



***The World's Largest Open Access Agricultural & Applied Economics Digital Library***

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## TRANSFORMING AGRICULTURAL SERVICE DELIVERY INSTITUTIONS FOR GREATER RESPONSIVENESS

R. Mabeza-Chimedza<sup>1</sup>

### INTRODUCTION

The debate on the importance of institutions in economic development is not new. Myrdal (1968), Morawetz (1981) Morris and Aldeman (1967 and 1986) stressed the importance of institutions in economic development. It has been demonstrated that institutions can profoundly influence the rate of economic growth. Morris and Aldeman identified some statistical correlations between level of development and various social political and institutional indicators. Similarly, Scully (1988) demonstrated the statistical significance of the elements of an institutional framework on economic growth during the period 1960-1980 on a cross-section of 115 countries. Hayami and Ruttan (1985:95) noted that institutions, like technology, must also change if development is to occur. According to Nabli and Nugent (1989:1342) , "Institutional change can be considered to be at the heart of long-run process of economic development, providing the missing link between development and growth."

There is a growing consensus on the centrality of institutions in the process of economic growth. It is now widely accepted that effective service delivery institutions play a very crucial role in getting development going. It is argued that institutional failure is one of the greatest contributory factors to the lack of growth in Africa's smallholder agricultural sector. More and more people are now arguing that without transforming these institutions no amount of investment in this sub-sector is going to bring about the desired growth in productivity (Delgado, 1998 and Thomson, 1998). According to Eicher, (1999:22) most policy reform strategies are not addressing the critical question of institutional failure. He emphasises the importance of crafting a good institutional environment and effective demand driven organisations to help poor farmers.

It has been shown that countries that have paid attention to institutional development have met with a great deal of success in agricultural development. Bonnen (1987) analysed the experiences of the United States in developing rural

---

<sup>1</sup> The IDEAA Regional Programme, Department of Agricultural Economics & Extension, University of Zimbabwe.

institutions to support broad-based rural and agricultural development. He identified key organisational characteristics of this system and argued that development in American agriculture was preceded by the creation of a complex system of institutions in the last half of the nineteenth century and first half of the twentieth century. This system of institutions consisted of the following;

- agricultural colleges, research universities,
- agricultural experiment stations for teaching and research,
- the United States Department of agricultural cooperative extension system and the agricultural research service for extension;
- Homestead Act for the family farm;
- public and private sector institutions for providing inputs and markets for farm products
- national-provincial departments of agriculture that oversees rules and regulations to guide market-driven development;

Bonnen argued that in developing institutions for a highly productive and equitable rural sector one needs to think of institutions in terms of a systems approach. This approach which integrates the delivery of goods and services can improve efficiency through reduction of transaction costs or it can be redistributive through collective action. The concept of transaction costs is essential for explaining the link between institutions and productive efficiency. Institutions which can lower transaction costs are key to performance of organisations and economies. The systems approach is conducive for the development of a common vision, values and agenda by the institutions. It allows a continual flow of information among scientists, extension workers and farmers minimising the problem of information asymmetries.

The American experience presented here was successful in that particular environment because it fitted within the resource and cultural endowments. It cannot be successfully transplanted to other regions as it is but there are lessons that can be generalised. Whatever is learnt from other experiences has to be adapted to the new environment for it to be of benefit.

The public monopoly model of service delivery in Africa's smallholder sector has proved inadequate and unsustainable. According to Girishankar (1998), it has failed to provide the incentive necessary for public employees to meet client demand and perform efficiently. In most cases this monopoly model for service delivery uses approaches or modes of delivery which do not adequately address smallholder farmers' needs. Throughout Africa public agricultural extension systems, commodity marketing boards, Agricultural Banks or Agricultural Finance Corporations and national agricultural research systems modelled along

the same lines were established. In the majority of cases, these institutions have failed to perform, particularly in the smallholder sector where transaction costs are very high because of lack of infrastructure, low scale of operation and information asymmetries. Most governments have instituted policy reforms to make them more effective. Unfortunately most of these reforms are being instituted under crisis conditions of economic hardships- budget deficits, high inflation, high unemployment etc. Most countries in Africa have been forced to reform their institutions, particularly parastatals, which have been a major drain on the fiscus because of the inefficient use of resources and poor performance. This observation supports Binswanger and Ruttan's (1978:334) hypothesis which states that; "Institutional change may be induced by the demand for more effective institutional performance that is associated with economic growth."

A lot of the solutions to reform institutions in Africa have been imported from outside the region. The World Bank has done a lot of work in developing policy and institutional reform models that have been adopted by many countries (Girishankar, 1998). The success or failure of these models is yet to be determined. However, some people have concluded that the results have been disappointing considering that by 1997 donors had invested US\$64billion into carrying out policy reforms in Africa (Collier, 1997:74). The World Bank recently commissioned a study which concluded that the success of policy reforms is crucially dependent upon a good institutional environment. Eicher (1999) notes that the knowledge base on how to craft effective institutions in low-income countries in Africa is limited. One would also add that the political will to effect these desired reforms is almost non-existent.

