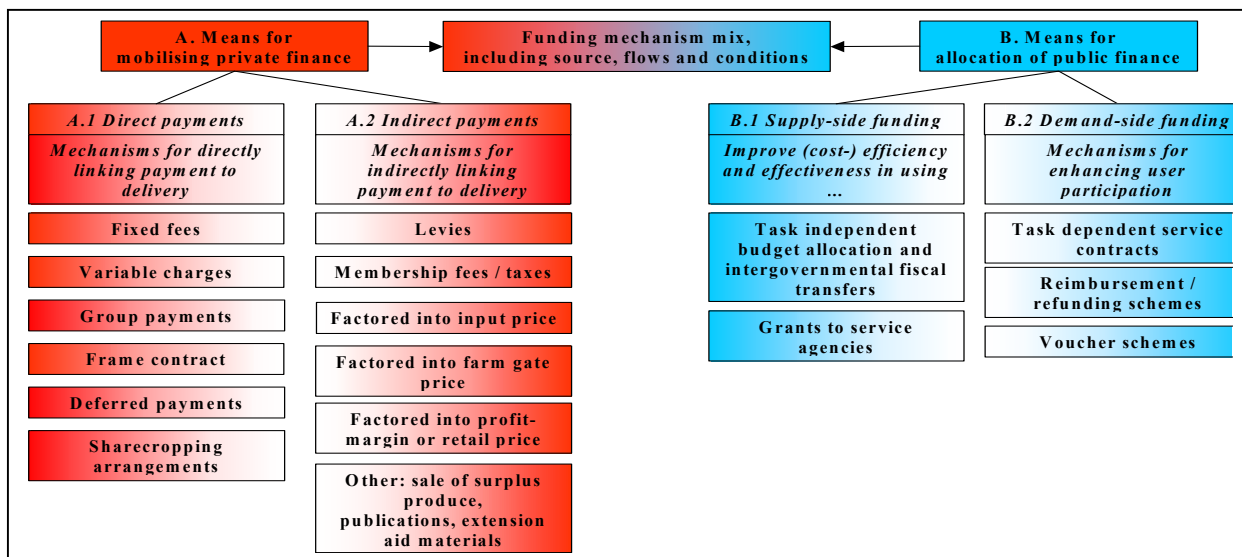


Figure (2.2): Major groupings of alternative funding mechanisms for rural extension.





Topic in Focus

Actors in the Funding Arrangement and their Conditions: The Case of the BOSAWAS Biosphere Reserve

1. Introduction

Because of many characteristics, the "BOSAWAS Biosphere Reserve", nominated by the "Man and Biosphere Program" of UNESCO in 1997 is a unique site in Central America and one of 393 sites worldwide. BOSAWAS is located at the northeastern boarder of Nicaragua to Honduras, bearing some 20 000 sqkm of land in agricultural use or still maintained as untouched tropical rainforest. The Biosphere provides a living for as many as 250 thousand people, most of them poor farmers, belonging to three different ethnic groups¹.

An outstanding feature of BOSAWAS is the Global Management Plan, which is going to be issued in the next few months and will contain a funding strategy addressing Agricultural Research and Extension, oriented towards sustainable land use practices. This plan has taken many years to be conceived, due to the need to guarantee participation of most of the stakeholders of the so-called "BOSAWAS-process".

2. Services that are being funded

The summary table attached (see page 25) to this document presents a selection of services that are being funded in BOSAWAS. There are plenty more of them, but at present, no inventory or systematic analysis has been done. This by itself is an indication, that due to the non-transparency

of the market for knowledge based services, there is no basic quality standard that clients may demand nor any mechanism to monitor customer service delivery. It is also noticeable, that regional research and training centers do not realize basic research related to issues demanded by BOSAWAS as a biosphere reserve. On the other hand, the national agricultural research system is very weak indeed.

3. Policy Framework for Funding Sources

3.1 Agricultural policies for funding public services

There is no national policy framework addressing the funding of public services specifically for BOSAWAS. The Nicaraguan Ministry of Agriculture and Livestock (MAG-FOR) has started a ten year long "Plan Nacional de Transferencia de Tecnología y Formación Agropecuaria"² in 2001, addressing this issue, which is funded by The World Bank. At present their target groups do not include the people in BOSAWAS, although advancements have been made to enter into some sort of arrangement.

