
Cases: Service Provision

**CASES:
SERVICE PROVISION**

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1. Commercialization and privatization of training services in the livestock sector of Colombia – Critical Points *(Günter Kleemann)*

• Critical point 1: Target group and conditions favoring service demand

Colombia is a country with a significant and dynamic livestock sector (20 Mio. cattle, 6 Mio. pigs). There is a high potential and demand for quality training services (education, actualization, specialization) in livestock related matters. Livestock specialists in a broad sense are considered the target group for such services. This group includes more than 10,000 veterinarians, zoo technicians and graduated farm administrators, besides professionals of other disciplines related to the livestock sector, livestock technicians, professors and students from more than 20 institutions of higher education (universities, agricultural colleges, etc.) and, last not least, a large number of organized or individual livestock farmers. The Colombian society associates special values and many cultural traditions with ownership of land and livestock but also appreciates learning as a means for personal and entrepreneurial progress. The target group is "hungry" for information, aware of knowledge gaps and willing and to invest time and money in corresponding activities. This constitutes an ideal basis for developing a commercial training approach.

• Critical point 2: The situation of service supply: arguments of commercialization and cost-recovery

In 1986 when the new training approach was introduced as a major area of activity of the Colombo-German project "Integrated Technical Assistance in Livestock Production", the market for training services in the agricultural sector was reduced to sporadic events offered (for free or at nominal rates) by a limited number of public institutions such as universities, national and regional associations of livestock professionals and the official Colombian Institute for Agriculture and Livestock (ICA). Alike many other countries agricultural training was basically treated as if it were a public good. Still, in some occasions the organizers charged rates that allowed them to gain a small profit. Depending on the type of organization and internal administrative regulations, this money could either benefit directly or via a revolving fund the organizing unit or had to enter the general budget of the institution. On the other hand, there was a growing market for commercial training services in other profession, such as human medicine and business administration. The standard argument against charging full cost-recovering rates for training measures in the agricultural sector was that the clients are not used, willing or able to pay for such services.

• Critical point 3: Technical matters that meet and generate demand

In order to offer a client-oriented training, different surveys at farmers` level identified the main constraints limiting livestock production and profitability of the enterprise. These were deficiencies in farm management, herd and reproductive management, animal feeding, animal health and genetic improvement. The findings supported the idea to design a training center and program focusing on improving the quality of technical advisory services. By reorienting public and private sector professionals towards a new role they have to play as integrated advisors in animal production, health management and farm economics, the demand for their (better) services and knowledge would increase. Throughout the years, the training concentrated on technical subjects listed below:

- Integrated technical assistance in cattle and pig production systems (techniques and methodologies)
- Use of microcomputers in animal health and production
- Development and management of livestock information systems
- Monitoring of cattle and pig keeping farms, data analysis

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- Herd health management
- Fertility management in cattle production systems
- Technical assistance in cattle feeding (instruments and methodologies)
- Farm economics and financial assessment of livestock enterprises
- Comprehensive planning in livestock keeping farms.

• Critical point 4: The institutional setup

In order to develop and run the commercial training activities, the "International Training Center in Livestock Development" (CICADEP) was installed in 1986 as an administrative unit of the Veterinary Faculty at the (private) Catholic LaSalle University in Bogotá. This University was linked as a host academic institution to the project by the respective Colombo-German project agreement and through a letter of understanding with the leading counterpart institution ICA. The decision to execute the projects' training activities in close relation with a private university was continuously questioned by professionals from the leading public sector universities and turned out to be more of a hindering factor. In contrast to the initial expectations, the private university did not support actively the goal of financial and administrative autonomy. It rather preferred to maintain the training center in a situation of strong administrative and financial dependency. This attitude complicated financial analyses and decision taking and limited the entrepreneurial motivation of the staff. On the other side, this experience served as a good example for learning that a private organization per se does not guarantee a more flexible, efficient and entrepreneurial management environment than a public institution. Different expectations and interests of the partner organizations interfered with the attempts to achieve a common understanding, especially when the training center needed more financial and administrative independence from the academic host institution. During six years the project tried to establish a foundation as a definite solution to overcome the rather weak organizational setup that caused constant frictions. In 1994 the University finally agreed (under pressure from the other project partners) to join a foundation, constituted by the following three members: the private LaSalle University, the public National Institute of Agriculture and Livestock (ICA) and the private Corporation CORPOICA. This new entity was created in 1993, when large parts of ICA were privatized. CORPOICA turned into the biggest organization in charge of research and technology transfer for agriculture and livestock sector and thus became the leading counterpart institution. These supposedly positive institutional changes occurred during a political process of privatizing public services in Colombia, but they complicated even more the institutional scenario and the parturition process of the Foundation CICADEP. Curiously, the University LaSalle became one of about 100 shareholders of CORPOICA. The experiences since 1994 show, that the idea of the foundation was correct. The new organizational and legal setup helped to improve administrative flexibility, avoided taxing, facilitated the expansion of the center's activities and guarantees its future projection.