It is important to note that not all institutional changes are beneficial. Some changes may introduce distortions leading to losses in efficiency. Losses will be experienced particularly in the transition period where costs are incurred in the planning and redesigning for changes. Some cost also arise from uncertainty because one may not be able to predict the outcomes.

In most African countries the institutional environment is not favourable partly because there have been too many players bringing in too many divergent ideas and causing confusion among local people. Furthermore, those that have brought in reform models have not recognised the existence of indigenous or local institutions. Their models have, therefore, not built on what exists, which in most cases is more responsive to local conditions. Only recently has the World Bank started emphasising that people's participation in the design, implementation and monitoring of reform programmes is critical for their success and sustainability (Thomson, 1998). It found that to be particularly true of social institutional service delivery reforms. The concept of people's participation has,

however, been used to mean different things. It could mean contracting, consulting or involving people in all processes including decision making, planning, implementing and monitoring. It is important to note that the nature of participation is an important determinant of the success and sustainability of reforms. It is that type of participation that gives people a sense of ownership of the process that is going to succeed.

In the recent past, Africans have taken up the challenge of developing institutional reform models that have their origins and relevance to the region. One such example is the Initiative for Development and Equity in African Agriculture (IDEAA) Programme which is trying to improve the effectiveness of service delivery to smallholder farmers so that they can increase their productivity and commercialise their enterprises. The goal is to contribute towards the improvement of their quality of life. IDEAA has identified institutional failure as being one of the major factors explaining low productivity and lack of growth in Southern Africa's smallholder agriculture. It is, therefore working to transform agricultural service delivery institutions so that they become more responsive to the needs of farmers. Similarly, the West Africa Rural Foundation (WARF) sets out to transform service delivery to rural communities by using a multidisciplinary participatory approach. It aims to help rural communities transform themselves into viable economically empowered communities without subsequently becoming dependent on an outside agent. WARF feels very strongly that this effort needs to be rooted in the region and directed by African professionals. The two initiatives share a common vision and a common approach.

This paper provides an analysis of the processes of institutional transformation based primarily on experiences in the IDEAA programme. Its objective is to present a model for transforming agricultural service institutions to become more responsive and relevant to smallholder farmers. More specifically, it describes some of the experiences in the IDEAA programme in efforts to transform institutions. The issue of stakeholder participation in the process of institutional transformation is brought to the fore. The paper is one of the first systematic efforts at presenting the model which is still being developed.

## **ORGANISATION OF THE PAPER**

In the next section, the paper unpacks the concept of institutional transformation to bring out some of the key processes. Next, a framework for an institutional reform model used in IDEAA is developed and the strategies used discussed. This section draws lessons from experiences of the teams in the IDEAA

programme. Based on experiences in the IDEAA processes, the paper raises new challenges and recommends key issues that need urgent attention.

## **DEFINING INSTITUTIONS**

The concept of an institution has numerous interpretations and is thus understood differently in various situations. Different authors have used different definitions each emphasising on different characteristics of the more general phenomenon. Institutions are commonly understood from either a behavioural perspective or a rules perspective. Those that look at institutions from a behavioural perspective define them as "complexes of norms of behaviour that persist over time, by serving collectively valued purposes." (Uphoff, 1986:9). The rules perspective defines institutions as "rules of a society or organisations that facilitate co-ordination among people by helping them form expectations which each person can reasonably hold in dealing with others" (Ruttan & Hayami, 1984:204). Institution and organisation are terms that are often used interchangeably. However, in the New Institutional Economics the distinction is often clearly made. For the purpose of developing a better appreciation of experiences in institutional transformation in the IDEAA programme it is instructive to make that distinction between institutions and organisations from the perspective of the New Institutional Economics (NIE).

The concept of institutions in NIE is rather broad. It includes both formal rules such as constitutions and laws and informal rules such as traditions, taboos, sanctions, codes of conduct and rituals. Institutions can also be defined as those norms, rules customs and their enforcement characteristics which define rights and responsibilities in transactions. Organisations can be defined as a structure of roles. They are also defined as decision making units or a group of people who come together to achieve a certain objective. Some New Institutional Economists have drawn the distinction between institutions as rules of the game governing economic behaviour or allocation of benefits and organisations as groups of people that come together for a purpose.

In the context of the IDEAA Programme, institutions are those organisations that provide support services to farmers. They are organisations with mandates to carry out specific functions and they therefore establish expectations in dealings among people.

## **AGRICULTURAL SERVICE DELIVERY INSTITUTIONS**

Agricultural service institutions deliver a variety of goods and services to farmers. They deliver inputs such as seed and fertiliser, financial services such as

loans, product marketing services, technologies developed from research, information such as extension support and training. Most of them are organisations with a mandate to perform particular functions. Most constraints to smallholder agricultural development tend to fall within the mandate of agricultural service institutions.