The policy framework for the funding of all actions that take place in BOSAWAS is provided by the Management Plan (MP) of the Biosphere, as described before. The MP proposes a positive selection principle of target groups, meaning that those farmers who are already and voluntarily shifting from slash and burn agriculture to a more sustainable farming system should be given priority by all programs, projects or other initiatives in BOSAWAS. In the first step, those farmers who comply with the sustainable production parameters prescribed by the MP, will get a yearly personal certificate and a label for their farm from the Ministry for Natural Resources and the Environment (MARENA) and another independent certification organization. This certificate is an incentive to those farmers who are potential role models for others and

¹ For more details about the biosphere reserve, please refer to the attachment.

² PNTFA: National Plan on Technology Transfer and Agricultural Capacity Building

targets their need of belonging to a peer group of "BOSAWAS farmers".

The second step is a strategic alliance between all programs, projects and other initiatives in BOSAWAS, to promote and enforce these farmers by sending them to training courses, seminars and exchange events, especially all over the six municipalities of BOSAWAS. Part of this strategy would be to promote and advice an association of technical advisors, who specialize in the BOSAWAS subject through courses on sustainable agriculture in buffer-zones of protected areas.

Based on that, the third step proposes that the products and services provided by a more sustainable farming system can undergo a certification of origin that improves access to specialized markets, like those of Biosphere Reserves abroad. The aim is to improve livelihood in the buffer-zone of the Biosphere Reserve and to foster a change towards sustainable land use systems, in order to mitigate the impact of the agricultural frontier.

Finally, this strategy needs to provide for improvement of the quality and homogeneity of services rendered. This monitoring has to be carried out by farmers themselves with accompanying professional moderators.

3.2 Degree of decentralization of public services

While a formal service market does not exist, INTA³, INATEC⁴ and INAFOR⁵ are autonomous public institutions, which provide some service related to agriculture and forestry. INTA and INAFOR have incipient representation in the six municipalities, but weak funding for implementing. INATEC runs a training center in one of the municipalities of BOSAWAS, but it is a weak institution in terms of management.

The University URACCAN⁶ has a campus and an institute on sustainable resource use in the region, which also offers diplomas for practitioners. In 2001, there was a first promotion of 20 agricultural engineers who specialized in agroforestry. No other university provides services in the region, apart from spontaneous assignments within contracts from donor agencies or NGOs⁷.

In fact, a well decentralized institution is SETAB⁸, the entity of MARENA, that has a legal mandate for the management of the Biosphere Reserves affairs and runs offices at each of the six municipalities. Because many public services to satisfy basic human needs are not available in the region because of lack of institutional presence and capability, SETAB has been tempted to fill in the gap leading funds away from its original mandate.

4. Support Structure of Service Providers

4.1 Ability to manage funds

Apart from the URACCAN, experience shows that the ability to manage funds is extremely weak, and that even the most basic bookkeeping skills are lacking in the region. This is in fact one of the mayor bottlenecks for NGOs and public service institutions when it comes to deliver in time and according to the stipulations of the service contracts. Historically donors in Nicaragua have been paternalistic in providing, as well as lax in monitoring the use of funds. Service providers have become used to this and feel ill-treated when there is some sort of request from an unsatisfied "client" (a term that is, by the way, utterly unfamiliar). This is a temptation to divert the use of funds.

4.2 Service capacity and orientation

As stated before, the sort of relationship called "client and provider" is practically unknown within the understanding and context of Nicaraguans today. Due to their history, such a relationship is likened to the

³ INTA means "Instituto Nicaragüense de Tecnología Agropecuaria"

⁴ INATEC means "Instituto Nacional Tecnológico"

⁵ INAFOR means "Instituto Nacional Forestal"

⁶ URACCAN means "Universidad de las Regiones Autónomas de la Costa Caribe de Nicaragua"

⁷ NGOs means "Non Governmental Organizations"

⁸ SETAB means "Secretaría Técnica de BOSAWAS"

one between the "patron" (who has the money and thus, the power) and the subordinate (who has nothing but labor-force to offer), something that at least officially was abolished after the Sandinista revolution. In the public sphere, emphasis is still placed on a "brotherly" relationship, where everyone is equal. The client-provider relationship is not regarded as bearing a win-win situation, because it is felt as not been symmetric in terms of power. As labor force is ill-qualified, adding value to products and services is still a challenge for the starting economic dynamism.

