



**BRIEFING  
NOTE ON:**

**Emerging Ideas on Commercialization  
of Rural Support Services**

**A new paradigm for sustaining agricultural  
services**

Most strategies for sustainability rely on government and NGO operated services with a commercial potential to become privatized. The private commercial providers are expected to sustain themselves through a combination of cost sharing with the public for taking care of any public interest, and fully paid services for purely private benefit. Some privatization strategies, like NAADS for instance, depend on public funds being channelled directly to farmer groups for the purchase of services. Most of the strategies contemplated by public agencies depend heavily on the public purse to survive. There are payments to farmers, payments to civil servants leaving their positions to join the private sector, and payments to bureaucrats to manage the privatization. A further weakness of these strategies is that they contain too few incentives for NGO or government employees to consider going private. Those enjoying the benefits of public posts as well as the opportunities of private enterprise are unwilling parties to change. "Privatization" therefore needs a new paradigm. A paradigm that would make sure that:

- 1) services start off as private enterprises from the very beginning;
- 2) whatever services can be commercially viable operate as for-profit enterprises only;
- 3) services to the disadvantaged should still be offered on a private basis with the public interest being ensured through private-public partnerships;
- 4) a private business exists to back stop and upgrade the capacity and competence of service providers.

**Provide means for a paradigm shift among  
Government and NGO staff**

The idea that support services to farmer groups can and must be commercial is a huge shift in thinking for most government and NGO staff operating in rural areas. Their default thinking is still that Governments or NGO's must provide services to farmers free. There is virtually no "learning" link between public sector service providers and private entrepreneurs even though some government staff actually operate private enterprises. The opportunity here is to stimulate the growth of private enterprises in agricultural service delivery. A clear demarcation between commercially viable services and services that belong in the domain of the state will lead to a reduction of government services in the commercially viable spheres. These can be picked up by private enterprises, even if operated by entrepreneurially minded government or NGO staff. The challenge is to make sure government and NGO staffs have an 'innovation network' through which to exchange their experiences of using their competence to set themselves up as private enterprises.

**Mentoring innovation networks is a viable  
business**

There are far too few farmers, service providers and local government officials enjoying the benefits of being linked to an innovation network or in today's jargon a 'Community of Practice'. COP's on matters of local importance result in changes of behaviour and ways of working that make a difference. Adequate mentoring by local resource people is crucial for COP's to generate locally relevant information. Mentors not only coach learners to innovate and share, they also motivate learners. Today local mentors are few. A further constraint to growing the knowledge pool of locally relevant information is language. East Africa's economic community trades in English because it is the only language common to all. Local learners not fluent enough to make transactions in English are at a disadvantage just as those without mobile phones are disadvantaged. The opportunity here is to explore the business potential for private mentors. Any local private advisory service company can develop mentoring of innovation networks as an important component of their business. Selling news and success stories from the network to local radio provides income and publicity in one go. Further income streams could be realized through 'on-the-job' English language training. The challenge for us is to enlarge, rapidly, the pool of commercially oriented local mentors.

**Transparent private brokering along marketing  
chains is a viable business**

"Exploitation and cheating" among various players in marketing chains is prevalent. This results in highly inefficient transactions along the links of the chains. Simple improvements initiated through the First Mile COP have resulted in massive increases of income to farmers. Potential income increases from actively organizing producer to consumer market chains look to be even higher. The

opportunity here is to explore the business potential for private market brokers. Quality control, grading, standard packaging, etc., coupled with trademarks and fast and reliable information can become an important business niche. Large traders and small farmers will benefit from and pay for the service of controlled labels with standard produce and trackable producers. Combine this local market brokering role with an information system that allows brokers to operate virtual trading\* and transaction costs will drop even further. The challenge is to make sure such emerging brokerage operators can learn from each other. A further challenge is to make sure partners along the chains can communicate fast, securely and in a trust-enhancing way.

### **A local rural information service based on modern ICTs**

Many small farmers and service providers are still outside the coverage of mobile phone services and more than fifty kilometres from an internet café. And yet, the use of SMS for organizing storage, bulking and long distance transactions is exploding. Also, using the internet to share market information and intelligence is growing. However, SMS messages are still one-on-one communications and the internet carries too little locally relevant information. The opportunity here is to explore the business potential for private information services. Operating local, district or regional 'virtual' exchanges that allow market partners to clinch deals fast and register these deals for later tracking in case something goes wrong can work. Couple such virtual exchanges with a "Farmer News Services" that provides locally relevant information and coaching to groups of farmers and other key players in the marketing chain and a viable business could result. Integrating an internet café with the news and coaching services would add further income streams to such a business. The challenge is to make sure such emerging virtual exchange operators can learn from each other. And particularly, that local farmer groups can exchange experiences on how to make more money from using virtual exchanges. We need also to make sure such exchanges can compete/cooperate for higher market integration for bulking and marketing at national level and for export. In Kenya, for instance, this would mean a link up with KACE.

### **Individual SMS-banking may prove to be a breakthrough for rural micro-credit**

In spite of a number of well organized efforts in rural financing, farmers are very reluctant to use them. Transaction costs are too big for small farmers. Farmers complain that the transactions are too slow and the bureaucracy too difficult to deal with. On savings and loans schemes or cooperative developments the required effort in group formation is often too high for the perceived benefit. The present mechanisms in place are not suitable for the fast responses required for seizing emerging market opportunities. On the other hand, informal SMS-based financial transactions are beginning to happen. The opportunity to explore here is the business potential for SMS based private finance brokering. Organizing individual micro-credit banking over SMS with accredited credit-operators in

the villages could be a viable brokering service. A broker in SMS banking could reduce transaction costs as far down as possible by relying on fast communication over ICTs for assessments, clearance and monitoring. The challenge is to ensure exchange of experiences and learning among a network of brokers of SMS-based micro-credit schemes.

### **Future focus for Donors**

Government attention to improving local capacity of service providers has concentrated on extension agents and NGO's. Both these institutions tend to behave like public bodies offering free or subsidized services to farmers while obtaining their incomes from donors and governments. Their entrepreneurial skills in developing services that farmers will pay for are almost non-existent. Sure they know how to earn the money for their operations from donors but not from farmers, traders, input suppliers or other rural industries. This has to change. Ideally, potential private service providers are coached to be commercially successful by a private company. The better the local service enterprises manage, the better the company profits. A private public partnership must ensure that the company has a vested interest in making the service providers commercially successful.

In moving forward we recommend donors focus resources and attention on getting private public partnerships going between government and local commercial ventures. These partnerships will conduct action research on the running and financing of commercial ventures in rural services for knowledge management. The aim of the research is to collect enough data for the development of viable business plans. The objective of these plans would be to launch local businesses in rural service delivery and knowledge management especially in the areas of marketing, financial and technical advice. One possibility for a successful outcome of such a programme could be a national level company operating a franchise to district and village level service provider businesses. The public interests in controlling the quality of these businesses will have to be developed within a government agency.

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\* One successful example is the Kenya Agricultural Commodity Exchange, KACE. [www.kacekenya.com](http://www.kacekenya.com)

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