In 1997 a group of concerned African academics and practitioners identified the following as the major constraints to smallholder agricultural development;

- technology
- land
- credit
- inputs
- marketing
- infra-structure
- policy environment and
- information

In almost all African countries there are National Agricultural Research Systems that are charged with the responsibility of undertaking basic research to develop technologies that improve productivity. These technologies and information on agricultural practices are transferred to farmers through Extension Services Departments. Agricultural Banks, Land Banks and Agricultural Finance Corporations have been established in one way or another to provide financial services, particularly credit, to farmers. Marketing Boards specialising in the marketing of specific commodities are very common throughout Africa. There are bodies that deal with the allocation of land and other land related issues. These come in the form of land boards or directorates and deeds registries. There are also traditional bodies or arrangements for governing land. They exist side by side with the formal arrangements. Ministries of Agriculture often take overall responsibility of these bodies and create the policy environments within which they carry out their mandates. These bodies are referred to as agricultural institutions in this paper.

## **THE CONCEPT OF INSTITUTIONAL TRANSFORMATION**

Institutional transformation is a complex process. It is a journey composed of various states of development or change. It is, however, not easy to forecast or plan, with an initial state, a final state and the possibility of measuring the change or the gap between the two. It is a journey in "zig-zags" which we begin without any guarantee of arrival. Change typically consists of marginal adjustments to the complex rules, norms and enforcement that constitute the institutional

framework. The process of change is overwhelmingly an incremental one. North (1993) noted that the key to continuous incremental change is institutional contexts that make possible bargains and compromises between the players. Institutional transformation is a process in history and not an end in itself.

In transforming institutions, people must focus on transforming their roles and not just themselves. They must focus on transforming those strategically chosen roles. In this respect it is important to have a knowledge of those institutional characteristics that influence its readiness to change. Transformation of an institution is a slow or long-term process. It involves the creation of a new culture that requires massive changes in the beliefs, values and practices of employees and decision-makers. Institutional transformation also requires that people change their behaviour and attitudes. It requires that the players identify the barriers to as well as catalysts for change. An important part of institutional transformation is changing people's intellectual framework. People naturally resist change because it disturbs their comfort levels and exposes them to the unknown. The change process, therefore, deals with defences and resistance.

Not every stakeholder in an institution or organisation can take the lead role in introducing changes. There are often a few key players who drive the transformation process from within. These are the change agents. They possess certain leadership qualities which enable them to influence others. They are the ones that develop strategies for intervention. They introduce either new ways of doing things, new relationships and new products of the institution. They may also establish new relationships or linkages with other stakeholders external to the institution.

Institutional transformation models will vary depending on the characteristics of goods or services delivered by the institutions in question. Reform of service delivery institutions is very complex because service outputs may be difficult to measure making it difficult to monitor the impacts of the transformation. The propensity to adapt its institutions to changing circumstances may vary from one society to another. Social norms and cultural values can play an important role in affecting the extent to which growth enhancing activities can take place.

## **BACKGROUND TO IDEAA**

This section of the paper draws mainly from experiences of the IDEAA programme which is developing the model presented in this paper. This is a regional programme that seeks to strengthen agricultural service delivery institutions so that they become more effective in supporting smallholder farmers. Six countries in Southern Africa, namely; Botswana, Lesotho, Malawi,

South Africa, Swaziland and Zimbabwe, have been involved in the first phase of this programme.

IDEAA is a fellowship programme that works through a team of fellows occupying middle level and senior positions in agricultural service institutions, ministries of agriculture and universities. In each country, five such fellows form a multidisciplinary team that is supported by four senior people in decision-making positions who act as mentors. These are called members of the Country Implementation Council (CIC). The four mentors come from relevant agricultural institutions including farmers' organisations. These teams work together to transform their institutions to become more effective and responsive in their service delivery. They are designed to influence and initiate farmer sensitive approaches in their respective environments thus ultimately changing the paradigms of their institutions from within. These teams are concurrently engaged in activities that empower farmers so that they can demand services from these institutions instead of being passive recipients. They also forge strategic alliances with other institutions or organisations, disciplines, policy makers and social groups that foster development of smallholder agriculture.

## **MODEL FOR TRANSFORMATION OF SERVICE DELIVERY INSTITUTIONS**

This paper introduces a model for institutional transformation that is being developed in the process of implementation of a regional programme that is trying to make agricultural service delivery institutions effective in supporting smallholder farmers. The model is an evolving one because it is being informed by both past events and on-going events on the ground, influenced by theoretical and empirical work carried out by such scholars as Myrdal (1968), Morris (1967), Alderman (1986), Binswanger and Ruttan (1978), Hayami and Ruttan (1985) and Eicher (1999). The model is developed within the IDEAA programme using experiences from the field. Its key features include an integrated approach to service delivery, team work, use of participatory approaches in all processes to ensure ownership by key stakeholders, building on the local knowledge base and resource endowment, establishing stakeholder partnerships and broadening and strengthening the knowledge base.