Due to the Nicaraguan history there are also few technical advisors or trainers with a continuous higher education. The attitude prevails, that a technical advisor knows everything and is expected to have answers to all questions posted, while the farmer, being illiterate and unskilled knows nothing. This implies that technicians seldom engage in auto-didactic actualization, but rely heavily on donor sponsored courses, which enhance their curriculum, but not necessarily their competence.

5. Client Profile

5.1 Income and ability to pay for services

Most of the clients of knowledge based services are poor and small farmers, many of them in charge of subsistence economies. So income is near the poverty line of 1 to 2 US\$ per day. Medium sized farmers are non-the-less unfamiliar with payment of advisory services or training courses. Nevertheless, there are some experiences, where an in kind payment (i.e., providing food) has been attempted when a farmer to farmer methodology is used.

On the other hand, as technical assistance and training has always been free, clients are not used to claim quality services, explaining that it is not polite to make requests when training is a present or donation. This situation is enforced by the fact, that training and advice are always linked to donations of "hardware" production inputs. Furthermore, as employment and salary level of technical advisors do not

depend on customer satisfaction, no one seems to be urged to change the *status quo*.

5.2 Market linkages

The market linkage in BOSAWAS is weak to non-existent. In many areas of BOSAWAS, farmers live a day trip away from any road or urban site. A net of radio stations has been installed to cover BOSAWAS, which provides some market information. Also, as colonization is recent in many areas, farms are located far away from each other. This means, that any extension system in BOSAWAS faces difficulties, when it comes to on the spot advice, on farm trials or even organizing training events for groups of farmers. In particular it puts women seeking access to training and advice at a disadvantage.

On the other hand, programs and projects run in BOSAWAS have selected target groups in areas, where access is easy, so that one may find some 20 organizations attending the same farmers in the municipality of Wiwili, while in Bonanza there is no organization at all.

5.3 Organization of clients

In general the capacity of self-organization of Nicaraguans is good. Traditionally, farmers have been organized in producer cooperatives, recently changing into service and credit cooperatives. Nevertheless, their managing capabilities are weak. In some areas of BOSAWAS the remoteness of farms has impaired any kind of association with others. This has to do with the situation of living at an agricultural frontier, where no one knows his neighbor well, who may have immigrated from a different part of the country for unknown reasons. Thus, trust is very low and individualism is an overall trait of the people at the agricultural frontier. From the point of view of men the need for support from others is seen as a weakness. Female spouses, on the other hand, who are desperately in need of support, are subdued to be and stay on their own.

Change of agricultural extension methods is not urgent, because there is no organized articulation mechanism for farmers to

communicate and negotiate on issues of customer satisfaction. Thus, participation and empowerment are limited.

6 Perspectives developing service arrangements

6.1 Problems of current arrangements

Part of the problems of current arrangements has been described so far. In Nicaragua, it is always difficult to bring up change that needs systematic forward-looking planning and acting.

Unfortunately, NGOs tend to be part of the problem, not of the solution, because of

mismanagement, unusually high salaries for executive staff and a misunderstanding of their role in civil society. Often they are perceived as representing the interests of beneficiaries or target groups, but at the end they act as consulting enterprises. The paternalistic approach inhibits the orientation towards farmer's demands in content and quality performance. No monitoring system is provided for in any of the initiatives, but the MP of BOSAWAS.

Training and extension are neither coordinated nor coherent, which is partly due to donor agencies not in need to coordinate efforts in BOSAWAS. Initiatives, working to generate alternative rural income sources, are scattered over the area.

In general, topics that address quality of research, extension and training methodologies are not an issue in development of the agricultural sector. Funding is a topic currently discussed in relation with environmental protection and services, less on agricultural research and extension.

And as research has not attained much glory, there is small interest in funding national initiatives, neither publicly nor privately. Working in remote areas like BOSAWAS is not very attractive either.

6.2 State plans for reform

In 2002 a new government is taking office in Nicaragua. Plenty of strategic papers and

national plans have been issued in 2001, namely a Poverty Reduction Strategy Paper, Strategies for Development of the Agricultural and Forestry Sector or the before mentioned PNTFA mentioned in section 3.1 amongst others. It is not sure, whether the implementation of the strategies described in these papers is going to be acted out.

Nevertheless, reform efforts are tangible.

