

Pluralistic Service Systems Market-oriented services for reducing rural poverty

Conceptual framework

Making rural services work for poor and smallholder farmers

Some seventy five percent of the poor live in rural areas and the majority depend on agriculture for their livelihoods as smallholder farmers, pastoralist, fishers, or forest users (World Bank, 2016). Globally, smallholders make up over eighty percent of farming households and are considered as “the engine for change in rural areas” (FAO, 2014). Because of the important role smallholders play, efforts are needed to unleash their potential to contribute to and benefit from socio-economic growth and to ensure a broad-based impact on their livelihoods.

Smallholder farmers, however, are often trapped in a vicious circle of poverty and food insecurity and face multiple challenges in sustaining and enhancing their livelihoods and income. These include limited access to information, advanced technologies and mechanization; lack of access to markets and fair prices for produce sold; difficulty in keeping up with the high demands for quality standards in competitive and increasingly liberalized markets; as well as the more recent challenges of coping with the impact of climate change and longer term sustainability.

For smallholder agriculture to prosper and transform itself, access to rural services is therefore essential. Rural services that enable smallholders to overcome these constraints to increase their productivity, manage their farms as a sustainable business, link to inputs' and outputs' markets and act collectively to improve their livelihoods are a first line of action to reduce rural poverty.

“Agricultural policies [...] could support increases in productivity and profitability in a number of ways: for example by providing efficient extension and advisory agricultural services, improving coordination along value chains and ensuring that the weaker segments in the chain reap the benefits of integrating agriculture into markets”.

FAO, 2017, p.72

- What are the local reality and the challenges that smallholder farmers are dealing with, and what are their implications for women, youth and the more vulnerable?
- What services do different types of farmers need to overcome those constraints and benefit of better livelihoods opportunities?
- What type of market service support is available and how effective are they in reaching smallholders, especially women, youth and the more vulnerable?
- What gaps in service support exist and how can private and public sector and other actors interact and invest in ways to fill them?
- What can governments do to foster inclusive pluralistic service systems that can support market access towards improved livelihoods of smallholders?

These questions guided the development of the **pluralistic Market-Oriented Services (MOS) programme** presented in this note. The note outlines the conceptual framework for the programme, and briefly describes its objective, main dimensions and fields of action.

¹ There is a distinction in theory between goods (product-related) and services (process-related). Yet, differentiating between goods and services is increasingly complex, as in practice the boundary between the two is blurred. The ‘pure’ production of goods and the ‘pure’ provision of services should be regarded as two ends of a continuum – the goods-services-continuum with most goods/ services falling in between. Products are increasingly offered together with value adding services, which indicates that there is a nested relationship between goods and services in which so called bundled solutions could be offered (Moussa and Touzani, 2010).

Undoubtedly, improving rural services has long been on the development agenda. Yet, ensuring equitable access to rural services remains a challenge that governments and their development partners need to address to improve rural livelihoods and overcome rural poverty.

To deal with this challenge we attempt to address a few key questions:

Pluralistic Market-Oriented Services Programme

The **pluralistic Market-Oriented Services programme** aims to address the critical role of rural services in enhancing agriculture-based livelihoods and reducing rural poverty¹. Emphasis is placed on advisory, financial and support services needed for smallholders to improve productivity, gain access to markets and increase their income to move out of poverty.

The **objective of the programme** is to improve equitable access of women and men smallholder farmers to services that respond to their diverse needs and enable them to increase productivity and profitability, access markets and enhance their livelihoods.

The point of departure for MOS is to recognize the wide diversity within farming communities, and farmers’ realities in different contexts. There is a wide range in types of agricultural producers based on their gender, age, assets, natural resource base, farm size, expertise, technology use, proximity to markets and agricultural services, level of organization, and the types of products they produce. The same diversity exists among smallholder farmers themselves, with women, youth and other vulnerable groups often being at a greater disadvantage.