Transformation in this model takes the form of the following major processes;

- institutions integrating concepts and methodologies that are guided by the shared values.
- building strategic alliances and integrating service delivery
- developing new products that are more appropriate for the clientele

- introducing secondary incremental changes that modify institutions
- empowering farmers and their organisations, through capacity building, to demand and utilise services effectively
- networking
- creating missing institutions

The model summarised above is being developed mainly out of the IDEAA experiences. This programme has made serious efforts at transforming institutions and provides valuable lessons.

## THE INSTITUTIONAL TRANSFORMATION PROCESS

One of the first things that needs to be done at the start of an institutional transformation process is to define or recognise the problem to be addressed and the need for a paradigm shift. The change agents, who spearhead the transformation process, develop a shared vision and a set of shared values. A shared vision is important in that it defines their mandate and the goal they wish to accomplish in the long-term. It tells them what they are working towards. The shared values inspire the operations and decisions. They guide and influence the thinking of all change agents. They can be traced from their vision their specific activities all the way to their day to day operations.

IDEAA's shared vision is;

*"The attainment of an improved quality of life of smallholder farming communities supported by demand driven agricultural service delivery institutions."*

The process of developing a shared vision in IDEAA took the form of consultation workshops which brought together people from participating countries. At these workshops, major constraints facing smallholder agriculture were identified and debated and the dream or goal for an ideal smallholder farmer situation was agreed upon. Constraints identified included access to credit, markets, technology, extension services, land and information. The challenge was what it is that needed to be done to achieve the goal. This vision or dream is not a creation of IDEAA. It is a goal that is desired by many and there have been efforts at working towards it but they have not produced the desired results. A lot of investments have been made in the form of special credit schemes, marketing facilities, input supply schemes, extension services, training and research but smallholder agricultural productivity continues to decline in Southern Africa. The challenge for the IDEAA programme was to come up with innovative ways of making the investments yield desired results. To do this, it was important to understand what it was that was going wrong. The general

conclusion after debating was that smallholder agricultural productivity in Africa was not improving because of institutional failure. Most of the institutions set up to provide services to smallholder farmers were not responsive to their circumstances and therefore were not effective. In fact, the bulk of them were originally designed to service large-scale commercial farmers and were only expanded to accommodate smallholder farmers. The challenge was to transform these institutions to become more responsive to smallholder farmers. They had to be demand driven to facilitate the commercialisation of smallholder agriculture, which is IDEAA's important objective.

The debate on the question of institutional failure led to the development of the following set of shared values which would inspire IDEAA's operations in the process of institutional transformation;

- confidence in the African Smallholder farmers' knowledge and potential.
- sensitivity to prevailing conditions and resource endowment
- commitment to equity and fairness with a full appreciation of the role of women in smallholder agriculture
- commitment to teamwork
- commitment to African ownership of their solutions

These values have been very important in influencing the operations of change agents in this initiative. Having confidence in smallholder farmers' knowledge and potential has allowed them to accept that farmers have a lot to offer in the development of solutions to their problems. It enables change agents to use participatory approaches and build on the existing knowledge base and resource endowment. This recognition of farmers' knowledge and potential which allows for their involvement in seeking solutions to their problems gives farmers a sense of ownership of the whole process and solutions developed. Examples of farmers' participation in seeking solutions include the experience of farmers at the pilot site in Zimbabwe, who were involved in a participatory land-use planning exercise together with qualified land-use planners, extension workers and other development agents. At the end of the exercise they produced a land-use plan which they viewed as their own. This process which recognises knowledge and contributions of all actors is conducive to equity and fairness with a full appreciation of the role of the disadvantaged groups such as women. This kind of approach which promotes active participation of all key stakeholders demands teamwork for effectiveness.

A clear definition of the hierarchy of individuals who contribute to the goal is essential. It is important to know who the actors are, what their positions are, the costs and benefits of possible outcomes of the process. Other stakeholders need to

be identified and their roles clearly understood. There is need to define the goods and services delivered, and characteristics that help identify checks and balances or institutional arrangements which provide incentives for efficient design, delivery and monitoring of services. Some principles for interaction e.g. participatory approaches and integrated service delivery systems, should be clearly identified. A reward system that values people's contribution should be set up to motivate performance.