In fact, MAG-FOR, INTA, INATEC and INAFOR are targets of the ambitious PNTFA. INTA is again undergoing a new institutional strengthening effort, that explicitly aims at reducing public funded agricultural extension and claims a participation in costs from medium farmers. Poor farmers are quoted as not viable subjects for sharing costs and will be addressed with social support programs run by other initiatives, like NGOs working in the area. Interest in addressing the issues of BOSAWAS is improving.

6.3 Driving forces for changes

Driving forces for changes are difficult to identify. There is a change in government coming about next year, but not necessarily in politics. Nicaragua is a heavily aided country and donors are running out of enthusiasm about achieving development goals. Overall there is a contraction of donor-aided programs and projects, in terms of money and sectors. Agriculture for the poor is again en vogue because of poverty and food security issues addressed by donors. The tendency is to leave the poor for donors and "their" NGOs. On the other side, politicians, economists and entrepreneurs go for an industrialized kind of agriculture, which relies heavily on external inputs and aims at exports, Public funding through government politics and programs thus turns away from marginal areas such as BOSAWAS.

Project Experiences The BOSAWAS Biosphere Reserve Summary Table (Selected Examples)			
	Actors in the Funding Arrangement & their Conditions		
Service that is being funded	Funding Sources	Service Providers	Service Clientes
Applied Research: Entomological screening on introduced cultivation plants	GTZ	UNAN-Leon,	Students and small farmers
Experimental Centers and Farms: silvipastoral land use systems with "pelibuey" sheep	KfW and CIM	NGOs	Students and all farmers
Pilot experiences: introduction of organic cacao production systems	PPP (Ritter-Sport and GTZ)	NGOs	Small farmers and producer's cooperative
Farmer to farmer exchange: on all topics, from farm management to land use planning and cacao production technology.	UE, Save the Children, and others	UNAG/PcaC	Small farmers
Exchange of experiences: indigenous knowledge on medicinal plants	GTZ	URACCAN	Mayangna and miskitu women
Training courses and extension: on all topics relevant to production in BOSAWAS	Different Donors	NGOs	Farmers
Primary Schools: improving agriculture back home	DED, Church	UCA/CCC	Small farmer's kids
Vocational Schools: on sustainable agriculture	DED, Church	INATEC	Young farmers
Higher Education: agroforestry land use systems	GTZ, BID, others	URACCAN	Rural youth and practitioners

Barbara Krause



Financing Family Farms in the Context of Liberalisation – What Contribution Does Microfinance Make?

International Conference from 21 – 24 January 2002 in Dakar (Senegal)

Background

Microfinance has not just been in the development-policy limelight since the *Microfinance Summit* in 1997. Despite all the praise justly bestowed on this “movement” as regards poverty reduction, *gender* aspects, sustainability and building up civil society⁹, one (distinct) angle is illuminated more rarely and above all more dimly. *What* is financed by microfinance, or conversely, what is *not* financed? A conspicuous feature, especially of the early *microfinance* success stories in Latin America, was the predominant - though not

⁹ In other words, the currently valid criteria for evaluating development-policy action in the international context.

exclusive - orientation towards urban micro-economics, the informal sector, and trade, in other words towards short-term activities generating fast cash flows.

Structural adjustment programmes in the agricultural sector and rural regions in developing and transition countries are characterised by elements such as liberalisation, privatisation, devolution and the promotion of small-scale agriculture, i.e. sectors which also make demands on financial institution development in rural areas. The question is thus: do microfinance institutions (MFI) satisfy these demands? And, if not, what should be done to enhance MFI contributions to the financing of small farms?

In 1997 a number of French research and implementing organisations¹⁰ supported by IFAD, the French Foreign Ministry, the African Agricultural Credit Association AFRACA (Nairobi), the Dutch Institute for Agricultural Co-operation CTA at the University of Wageningen, and the NGO ENDA-GRAF in Senegal joined together to examine these questions within the framework of a research project. Some 150 participants from 22 countries in Africa, as well as from Belgium, France, Italy, Canada, the Netherlands and Germany attended the Conference in Dakar. GTZ was represented by a field-staff member from Uganda and by a staff member of the Activity Area Financial Systems Development and Credit. Extensive introductory material was provided for the participants and detailed terms of reference were drawn up for the contributors.

In his presentation, the author of this report outlined GTZ's experience to date within the context of the Conference theme and

forecasted the possible consequences of a German DC focus on MFI promotion in the region through the GTZ.