To be effective, efforts to ensure equitable access to – and quality of – rural services require systemic interventions at different levels based on thorough understanding of the diversity of smallholders and their capacities, needs, constraints, and challenges; the plurality of actors involved; as well as the policy environment, institutional setting and dynamics that influence their interactions.

The MOS programme applies a systems approach to address the complexity of actors, institutional and organizational aspects, as well as contextual factors that influence rural service systems and how they operate (or not) in support of smallholders. It captures the main elements of the MOS system, the actors,

“Change has to be addressed systemically at different levels with complementary and integrating interventions. Ultimately it is not about improving the single components of the rural service system in a given area, but to make the systems work as a system”.

GTZ, 2005, p.4

the services, the linkages between service providers and users and the supporting institutions and policies. The programme framework addresses the issue of improving access to services for men and women smallholder farmers from the **demand side** (service clients/users), **supply side** (service providers) and the **local/national policy and institutional environment** that govern and influence service provision for smallholders. See figure 1.

The MOS programme provides a means to: a) assess the status of rural services that target small producers in a given context; b) inform and facilitate national dialogue on needs, constraints, and opportunities for enhancing service provision; and c) provide evidence for and support policy development and planning at country level.

The goal is to inform and guide the formulation and implementation of targeted scalable interventions for strengthening institutions and enhancing market-oriented rural services so as to contribute to national efforts in transformative rural development and reducing rural poverty.

Changing dynamics

Over the last three decades, policies have been implemented globally to reduce the role of the state in management of the national economy and to increase economic liberalization. This shift has been reinforced by globalization, which has offered farmers opportunities as well as challenges to enter value chains and link up to markets. Demographic changes have also contributed to the changing farming landscape. While rural populations continue to grow, more people are migrating and settling in towns and cities (World Bank, 2008).

This dynamic has resulted in an increasing number of people residing in urban areas being fed by smaller numbers of farmers often with diminishing landholding sizes and declining natural resources. These smallholder farmers need to respond to market changes by adapting their farming systems to sustain both productivity and income over the long term. Farmers also have to compete more rigorously in increasingly liberalized markets and to develop collective capacities to make their farming more sustainable, competitive and profitable to take advantage of opportunities that could earn them more income (FAO, 2013).

The landscape for rural service provision has also changed to a great extent over the same period of time.

Structural adjustment policies have led to reductions in public spending and a shift in thinking about public agencies being the sole provider of services. In many cases, the withdrawal of the state in funding has been accompanied by decentralization and devolution of public services thereby posing huge challenges to policy makers, development planners, and in particular, to the managers of public rural service organisations (GTZ, 2005).

As a result of these changes, many support services – once purely government-run – have been partly or wholly privatized. The changing role of the state, the growing role of the private sector and civil society organizations, and their increased engagement in service provision has broadened the institutional landscape of service systems in rural areas. This has led to the emergence of increasingly Pluralistic Service Systems (PSS), in which services are provided by multiple actors from public and non-public sectors and funded by different sources (FAO, 2016).

This plurality of the more formal actors is especially evident in market-oriented services, i.e. services that are concerned with linking farmers to input and output markets. However, hidden from the view is a range of informal, indigenous, small-scale and embedded service providers who are often difficult to identify, access and understand.

Their services are largely 'hidden', diverse in scope and functioning, and 'invisible' to policy makers and programme designers. Often these informal services are offered in bundles, or are embedded within traditional transactions and relationships. These informal sector services tend to be overlooked, but in areas with weaker rural markets, understanding this segment of service provision is essential for effective design of support programmes targeting smallholders.

In view of these trends and the complexities of the rural areas, mechanisms are needed to ensure better coordination in the provision and use of these pluralistic market services so as to enhance both efficiency and the effective delivery of services and ensure that relevant services reach smallholders and the more vulnerable farmers.

“The availability of an appropriate mix of private, public and voluntary services in all communities is an increasingly important factor in building a competitive and sustainable economy”

OECD, 2010, p.57

What are Market-Oriented Services (MOS)?