It has been noted that the process of institutional transformation requires that people's roles be transformed. Knowing who the actors are, their positions, the costs and benefits of possible outcomes of the process is important in understanding exactly what it is that is being transformed to what. In light of this, all IDEAA fellows and their mentors carried out an environmental scan and undertook an analysis of their host institutions. The analyses covered the mandate of the institution, goods and services delivered, the form of delivery, major beneficiaries and other stakeholders. In transforming the roles, it should be understood that the way actors in those roles relate to other stakeholders is changed. It is, therefore, equally important to have a good knowledge of the other stakeholders and what their roles are. In the experiences of the IDEAA programme, forging linkages with other key stakeholders in smallholder agriculture for effective service delivery has been an objective pursued by most change agents. There have been a number of success stories where close linkages or working relations have been established between public institutions, the civic society and private sector. A case in point is that of the Zimbabwean team which brought in two non-governmental organisations as partners to empower farmers with leadership skills that include business management and policy advocacy. Students from the University of Zimbabwe are involved in carrying out economic analyses and impact assessments of their farm enterprises. On the other hand input suppliers from the private sector have also joined this partnership and are working very closely with this farming community. In KwaZulu-Natal, close linkages have been established between and such companies as ESKOM, Kynoch, Pioneer and the farming community at Bergville.

Some people have believed that it is difficult to persuade the private sector to establish strong linkages with smallholder farmers because the transaction costs in this relationship of exchange are too high. Experiences in IDEAA have shown that where private sector sees potential profitable linkages it will be willing to establish relations and jointly work on reducing the transaction costs. There is an incentive for private sector to be involved with farmers who are trying to commercialise their enterprises because they offer potential markets for goods and services provided by private sector companies.

The issue of a reward system is very critical because it influences the level of commitment to processes leading to the goal and the commitment of time and resources to improving agricultural productivity. On the issue of gender, the reward system is central in bringing about responsiveness because it is the lack of recognition of the contributions of women in particular that raises concerns. This paper argues that it is not the amount of work one does and the burden of too many responsibilities that is the major problem, it is the fact that there are no direct returns in material and non-material terms that has led to the gender issues being given a high profile in the development debate. A highly qualified woman working eighteen hours a day in a high powered job and earning US\$1million per annum is not seen as being disadvantaged by her work burden while a woman in smallholder farming who puts in twelve hours a day earning very little is seen as carrying a heavy burden. What brings about differences between these two categories of women is that one is rewarded in money terms and recognition or status of her powerful position while the other is not recognised and actually considered as not working. In transforming institutions to becoming more responsive, it is very important to pay attention to the issue of the reward system. It is the one that can effectively address issues of equity and fairness. In IDEAA women to be dominant in most pilot projects. This is a reflection of their role in smallholder agriculture where they contribute more than 60% of the labour. One of the incentives for their continued involvement in the pilot projects has been their participation in decision making through taking up leadership positions. This is a recognition of their contributions. Access to training for acquisition of a variety of skills provides another set of incentives. The other incentive has been the use of credit guarantee schemes to facilitate access to loans by those farmers who would not normally qualify for credit under conventional conditions.

Credit guarantee schemes facilitate the transformation of credit delivery institutions by engaging them with farmers that they normally would not deal with. In the case of Zimbabwe, the IDEAA team negotiated with a commercial bank to host the scheme. It is widely known that in Zimbabwe, commercial banks do not lend to smallholder farmers because they lack collateral. The arrangement has meant that the bank introduce some changes in the management of credit in order to accommodate smallholder farmers. In Malawi, the IDEAA team has reached an arrangement in which a Non-Governmental Organisation with experience in microfinance is involved in the management of the credit guarantee scheme.

The programme has also put in place incentives for fellows to generate and implement innovative ideas that improve service delivery to farmers. An Institutional Innovation Fund is available for grants to fellows who come up with innovations for strengthening service delivery. Fellows compete for these grants

which are awarded to individuals and not teams. The Institutional Innovation grants have enabled the programme to exploit the creativity of fellows to a larger extent than would have been possible without this incentive in place.

The institutional transformation process should be approached strategically in order to be able to monitor the cumulative changes that take place. Firstly it is important to define and understand institutional characteristics that influence its readiness to change. Similarly, it is important to identify factors that hinder change. More precisely it is more effective to target the desired change. The transformation in this context is not necessarily about overhauling systems. It is about changing aspects of institutions to make them more effective in service delivery.

The main strategy for transforming institutions in IDEAA has been through the fellowship programme which has the fellows as the lead change agents supported by their mentors. This strategy tries to change institutions from within. This is referred to as the direct strategy. It is a slow process which often needs some other push to achieve results within a shorter time. In the IDEAA programme the indirect strategy is used to speed up the internal process of institutional transformation. This involves using external pressure from key stakeholders to force change in service delivery institutions. It also entails forging linkages to exploit synergies that exist among organisations or institutions serving farmers. The external pressure from key stakeholders comes mainly from farmers' organisations whose capacities are built through training in leadership skills, facilitating engagement in policy dialogue, and exposure to wider range of farming practices and technological options. With the knowledge gained in this process, farmers are able to demand the particular services and goods they prefer. They are able to advocate for a policy environment that is conducive to productivity growth in smallholder agriculture.