Objectives of the Conference

The sectoral and regional (African) exchange of experience and ideas served to illustrate the current status of knowledge as regards MFI financing of agricultural activities. Institution-specific and sectoral tasks for improving agricultural financing were defined by a broad group of participants from a variety of institutions connected with agricultural financing (MFIs, agricultural banks, central banks and sectoral ministries on the one hand, agriculture and farmers organisations on the other) and concrete proposals for action were elaborated from the findings.

Main Results

The work groups at the Conference formulated recommendations on the following three thematic areas:

1. Improvement of financial services.
2. Intervention framework and instruments of development co-operation.
3. Sector-policy framework conditions.

1. Working on the fact that MFIs had a largely inappropriate range of financial services for agriculture, discussion centred on the themes of improving information and dealing with the risks of agricultural credits. Proposals were formulated for training financial institutions in sector-specific methods of credit assessment. Further topics included the improvement of links between the financial sector and farming in terms of product structuring, as well as in terms of institutions for securing credit risks (insurance benefits, guarantee funds). It was agreed that financial institutions needed support to help them adapt to demand trends – and hence risks; yet, at the same time, they had to strive for sustainability. It was deemed important to include the framework conditions relevant to the agricultural sector (price policy, market access etc.) in an overall concept to improve financial services.

¹⁰ Mention could be made here of the consulting firms working for the GTZ such as *Centre International de Développement et de Recherche* (CIDR), the *Institut de Recherches et d'Applications des Méthodes de Développement* (IRAM), the Research Institute *Centre de Coopération Internationale en Recherche Agronomique pour le Développement* (CIRAD), and *Groupe de Recherche et d'Echanges Technologiques* (GRET). In 1999 these four institutions set up a platform for a common exchange of experience (*Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne et de Crédit*, CERISE). The conference in Dakar was prepared chiefly by CIRAD and CERISE.

2. A general trend towards greater dovetailing and focussing of intervention activities in the financial sector in African countries was identified. At the same time, it was felt that the promotion policies of individual donors were not always coherent, and in some cases were even contradictory. Greater consultation regarding inputs and more consistent formulation of targets based on a national strategy to develop the financial sector – especially in rural areas – were called for. National, coordinating actors (ministries, associations) need to be strengthened in order to play their part here.

3. Finally, by way of a framework condition for improving financial services in rural areas, it was demanded that agricultural associations¹¹ be accorded a greater role, for example in structuring regional rural development programmes. The kind of agriculture for which promotion programmes are being created needs to be made clear, as do the respective actors' needs (primarily small-scale producers). Microfinance institutions should be built up and promoted more strongly on the basis of sector-specific framework conditions, and should not work solely on the basis of their own conditions.

Proposed follow-up

1. In the discussion on new key areas in development cooperation, GTZ's financial systems development looks chiefly at its role within the key area "Economic development and building up market economies". So far, however, little has been done to anchor financial systems development conceptually in the key area of "Agriculture", even though the importance of agricultural credit is certainly identified in the existing key strategy papers. The Conference recommendations could contribute to such conceptual progress in the key area of "Agriculture". It should be considered whether the Activity Area "Financial Systems Development" in cooperation with Division 45 and the relevant regional groups for West Africa could take the lead in providing advisory services to the BMZ here. Taking certain

Conference results, the GTZ could propose TC approaches to the theme of "Financing and rural development" in cooperation with the afore-mentioned French organisations and present these to relevant regional and sectoral division representatives at the BMZ. The respective activity areas within GTZ, i.e. Rural Development (OE 4556) and Financial Systems Development (OE 4136) should agree on further action to be taken.

2. The Conference in Dakar offered an opportunity for talks with representatives of French DC. Countries in the West African region would welcome German TC for their financial sectors. However, German DC priorities in the region are not so much on these countries' financial sectors. Both the French and German sides expressed a wish for stronger bilateral coordination and cooperation. In addition to the desire for greater synergy in finance-sector interventions by the two donor countries in the same developing country, discussion and agreement would also be expedient in places where German TC does not operate in the financial sector, so that the German side can provide complementary action via other focal areas. Since French TC too is increasingly structuring framework conditions for target-group-appropriate financial institutions, an exchange of experience and the joint setting of priorities by the two countries would be meaningful. This would also mean greater involvement of relevant sectoral resources in the each other's TC programmes. The responsible office in the French Foreign Ministry will contact GTZ about further action to be taken. The BMZ should be involved in the further planning.