Strengthening and developing capacities through improved quality services has long been on the development agenda and is widely recognized as a priority for rural development (GTZ, 2005; Neuchâtel Group, 2008; OECD, 2010; FAO, 2014). Services considered in this programme include a range of productive agricultural and rural services that can contribute to improving the livelihoods of smallholder farmers through increasing their productivity and profitability, organizational and management capacities, and links to markets. This subset of rural services that are productive and concerned with linking farmers to input and output markets are recognised here as Market-Oriented Services. Box 1 provides an indicative overview of the diverse range of MOS.

More specifically, these include access to **advisory services, knowledge and information; credit and finance; inputs and technologies; organizational and business development; and post-harvest, value adding and market support**. The wide scope and plurality of these rather complementary services are intended to assist smallholder farmers in dealing with the production,

market and environmental risks imposed by the changing agricultural landscape and rural economies. This requires systemic interventions at different levels to develop policies and strengthen capacities of service providers, farmers and their organizations, and other value chain actors. Figure 1 illustrates the conceptual framework for pluralistic market-oriented services.

The MOS system recognizes the importance of knowledge and technology transfer, traditionally the domain of public sector research and extension, but views it from a wider perspective that gives credence to market access and a broader group of stakeholders. It embraces the evident plurality of service providers involved – public agencies, private enterprises, producer organizations (POs) and civil society – and the inevitable complementarity of services supplied through a pluralistic system of service delivery.

In addition to technical change, the expanded perspective of the MOS system includes the social and institutional innovations that are required to bring actors together, get products to the market, ensure competitiveness and profitability, and establish linkages and networks among producers, processors, traders and service providers, to improve rural livelihoods.

BOX 1

MARKET-ORIENTED SERVICES

- *Technical expertise aimed at generating value by increasing the volume and quality of production and the timing of the supply of raw materials;*
- *Economics, marketing and business management expertise (e.g. farm enterprise analysis, marketing information and business planning etc.);*
- *Post-production expertise aimed at creating value along the value chain through improved post-harvest handling, packaging, storage and distribution, while meeting food safety and quality requirements;*
- *Support in strengthening producer and other value chain stakeholder groups through improved collective marketing, [organizational development], business management, financial management, leadership, negotiation skills and linkages with research institutions and other innovation actors;*
- *Support in facilitating value chain development and strengthening through improved coordination of production, negotiation of contracts, brand development, linking producers to buyers as well as providing advice on legal, regulatory and certification issues;*
- *Facilitating institutional changes – forming producer organizations, clusters, networks and linkages among different actors along value chains (e.g. convening multi-stakeholder forums to understand market opportunities and constraints along value chains, develop contractual and trust relations). Information Communication Technologies (ICT) has a particular role to play as an instrument for exchange of information amongst smallholder farmers and value chain actors more broadly and at scale.*

“Inclusive rural transformation as a process in which rising agricultural productivity, increasing marketable surpluses, expanded off-farm employment opportunities, better access to services and infrastructure, and capacity to influence policy all lead to improved rural livelihoods and inclusive growth”.

IFAD, 2016, p.12

Viewing MOS as a Pluralistic Service System (PSS), in which services are provided by different actors and funded from different sources, opens the possibility for more comprehensive and sustainable

productivity, accessing markets and diversifying and enhancing rural livelihoods.