Institutions tend to have a core group of people controlling them. These are the decision-makers. It is important to work with this group in trying to bring about change. However, it is not always advisable to try and start by changing the centre. The strategy is to work with the group from the margin and not necessarily going by their rules. There is need for flexibility to try out other ideas. Demonstrate to the centre rather than try to change it. Show the outcomes such that the centre is not only convinced of the benefits of the outcomes but also the need for institutional arrangements that allow institutions to work the way the demonstration model works.

The community pilot project is one of the major demonstrations used to show outcomes that convince the centre of benefits to be accrued from engaging in

IDEAA processes. It also serves to demonstrate need for institutional arrangements that allow institutions to work the way the IDEAA pilot project works. At the pilot project IDEAA teams actually apply concepts of integrated service delivery, participatory approaches in all processes, building on the local knowledge base etc. All teams of fellows are multidisciplinary and comprise of people from different institutions. They have different competencies and therefore offer different kinds of complementary support to farmers. The Malawi team, for example, is made up of a gender expert in extension, a manager in an agricultural marketing institution, a senior officer in a non-governmental organisation working in rural development, a policy analyst in the Ministry of Agriculture and an agronomist in the agricultural development division of the Ministry of Agriculture. Each member of the team has a responsibility of ensuring that her or his institution delivers its services in an effective way. The policy analyst has the responsibility for identifying key policy issues, analysing their impacts on smallholder agriculture and influencing policy formulation so that a policy environment that is favourable to smallholder agricultural development is created. The agronomist is responsible for ensuring that farmers are exposed to as many technological options as possible so that they can make informed decisions. In the case of Malawi the team together with farmers set up demonstration plots in the community where they plant different varieties of maize and run trials. The plots are managed by farmers and they participate in the monitoring of the crops together with the agronomist and the rest of the IDEAA team. In this model, although a fellow takes on a certain responsibility because of her or his competencies, they all have joint responsibility in the community. They engage in capacity building processes which give them an appreciation of the whole farming system. In addition they bring in other stakeholders to join them in an integrated service delivery. Extension workers in the area have become an integral part of the team that delivers services to farmers.

The institutional transformation process in one of the institutions hosting an IDEAA fellow and a mentor has taken the form of developing a new product in response to farmers' felt needs. The institution is the Agricultural Development and Marketing Corporation (ADMARC) one of the largest input suppliers for both improved seed, fertilisers and agrochemicals in Malawi. Traditionally this institution has not extended credit facilities to smallholder farmers. Following the intervention of the IDEAA fellow with the support of the mentor who was the deputy chief executive, in the 1998/99 season, ADMARC provided inputs to 116 farmers from the IDEAA pilot community on credit. This facility afforded farmers access to improved seed and fertilisers for maize production. The repayment rate was good and the positive results encouraged more farmers to demand this service. In the 1999/2000 growing season the facility was extended

to 159 farmers in the area. These farmers demanded that the loan include inputs for a higher value cash crop, tobacco. Again a high repayment rate was achieved with maize yields increasing from 800kg per hectare in 1997 to 3500kg per hectare in 2000. Simultaneously, in response to the national challenges to improve the food security situation, ADMARC management launched a radical policy change by creating a "Development Division" within its organisational structure. In this division, it created the following new units;

- Agricultural Credit
- Crop Production

The Development Division spearheaded the promotion of commercial maize production in the smallholder sector. In recognition of ADMARC's responsiveness to smallholder needs, government entrusted it with the responsibility of housing and running the tractor hire scheme and sale of treadle pumps, the management of such farmer support schemes as the agricultural productivity investment programme (APIP) and starter pack.

The relatively high level of success in transforming ADMARC has been mainly due to a highly motivated fellow and the presence of a mentor in a high level decision making position in the institution. The IDEAA fellow, at the operational level, links up with farmers, listens to their problems and together develop solutions to those problems. He then feeds back his findings to policy makers through his mentor who in turn influences policy changes to address farmers' needs. In listening to farmers' problems the fellow develops innovations in service delivery that help overcome barriers. In this case one of the key constraints to accessing credit was the issue of the risk involved in lending to smallholder farmers and their lack of the conventional collateral which included title deeds to land. Since they could only exercise use rights title deeds were not a relevant form of collateral. The fellow together with farmers worked on developing appropriate or relevant forms of collateral which they presented to the institution's management through the mentor. The proposals were accepted, put in place and produced desired results. The repayment rates were favourable because farmers were part of the process of designing the collateral system used.