Rainer Schliwa

¹¹ organisations paysannes (OP)



Topic in Focus

Financing Rural Development / Agrifood through Public Private Partnerships

In the past 10 years the global transfer of public financial resources has dropped from 57 Billion USD down to less than 40 Billion USD per year while private investments from developed countries in developing countries have risen from less than 45 Billion USD in 1990 to more than 250 Billion USD in 2000 (with a peak of almost 300 Billion USD in 1997) [World Bank data]. This means a five-fold increase of private investments in developing countries during a period of 10 years. These numbers show the well-known trend of decreasing public money flow but they also show the potentials for private investments in less developed countries.

The Public Private Partnership (PPP) programme, which has started within GTZ in 1999 and has entered in the second 3-year-phase the beginning of this year, takes into account the high potential for private investments in developing countries in order to reach both business goals (private sector) and development goals (public sector) at the same time.

The projects are developed and implemented in partnership between GTZ and a European private company or its affiliate in the country where the project is going to be undertaken. Project duration is between 1 and 3 years. Each project proposal has to undergo a "quality test" in which it is checked whether or not the criteria for PPP-projects are fulfilled. One major criterion is that a PPP-project must not be a simple subsidy by GTZ for the private company. The private partner has to complement funding and should show an

interest in a wider development perspective, e.g. the private organisation profits also from functioning developing countries (less corruption, better administration, etc.).

The agrifood sector shows specific characteristics, which other sectors do not necessarily have: It is directly linked with the use of natural resources which grow only under certain ecological conditions, which are typical for developing countries. For example, cocoa and coffee only grow in the tropic and semi-tropic regions. Hence, there is a tight linkage with public interest, which makes this sector an ideal field for co-operations between private and public entities in order to contribute to the development of those regions.

In the agrifood sector more than 60 PPP projects (out of approx. 220 projects in total) are being undertaken – some of them are already successfully completed – with a total value of 25 Million EURO. Approx. 60 % (15 Million EURO) of the budget come from the private sector. On average the upper limit for the GTZ contribution is 200 T€.

The foci of the projects range from improving product quality, marketing, processing to certification and capacity building for employees. Food as well as non-food commodities are included in the agrifood sector. Non-food commodities include leather goods, wood, cosmetic and medicinal plants, and natural fibres. Partner companies are small and medium enterprises as well as multinational companies.

GTZ has made many experiences through this new type of partnership and has risen the awareness among private companies for GTZ as being a valuable partner for business engagement in developing countries.

The "small" PPP projects between GTZ and one private partner is one possible type of partnership with the private sector. Another type is a partnership on a higher aggregated level, i.e. with an entire industry, with a longer perspective: "Strategic Alliances".

Alliances with entire industries promise broader effects because more partners with common overall goals are involved.

Strategic Alliances are not “projects” as such but they create the frame for concrete cooperations. Inside this framework different kinds of interventions can be implemented either by co-financing or commissioned by a third party, i.e. UN-Organisations.

Since 2001 GTZ is engaged in developing such Strategic Alliances, especially with two industries: the cocoa and the coffee industry. These new ways of partnerships were indirectly made possible through an increased awareness of consumers and the public in general for existing problems concerning the production of such products, i.e. child work, natural resource deterioration, lack of social and ecological standards in (parts of) the commodity chains. Reports in the media about child work in cocoa production for example have provoked political and societal pressure on the chocolate industry.

The private sector is confronted with these new challenges and has generally no experience in responding to them. They need new support, new partners with long-term experience with whom they can sustainably improve the social and ecological conditions of their industries in order to assure the further existence of their industry through demand by the consumers.

More recently GTZ has been attributed the role of a mediator or honest broker between the affected mostly poor people in rural regions, the consumers, the private sector and national government entities in producer and consumer countries. The latest experience shows that Strategic Alliances with industries need in the first place a shift of thinking: from a project focus towards a long-term oriented development orientation. It is necessary to test new institutional and financing mechanisms which allow and promote such alliances independently from classical project cycles. Furthermore it became evident that the contact management plays an essential role in initiating Strategic Alliances. As private

companies usually do not have any experience in co-operating with development organisations the building of mutual trust and confidence, the maintenance of human relations are important key elements of maintaining Strategic Alliances. The investment in effort and time for starting and maintaining partnerships should not be underestimated. For an organisation like GTZ it means also growing into a new role and function.