• Critical point 5: Marketing strategies and principles of service management

The success of a business-oriented training center depends to a large extent on its marketing strategies of service management. The basic strategies and principles of service- and client-orientation listed below were developed and implemented in the early phase of the project:

- Training is offered in different regions of the country. Going to where target groups are located, facilitates their participation and reduces negative effects of centralization
- Wherever possible, already existing infrastructure of regional partner organizations is used at low rates or free of charge
- The center works as a business unit with a low level of permanent staff of two professionals (managing director, academic director) and three supporting staff members

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(administrator, accountant, and secretary).

→ CICADEP offers courses open to the public as well as "tailor-made" courses for institutions of the livestock sector. The latter are designed on specific request for their technical staff and other target groups

→ From the very beginning, the quality of all training events was strictly evaluated by the participants, using marks that range from 1 (lowest) to 10 (highest) for individual quality criteria and the entire event. Corrective measures are taken accordingly.

→ Different types of technical publications like proceedings; special prints and bulletins are produced and charged on a cost-recovery basis. They help to spread information generated in the training courses to other interested clients and serve as a means of promotion and public relations

→ In many occasions, local institutions are involved in the promotion and organization of the planned events. They usually share financial risks and benefits with CICADEP. This strategy helps to ensure high levels of participation.

Students related to the livestock sector as well as farmers are invited to participate in the events. Students are charged special rates

→ The courses are designed with a strongly practical orientation, using case studies and field visits wherever possible. Outstanding farmers are encouraged to act as lecturers in the events. To do so they receive further training and support

→ The most qualified lecturers and specialists of Colombia are invited as resource persons for training events and are paid satisfactory fees

→ One or two international seminars with a duration of three days are organized annually. Depending on the main subject, the number of participants varies between 100 and 500. These events require a high level of organizational skills. On the other hand they render remarkable economical, social and technical benefits

→ The center achieved economical self-sufficiency by charging a fee of about US\$ 50 per day and participant. The market only accepted these rates because the center devoted time and effort to quality management

→ The center was supported directly and indirectly by the project, but donor contributions decreased continuously to zero within an 8-year period. The bulk of the support consisted in scholarships including course fees for selected participants in the courses. This form of subsidy was used as a buffer to guarantee sufficient numbers of participants in order to reach break-even

The existence of a coherent philosophy and strategy is considered crucial for sustaining the commercial training services over a period of already 13 years.

● **Critical point 6: Results and sustainability**

Every year the center has offered between 15 and 20 training Experience events at various locations. A total of more than 7000 farmers and professionals participated in courses, seminars, workshops, etc. lasting from one day to two weeks. CICADEP charges fees that permit economic sustainability and growth. At the moment CICADEP employs five permanent staff members and four student trainees. Annual economical balances have been positive, although the results may change considerably between years. After 1994 the center shifted its attention towards training of farmers. The necessary financial resources were provided at that time by the National Livestock Fund in order to satisfy the rising demand of farmers for training and other services. This financing instrument is managed by private sector livestock associations and maintained by producer contributions (levies). During the last couple of years the center has expanded its scope of activities into the fields of rural development, project management, on-farm research and consultancies to national and international organizations. The example of CICADEP has also

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generated a growing number of competitors in the expanding market of training and advisory services in Colombia and neighboring countries.

The decisive factors for success of commercial training services include:

- The personality of the director as business manager and academic orientator.
- The working team, its quality and complementation of human resources
- The corporate identity and spirit of the unit, based on a coherent and convincing philosophy and corresponding technical messages
- The degree of autonomy of the training unit in decision taking
- The linkages to the farm level and clients that assure a practical approach and feedback for academic planning, development of training contents and case studies.
- The innovative capacity and ability to adapt to changing markets and clients.
- A transparent and differentiated policy of pricing and cost-recovery that takes into account the capabilities and needs of the participating main actors: private clients, institutional clients, trainers and the training unit CICADEP.
- A strict policy of service-orientation.
- A network of personal and institutional relations on national, regional and international levels.

The training center owes a large part of its success to the support and attention it received as part of a project of technical cooperation over a period of 10 years. This time span needed to reach institutional sustainability appears to be rather long. It is possible to achieve the same results in a shorter period, taking into account the lessons learnt from this experience and receiving the unanimous support of all institutional actors involved. Like in any other business one needs about 5 years to create, develop, gain and assure a market for a new product. In this sense time can be considered a crucial factor for success, too.