As illustrated in the Malawi case the transformation process is meant to make institutions more responsive or demand driven. An important question is "-what is it that farmers should demand?" It has often been argued that farmers know what their needs are and they have solutions to their problems. This model does not make that sweeping assumption. It takes the view that farmers do have a very useful knowledge base and can contribute significantly to the development of their solutions. However, it also contends that there is a lot of other knowledge

out there that can add a lot of value to farmers' knowledge and contribute towards the development of more effective solutions. To this end, IDEAA does not confine the transformation process including the capacity building to the supply side of service delivery. It also addresses the demand side through working with communities and farmers' organisations. In this model the process of capacity building and giving exposure is participatory. According to Stiglitz (1998) "- for participation to be fully meaningful, it should be based on knowledge; hence the crucial role of education and of capacity building." Building capacity in farmers and their organisations to be able to demand change and utilise it effectively is very important for their meaningful participation. Knowledgeable farmers, with leadership, advocacy and negotiation skills, with access to a wide range of technological options, can force transformation in service delivery from outside the institutions. They can put pressure on institutions to be responsive or demand driven. Strong farmers' organisations can also lobby effectively for policy change.

Smallholder farmers in Sub-Saharan Africa predominantly engage in mixed farming systems. They engage in production, processing and marketing. They are both producers, distributors and consumers. To minimise transaction costs and offer a holistic package of services the model uses an integrated approach to service delivery. It promotes institutional linkages that allow for an integrated delivery of services and goods using a participatory approach. The approach starts with the farmer, her or his circumstances and needs and models the delivery of services around the farmer's special situation. It builds on existing resources and institutional arrangements giving it more relevance and ensuring sustainability. Because it is grounded within the particular environment, this participatory approach creates a sense of ownership of the process among the farmers. Ownership is essential for successful transformation and sustainability.

The entry point for the pilot community project in Zimbabwe is dairy development. This is an area that has been dominated by large-scale commercial farmers. All services delivered in this area have been designed with the large-scale commercial farmers in mind. This includes breeds of cattle available for dairy production. When the IDEAA team started working with the pilot community, one of the first things they had to do was to find dairy breeds that produced high milk yields while they could adapt to the environment of the smallholder farmers. This environment typically consisted of poor grazing areas, limited supplementary feeding, poor water supply and limited veterinary services. A special breed that was tolerant of hard conditions and produced high milk yields was required. Such breeds were being developed at research stations where scientists were crossing indigenous breeds with high milk yielding exotic ones. However, there were no institutions or systems that were designed to

transfer these breeds to farmers in the smallholder sector. One of the innovations of the IDEAA team is to facilitate the creation of this missing institution. The initial phase of this process has involved linking farmers directly with a research station that is producing these breeds and facilitating the creation of an exchange arrangement. The next phase will require the setting up of an institution that will acquire these cross breeds from research stations, reproduce them in large quantities and market them to farmers. It is important that farmers input into the design of this institution so that it is truly responsive and sensitive to their conditions. The creation of this missing institution would be a major contribution to smallholder dairy development in Zimbabwe.

One of the values of IDEAA is openness to ideas from outside. In the model, this starts with being open to share with IDEAA teams from other countries. The six-monthly regional meetings that bring together all fellows and their mentors from participating countries to share experiences and exchange ideas are an important vehicle for the sharing process. These meetings also bring in experts in the area of agricultural development and other stakeholders. Other than being good for networking, these meetings have created an environment where institutional changes are influenced from outside through exposure to different practices. They also present an opportunity for farmers from the region to interact with technocrats, policy makers and farmers from other countries. This process is designed to be truly participatory and to give farmers an opportunity to be listened to at a regional level. Another avenue used to inject fresh ideas from outside is the exchange visits particularly between farmers in different countries. An important function of these meetings and exchange visits is to reinforce the fact that a lot of the constraints facing smallholder farmers are common across borders. They also bring out the fact that developments in one country or region do have a bearing on other countries or regions. This model purports that regional integration in seeking and implementing solutions to the problem of smallholder agricultural growth should reduce transaction costs. Networking is an important capacity building tool. Binswanger and Ruttan (1978, pp334) hypothesised that "Institutional change may occur as a result of advances in the supply of knowledge about social and economic behaviour, organisation and change." The IDEAA programme is testing this hypothesis among others.

## CONCLUSION

The point of departure for this paper has been that institutional failure explains a large portion of the lack of growth in Africa's smallholder agriculture. Therefore, for growth to take place in smallholder agriculture, service delivery institutions have to change and be more responsive. The paper concurs with Eicher's (1999:45) statement that, "There is a dearth of vision in Africa, in donor

communities and in academia on how to craft demand driven agricultural knowledge triangles and how to achieve sequential continuity of the core investment". It, however, recognises recent efforts by Africans, at transforming institutions to become demand driven and facilitate growth in smallholder agriculture. An institutional transformation model that is being developed from experiences in the IDEAA programme is presented. The model emphasises the importance of participatory approaches to transformation to ensure sustainability and a sense of ownership of the process by the key stakeholders. It uses a two-pronged approach to institutional transformation, namely the direct and indirect. The direct starts from the supply side while the direct is from the demand side. Although the institutions targeted for transformation are on the supply side, the inclusion of the demand side is in recognition of the fact that it is the farmers that should articulate their demands and utilise the services and therefore for anyone to be responsive they have to be informed by the beneficiaries what their needs are. At the same time the model has recognised that farmers may not be exposed to all possible options and outcomes and therefore may not make the optimal choices. It builds in a capacity building element for farmers so that a broader knowledge base can help them demand and utilise services more effectively.