Hence, in order to achieve development goals (improving social, ecological and economical conditions in developing countries) and private business goals (securing profit) at the same time mid- to long-term co-operations between development organisations and private industries can be a successful way to do so.

Ingrid Mueller-Neuhof



Recommended Publications

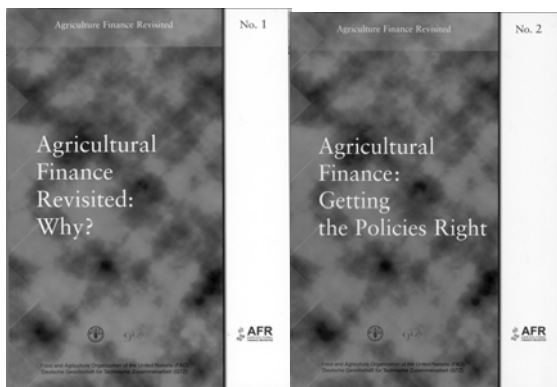
Agricultural Finance Revisted

FAO and GTZ have published together a series of documents under the title “Agricultural Finance Revisted (AFR)”. The documents have been published four years ago but still represent the fundamental issues on the theme.

Agricultural Finance Revisted: Why?
Agricultural Finance Revisted. No. 1
FAO 1998

The publication reviews the experiences with agricultural credit programmes in the last decades and the shift from directed credit towards a new approach based on

rural financial system development. It sets out the special market environment of the agricultural sector in developing countries and the unique features of agricultural finance. These particular conditions still require special government attention but in a different manner than given under the directed credit approach.



Agricultural Finance . Getting the Policies Right
Agricultural Finance Revisited. No. 2
 Elizabeth Coffey, FAO 1998

This publication sets out to clarify the process of policy formulation for agricultural and rural finance, and emphasises the mechanisms involved. It is addressed to those responsible for formulating, managing and tending the rural financial system, namely, policy makers, donors and managers of rural financial institutions, financial experts/consultants and project designers. It highlights some of the key issues that should be addressed in the policy making process and provides a diagnostic methodology which can be used as an aid in the evaluation of the comprehensiveness of a given policy-making system at national level. Case study examples are presented throughout the document to highlight the importance of some key issues when formulating an agricultural finance policy.

Key documents on research and extension funding in our library:

Gerard J. Gill, Diana Carney (1999):
Competitive Agricultural Technology Funds in Developing Countries
 Overseas Development Institute (ODI). London

Beynon, Jonathan; Akroyd Stephen (Red.); Duncan, Alex (Red.); Jones, Stephen (Red.) (1998):
Financing the Future. Options for Agricultural Research and Extension in Sub-Saharan Africa
 Oxford Policy Management. Oxford

Alston, Julian M.; Pardey, Philip G.; Smith, Vincent H. (Ed.) (1999):
Paying for Agricultural Productivity
 Johns Hopkins University Press. London

Tabor, R. Stevens; Janssen, Willem; Bruneau, Hilarion (Ed.) (1998):
Financing Agricultural research: A Sourcebook
 ISNAR. The Hague

New Guidelines on Impact Monitoring – Copies available

We can recommend two publications that have recently been published by GTZ and that offer methodological assistance in impact monitoring. The second title is an update of the highly successful guidelines on impact monitoring in sustainable land management published three years ago. There is a limited number of free copies for colleagues who are active in these fields.

Birgit Schäfer (2001): “Guidelines for Impact Monitoring & Assessment in Microfinance Programmes” GTZ Eschborn.

These guidelines provide tools along the sequence: (1) identification of core issues, (2) formulation of impact hypotheses, (3) formulation of indicator sets, (4) adaptation of survey methods, (5) data analysis.

**Karl Herweg and Kurt Steiner (2002):
“Impact Monitoring & Assessment.
Instruments for Use in Rural
Development Projects with a Focus
on Sustainable Land Management”.
Volume 1: Procedure / Volume 2:
Toolbox. CDE/ GTZ /SDC.**

The authors describe six steps: (1) involvement of stakeholders and information management, (2) review of problem analysis, (3) formulation of impact hypotheses, (4) selection of impact indicators, (5) development and application of impact monitoring methods, (6) impact assessment.