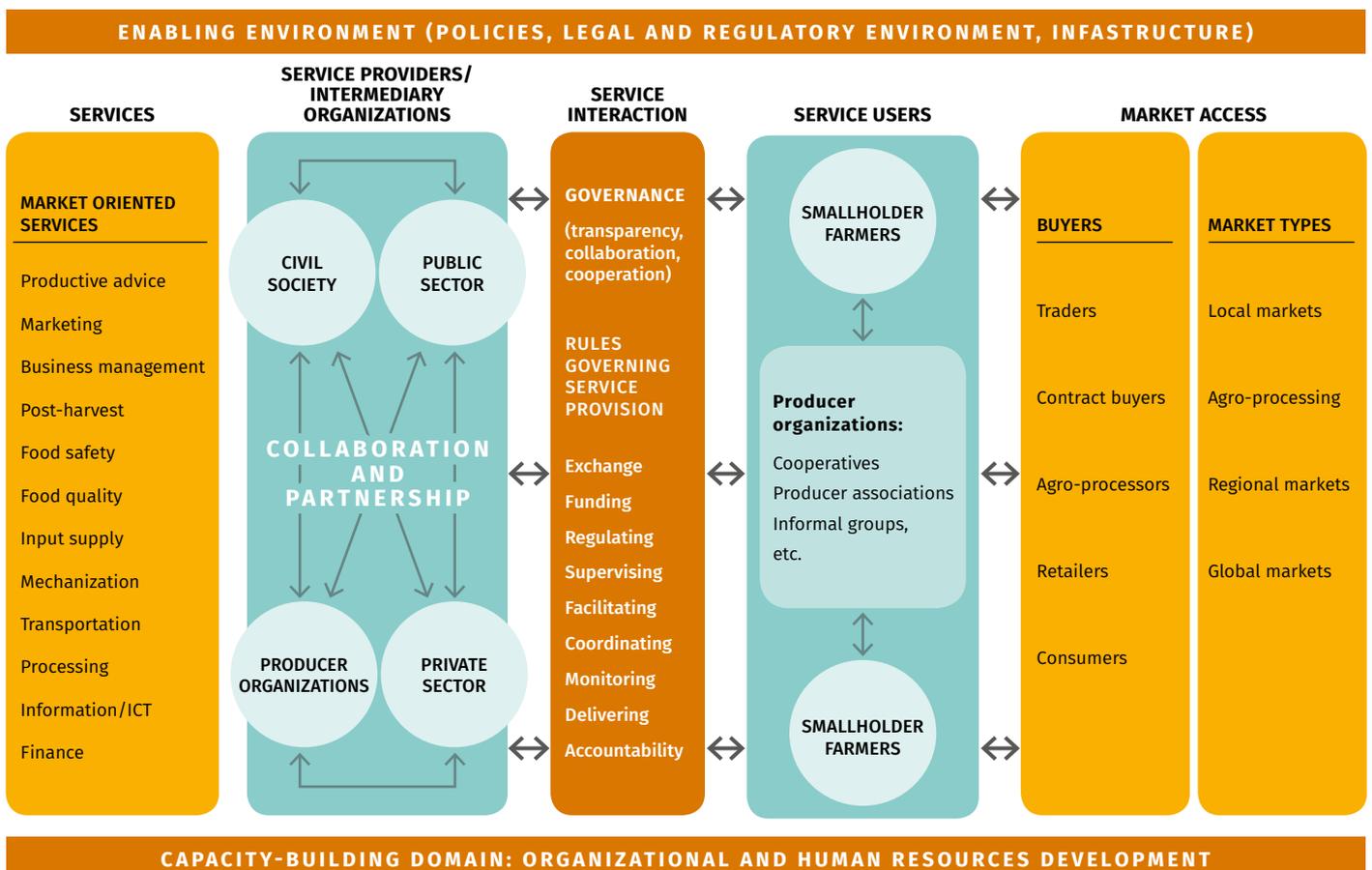
The central role of producer organizations is amplified here due to their multiple functions within PSS as providers and users of services, as well as mediators with other actors. Small-scale family farmers, scattered and with low volume of production, are often excluded from markets and have no voice or bargaining power. Organizing producers into collective action is an important way for farmers to address the range of constraints that they face in agricultural production and marketing, by improving their market weight and power to negotiate prices, reducing transaction cost, and reducing risks and uncertainty.

support. The systems perspective described earlier also highlights the importance of the enabling environment – both regarding policies and institutions – for MOS to develop and expand in support of smallholders and their organizations.