## **KEY ISSUES TO BE ADDRESSED**

Binswanger and Ruttan (1978:350) observed an inverse relationship between the size of farm population and farmers' political power. A similar observation is made in the Southern African countries engaged in the IDEAA programme. In most situations it can be observed that within the farming sector itself, for example in, Swaziland, Malawi, Zimbabwe etc., a relatively small group of large-scale commercial farmers wields a lot of political power, yet politicians rely on the smallholder farmers for staying in power. The majority of political votes come from the smallholder sector. The challenge for IDEAA and similar initiatives is to develop innovative ways of empowering smallholder farmers so that they can use their voting power to pressurise for more effective service delivery particularly from public institutions but also from private sector.

The process of policy making at both national and regional levels has left out the smallholder-farming sector in most cases. This issue is closely linked to the one raised above concerning use of political power by farmers. There is need to engage farmers in the policy processes to ensure that a favourable policy environment is created for smallholder agricultural development. In most countries collective action has not been effective in lobbying for policy change because farmers' organisations are weak.. One of the biggest challenges for IDEAA is to strengthen farmers' organisation to be able to effectively lobby. Without the capacity to advocate, lobby and negotiate the indirect strategy that

IDEAA is using for institutional transformation cannot be effective.

There has not been much empirical work done to establish the relationship between an institutional framework and economic development in Southern Africa. It is important for this type of research to be carried out so that it can input into the current efforts at developing institutional transformation models or strengthening institutional frameworks for increased economic growth. In addition, policy research that places a lot of weight on institutional analysis must be undertaken to inform efforts at strengthening smallholder agriculture.

## REFERENCES

ALDEMAN, I. & MORRIS, C.T. (1967). *Society, politics and economic development*. Johns Hopkins University, Baltimore.

BINSWANGER H. & RUTTAN, V. (1978). Induced innovation, technology, institutions and development. Johns Hopkins University Press, Baltimore.

BONNEN, J.T. (1990). Agricultural development: Transforming human capital, technology and institutions. In: *Agricultural Development in the Third World*. 2<sup>nd</sup> edition. Edited by Carl K. Eicher and John Staatz, Baltimore: Johns Hopkins University Press, pp 262-279.

CLAGUE, C. (1997). *Institutions and economic development; growth and governance in less developed and post socialist countries*. The Johns Hopkins University Press, Baltimore.

GIRISHANKAR, N. (1998). *Reforming institutions for service delivery; a framework for development assistance with an application to the HNP portfolio*. OEDCR, November.

DELGADO, C., (1998). *Sources of growth in smallholder agriculture in sub-Saharan Africa: The role of vertical integration of smallholder processors and marketers of high value-added items*. IFPRI, August 7. A paper presented at the Inter-Conference Symposium for the IAAE, Badplaas, South Africa.

EICHER, C.K., (1999). *Institutions and the African farmer*. Third Distinguished Economist Lecture presented at the International Centre for the Improvement of Maize and Wheat (CIMMYT), Mexico City, January, 1999.

GIRISHANKAR, N. (1998). *Reforming institutions for service delivery; a framework for development assistance with an application to the HNP portfolio*. OEDCR, November, 1998.

HAYAMI, Y. & RUTTAN, V. (1985). *Agricultural development; international perspective*. The Johns Hopkins University Press, Baltimore.

MORAWETZ, D. (1981). *Why the emperor's new clothes are not made in Colombia*. New York: Oxford University Press

MORRIS, C.T. & ALDEMAN, I. (1986). *Economic development and institutional change in the 19<sup>th</sup> century*. Paper presented to the conference on Institutions and Development (Ithaca, New York: Cornell University Press, November 1986.

MYRDAL, G. (1968). *Asian drama: An inquiry the poverty of nations*. New York, Twentieth Century Fund.

NABLI, M.K. & NUGENT, J.B., 1989. The New Institution Economics and Its Applicability to Development" *World Development*, 17(9):1333-1347.

NORTH, D.C. (1993). *Institutions, institutional change and economic performance*. Cambridge University Press.

SCULLY, G.W. (1988). The institutional framework and economic development. *Journal of Political Economy*, 96(3):652-662.

STIGLITZ, J. (1998). *Towards a new paradigm for development: strategies, policies and processes*. Prebisch Lecture at UNCTAD, Geneva, Switzerland.

THOMSON, R. (1998). *Setting the puzzle for rural development*. Policy and Institutional Reform for Sustainable Rural Development, Rural Development Department, The World Bank, Washington D.C.

UPHOFF, N. (1986). *Local institutional development*. West Hartford, CT: Kumarian Press.