Websites on Agricultural Finance:

The following web-sites quoted have free documents that can be downloaded as pdf files or text documents. The Internet links have been checked for accessibility in January 2002.

<http://www.un.org/esa/ffd/>

The United Nations' website on the International Conference on Financing for Development in March provides lots of interesting links to FfD-themes and documents on the conference.

<http://www1.oecd.org/daf/ffd/index.htm>

This site provides information relating to OECD events, policy analysis and dialogue contributing to the preparation and follow up to the UN Financing for Development (FfD) Conference which will take place in Mexico in March 2002.

<http://www.fao.org/waicent/faoinfo/agricult/ags/AGSM/faogtz.htm>

The website gives an overview of the FAO/GTZ Initiative Agricultural Finance Revisted. It includes an interesting list of AFR publications and links to FAO's page Rural Finance in FAO:

<http://www.fao.org/waicent/faoinfo/agricult/ags/AGSM/ruralfin.htm>

The RURAL FINANCE GROUP in FAO is part of the Marketing and Rural Finance Service (AGSM), within the Agricultural Support Systems Division. The principal activity of the Rural Finance Group is that of advice on policies and procedures which facilitate building viable financial institutions serving all sectors of rural populations. Among others links to a bibliography on agricultural credit and rural savings.

<http://www.worldbank.org/afr/aftsr/sfi1.htm>

The World Bank Group has launched a website on their initiative on sustainable financing for agricultural research in Sub-Saharan Africa.. SFI (The Sustainable Financing Initiative) is an activity that seeks to strengthen and diversify the financial base of African agricultural research and natural resource management (AR/NRM) institutions by promoting experimentation with new financial mechanisms and partnerships with clients. SFI was launched by the Special Program for African Agricultural Research (SPAAR) in collaboration with USAID and the Multi-donor Secretariat (MDS) at a workshop held in Maastricht in September 1995

<http://www.devinit.org/findev/>

The address leads to DfID's website on the "Finance and Development Research Programme", a programme to identify effective financial sector policies for promoting poverty-reducing economic growth in low income countries. It includes a search function for development initiatives on finance and development and among others links to working papers, research projects and contact addresses.

<http://www.opml.co.uk/>

The Oxford Policy Management has developed a public finance and development programme (PFM). It assists governments in improving budget processes and institutions to enhance the value for money of public spending and promote a sustainable fiscal strategy.

<http://www.gtz.de/wbf/fse/fse-index.htm>

The address leads directly to the homepage of GTZ section "Financial Systems Development and Banking Services". It offers useful links to projects, products, services and publications and lists up links to programmes, newsletters and other publications. At the moment available only in German language.

Webstatistics

The number of visitors of the Alliance's website www.gtz.de/agriservice has steadily grown during the last year. In January 2002 the webstatistic shows 7.454 visitors, that means an average hit of 240,45 each day. Our page "Areas of Work" was opened 5.037 times, (162,48 hits a day). Having entered "Areas of Work" most people took a look on our topic overview (4.202 hits, 135,55 a day). The most visited pages here were the issues on topic 1 (Public Sector Service Reform), topic 7 (Agricultural Extension) and topic 9 (Services for Market and Consumer-Oriented Agro-Food Systems).

Tailender: Do you remember?

In our last newsletter we presented a tailender. Here finally, you get the solutions!

Who said, "Entreat me not to leave you or to return from following you"?

Cain (Genesis 4.9)

Who exclaimed with joyous recognition, "Rabboni!"?

Mary Magdalene (John 20.16)

Who was asked, "Do you love me more than these?"

Simon Peter (John 21.15-17)

Who said, "I have no silver and gold, but I give you what I have"?

The Apostle Peter to the cripple who was begging at the Beautiful Gate of the Temple. (Acts 3.6)

Who pointed the finger at whom with the words, "You are the man!"?

The prophet Nathan, pointing the finger of blame at King David. (2 Samuel 12.7)

Who said, "Vanity of vanities! All is vanity"?

The Preacher (Solomon) (Ecclesiastes 1.2)

Who said, "I had a dream, and my spirit is troubled to know the dream"?

Nebuchadnezzar, king of Babylon (Daniel 2.3)

Who asked, "Are you he who is to come, or shall we look for another?"

John the Baptist (Matthew 11.3)

Who said, "What I have written, I have written"?

Pontius Pilate (John 19.22)

The Editors

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