Within a pluralistic MOS system, there are clear roles to be played by public rural services, private-sector enterprises, civil society and producer organizations in transferring agricultural technologies, improving

Producer organizations are particularly attractive to the more vulnerable members of the rural community and can be economically advantageous in fostering their links to markets. POs can be both the supplier of services as well as the consumer of these services among their members. In addition, POs play a central role in articulating farmers’ demands, negotiation and advocacy to influence policies that relate to service provision and access.

FIGURE 1: Conceptual Framework – Pluralistic Market-Oriented Services



Strategic Fields of Action

Improving access of smallholders to rural services requires a thorough understanding of the diversity of actors as well as their capacities, needs, constraints, challenges and networks on both the demand side (producers and their associations), and supply side (service providers from public, private, civil society, producer organizations, etc.). It also requires a review of national policies and the institutional setting at national and local level, to identify gaps, opportunities and governance issues that need to be addressed to improve access of the poor to effective rural services. The proposed MOS programme therefore addresses rural services from five main dimensions:

Local context: The local context, culture and informal service systems make up the framework conditions for the MOS programme. These include the agro-ecological environment, the production system, gender aspects, and household/community socio-cultural and local economic systems. The local context orients – in a gender-sensitive manner – the type of advice and services to be provided, based on the production systems, local geography and the community structure.

Service-demand side: Access to and needs/demands for services and information by smallholders, including how needs are perceived and how demand is organized and articulated, as well as issues of organization, capacity, gender, voice and influence of service users/clients. Emphasis needs to be given to producer organizations, owing to their importance in amplifying the voice and influence of smallholder farmers from both demand and supply perspectives.

Service-supply side: Local institutions and service providers (public, private, producer organizations, NGOs); reach, type and quality of existing services. This includes aspects of organizational capacity, knowledge and skills, gender-sensitivity, complementarity, constraints, linkages, networks and platforms.

Service arrangements²: Types of service arrangements, aspects of service relationships, and governance and organization of service delivery. This includes the customer (user)-supplier relationship determined by the

position of the user to the service provider and the rules governing the relationship between service demand and supply, i.e. the form of organizing service delivery.

Enabling environment: Policy framework and national and local institutional setting that influence rural service provision, gender-responsiveness, public-private collaboration in service provision, and how they favour or disfavour the poor and smallholder farmers.

It is important to note, that the above five core dimensions are closely interlinked. For example, private service providers will not expand their capacity until – and unless – farmers express their demand for services effectively. Conversely, farmers in locations where markets are weak could have difficulty in paying for services, unless immediate economic benefits are perceived or the private service providers adjust their offers to match the purchasing power of the customers. Similar considerations apply to services offered by the public sector. With decreasing budgets and competing priorities, improving rural services may not be a priority for local governments unless farmers augment their voice and negotiation capacity to influence policies and investment decisions. In this context, POs are uniquely positioned within the MOS system given their triple role of service users, service providers and mediators with other actors.

The **MOS programme implementation strategy** is outlined below at the country, regional and global level:

Country level: At country level, the MOS programme responds to country priorities as they relate to improving rural service provision and development of small-scale agriculture, following **value chain** or **area-based** development approaches. The MOS framework provides a tool for analysing the context and current status of rural services to identify gaps and entry points to guide strategic planning and formulation of targeted scalable programmes for improving rural services and linking smallholder farmers to markets. Actions include country assessments and stakeholder consultations to define priorities and policy recommendations, and to guide formulation and implementation of capacity development strategies

² The main types of service arrangements are the private service market, services embedded in the value chain, and public support services delivered in the interest of operators or in the public interest. These arrangements can include third parties funding, regulating or supervising service provision. This dimension refers to the many different facets of service relationships, e.g. exchange relationships, legal relationships, information relationships, power-based relationships, incentives systems; and interpersonal relationships. Planning interaction and conflict-solving processes, including, under certain circumstances, the initiation of mediation and negotiation processes; analysing and improving service governance; analysing the potential power struggles and conflicts of interest amongst the organisations involved affecting the respective service to be provided.

and programmes to improve access to services as a pathway out of poverty.