2. Privatization of Research and Extension in Peru - A Mixed Record

In the nineties, Peru has pursued an agricultural reform policy that focused on market development, restricting state intervention to a mere support function for the development of private sector services. Public agricultural research was to be conducted only in those areas where private sector supply of technology could not be expected, in the Andean and Amazonian regions, while government would retreat from serving the coastal zone. As part of this policy, 17 out of 33 experiment stations of the national agricultural research institute (INIA) were „privatized“ in 1992, i.e. handed over to a foundation and private enterprises. Extension services were also cut back significantly, the centralized extension service being dismantled - and technology transfer services partly integrated into the INIA, partly left to special programs, carried out with assistance from international donors. The Peruvian state thus retired from tasks and functions it had taken previously, with the intention to leave the space to other, non-public service providers. Hence, Peru is an interesting case of a firm privatization policy in research and extension. Recently, a study has been conducted to analyze the policy impact on innovation in agriculture and assess the changes occurred in the agricultural research and extension systems (including the question whether it is actually possible to speak of coordinated „systems“). It is probably still too early for a final evaluation but the review provides an insight into the intricacies of privatizing research and extension services. The following points summarize the major results:

1. The behavior of non-public actors changes, as their relationship to the public administration is now different: The producer associations are a case in point as they have to switch from a

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unionist approach claiming support, mostly from government, to a service orientation towards their members in order to justify their existence and earn money from the participation in programs. NGOs and foundations are driven towards a wider spectrum of services, that would be provided on a more regular basis, a trend that leads them away from project-based assistance.

2. Changes in the actual availability of services are hard to establish empirically. The analysis shows a great (and even increasing) diversity in local service markets - and a very uneven development, both on the demand and the supply sides. Commercially oriented producers are also well linked to service markets, providing opportunities for private enterprises, while a large part of small producers do not get access to service offers on the market - and the state extension services has practically disappeared. The positive examples of service development driven by the private-sector seem to have been independent of any government policies and might have taken place anyway. Private services tend to be restricted to specific commodity supply chains and agribusiness „conglomerates“.

3. The development of service markets is generally weak. It has been observed that farmers look for extension services and technical assistance but that their demand is frequently left unattended. This has to do with the heterogeneity of producers, lack of market transparency and small scale of service markets and the insecurity of macroeconomic conditions. On the side of potential service providers, individual services (e.g. input supply and marketing) are not well co-ordinated and human resources are scarce, especially for management tasks. Private actors cannot count on any public support to develop activities with new clients. Government did not undertake to coordinate private and public initiatives.

4. So far, the experience with cost-sharing arrangements introduced into publicly funded development programs has been positive: In one project (FEAS), Andean farmer organizations have been willing to pay for the technical assistance given to them, the money flowing into a common fund that shall be used to buy services and thus make up for the decreasing subsidy from public sources in the future. Another functioning scheme is the credit-cumtechnical assistance arrangement that links a rural bank (CEDEP) with an NGO providing technical as well as managerial assistance to farmers, the latter receiving an obligatory 3% of the loan amount.

5. The call for a greater role of private sector activities in research and extension did not translate into a different approach to fostering innovation processes. The „linear model“ of technology transfer that takes research as the starting point for agricultural innovations remains to be dominant thinking - at all levels. The adherence to this particular understanding of the innovation process seems to obstruct new forms of public-private partnerships, where research might just take a minor role in a coordinated effort.

6. The privatization of the research stations has been a failure. Once delivered to other hands, the experimental stations have actually never been used for research purposes again. This has been justified with the high costs of research on one side, and with the continuing expectation on the side of private that research is a government task. As a consequence, five stations have returned to INIA, while others are still used as production units. In fact, two constraints seem to limit private investment in research - the small size of the internal market that does not justify costly technology development, and secondly, the absence of a regulatory framework, that would protect intellectual property rights. Private investment in research could only be observed, wherever research investments provided an immediate pay-off, i.e. where commercial firms have established close links to agricultural producers supplying them, as is the case in cotton production, or where money can be made with improved seeds for special crops.

Summing up, one can say that the Peruvian liberalization policy took a very optimistic stance and simply assumed that the withdrawal of state activities and general deregulation is already be enough for the economic actors to create new commercial activities, and that economic development of the sector would follow quasi automatically. Yet, the framework conditions for service market development in Peru do not support private investment in particular services

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(especially research), at marginal locations and for a large part of the would-be farmer clients. Government only superficially assessed the private-good nature of the services to be given up. In fact, whether a certain service may be considered a private or public good type of service only became obvious in the actual development following the withdrawal of government.