Regional level: At regional level, the programme – with its poverty alleviation focus – is closely aligned with the objectives of the FAO SP3³-led regional initiatives on small scale family farming in Eastern Europe and Central Asia (REU), Latin America and the Caribbean (RLC), and the Near East (RNE). In collaboration with FAO decentralized offices and regional initiatives the programme aims to facilitate exchange and learning, as well as South-South Cooperation within and between regions.

Global level: At global level, the programme will document experiences, generate evidence for policy recommendations, and develop assessment tools to guide programme design and appraisal. It will analyse country and regional experiences to identify good practices, generate evidence and support learning and exchange among regions. The programme will facilitate a global dialogue and policy advocacy for increased investments to improve access to rural services as a pathway out of poverty.

The MOS programme seeks to build partnerships and collaborative relations with development partners, regional organizations and relevant stakeholder platforms, such as GFRAS⁴ and its regional networks and country fora where applicable.

Concluding remarks

FAO reiterates in its Strategic Framework (2010-2019) the key role of agriculture to alleviate poverty and hunger in rural areas, especially under Strategic Programme 3 “Reducing Rural Poverty”. However, improving the income-earning opportunities and livelihoods of farm households and expanding investment opportunities in rural areas will require additional efforts to ensure that smallholder farmers, and amongst them the more vulnerable, participate in the benefits of market integration and investment in the sector.

The MOS framework, as outlined here, provides a way to examine options for improving the outcome of pluralistic market-oriented services for smallholder farmers. It offers multiple lenses that can be adjusted and applied based on the specific context. Depending on the context, the approach may be applied through a **commodity- or sector-specific** lens focusing on specific value-chains (commodity), or sector (e.g. crops,

livestock, animal health, fisheries or other). It can also be applied through an **area-specific** lens focusing on rural services in a specific location, region or territory; or a **people-specific** lens that focuses on services targeting a particular population group, such as rural women, pastoralists, vulnerable farmers, indigenous communities, or others. It can be used at a macro-level encompassing national systems of rural services as well as at meso-level, following decentralised governance structure where interventions may be area- and territorial-based and service demand and supply more direct.

It is important to note here that the MOS framework should always be applied with a **gender-sensitive lens** regardless of the specific focus, to ensure that women and men can equitably participate and benefit and that none of the social groups is negatively affected.

Support for the provision of effective and efficient quality services to the smallholder farming sector is essential if the 2030 Sustainable Development Goals (SDGs) 1 “End poverty” and 2 “End hunger” are expected to be reached. The international community is in a period of unusual ambition and commitment in relation to poverty reduction. The ambition is reflected in the SDGs as well as the commitment to multilateral and bilateral donor funding support based on improved policies and institutions in developing countries.

For the ambition and commitment to be fulfilled, exceptional progress is called for, especially in the area of agricultural productivity and rural income enhancement. With additional resources combined with sound growth promoting policies, the donor community needs to focus on the remaining major challenge; **making rural services work for poor and vulnerable smallholder farmers.**

“Pro-poor growth strategies, which ensure that the weakest participate in the benefits of market integration and investment in agriculture, would improve their income and investment opportunities in rural areas”.

FAO, p.xii, 2017

³ FAO Strategic Programme 3 “Reducing Rural Poverty”.

⁴ Global Forum for Rural Advisory Services.



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PLURALISTIC SERVICE SYSTEMS

The current institutional landscape for rural service provision reflects a growing diversity of service providers, with private actors, civil society and producer organizations playing an increasingly active role alongside traditional public sector providers. **Pluralistic Service Systems – in which a wide range of rural services are provided by different actors and funded from different sources – recognize the plurality of service providers and its potential to make services more inclusive, responsive to demands, and adapted to the diverse needs of farmers.**

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