



Natural
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Supporting Private Agricultural Consulting

In Macedonia, IFAD trained individuals to become agricultural advisors and assisted them in establishing private companies that today operate in the market for agricultural development services.

Enabling the transition of a country from a command to a market economy is a challenging task that calls for a multi-faceted approach. This is why IFAD complemented its refinancing activities in Macedonia with the development of key agricultural advisory services. And it did so in a very innovative way: rather than helping the government finance and deliver advisory services as a “public good”, an IFAD project supported the establishment of privately owned, market-oriented consulting companies. The Agricultural Investment Centre (AIC) was set up, which selected a set of potential advisors and trained them on technical and managerial topics. Trainee advisors were then required to develop their own service enterprises on a cost-sharing basis with the project. Farmers turned to these advisors to receive support in preparing business plans and loan applications, and to receive follow-up advice related to their investments. The project was gradually phased out and some advisors set up fully independent businesses.

Country:

Macedonia

Direct Beneficiaries:

Rural unemployed, family farms, rural entrepreneurs

Results:

- The total number of borrowers advised by the eight consulting companies was 1,323, for a total disbursed loan amount of €7.4 million.
- One year after taking a loan, advised processors and rural traders increased the value of their production/trade by an average of 50 per cent, and the value of sales by 35 per cent.
- Two years after taking a loan, advised borrowers increased their primary production family business income by an average of 56 per cent.

Main Lessons:

- With appropriate, commercially driven support measures in place, confidence of financial institutions in rural-based lending can be generated.
- Smallholders and small-scale entrepreneurs can invest successfully on the basis of commercial borrowing and payment for advisory services and markedly improve their incomes.



BASIC INFO

Sources:

Agricultural Financial Services Project – Project Completion Report (IFAD, 2008)

Project Name:

Agricultural Financial Services Project

Project Starting Date:

2002

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WEB PAGES

IFAD operations in NENA and CEN:

<http://www.ifad.org/operations/projects/regions/pn/index.htm>

IFAD learning notes:

<http://www.ifad.org/rural/learningnotes/index.htm>

Background

In its efforts to effect the transition from a centrally controlled to a market economy, the government of Macedonia has always believed in the importance of promoting private-sector growth as the key element for creating jobs and reducing poverty.

In 2002, in support of Macedonia's government efforts, IFAD launched the Agricultural Financial Services Project (AFSP), a national project to further the development of commercially viable financial and agricultural services over a five-year period. The project's three inter-related objectives were to:

- Increase financial support for agriculture on a sustainable basis.
- Upgrade the technical and managerial skills of poor rural people who would be participating in the project.
- Build the capacity of technical and financial service providers to address the needs of their clients in the agricultural sector.

Project investments were organized under three components: 1) agricultural financial services; 2) technical support for agricultural production; and 3) project management and coordination. The first component developed the innovative refinancing operations that are presented in another document of this series ("Refinancing Connects Banks to Rural Clients"), while the second component is the topic of this document.

Adjusting the Project

In 2004 a number of design adjustments and innovative methodologies were introduced to the project, after funds had been secured from the Italian government's Facility for Farmers' Access to Markets. In particular, a more structured approach to the delivery of agricultural advisory services to borrowers and potential borrowers was introduced – services to be developed in a private-sector framework under the direct coordination of the Agricultural

Investment Centre (AIC).

What was important about the change was that, whereas the original project design anticipated complementary delivery of financial and technical advisory services, this delivery was now to be managerially combined at the field level in the form of financial/technical advisors.

Training the Advisors

Potential advisors were initially selected using a transparent and competitive process open to all qualified individuals in the country. Major selection criteria included the applicants' professional experience and qualifications relevant to the assignment, their personal capacity to learn and ability to transfer the knowledge gained, and willingness to cope with the challenging tasks ahead. The selected advisors were required to attend training courses organized by the AIC on crop production, livestock, agriculture-related bookkeeping, and marketing of agricultural products. They became actively involved in the preparation of Strategic Investment Programmes to help develop key agricultural supply/value chains. Training was complemented by project-supported mass media production, including a series of technical brochures, videos and a newspaper.

Forming the Companies

Trainee advisors started offering services to individual farmers and entrepreneurs on a demand-driven basis and operated under performance-based contracts with the project. Contracts were for a probationary period with the possibility of extension depending on demonstrated performance, which included a set of objectively defined criteria – number of loans approved, borrower satisfaction, etc.

The point of entry for advisors was the provision of a business development service – preparation of business plans related to securing loans. Clients might then go on to ask for more specific

agricultural services, such as information on specific technical matters of production, or information on prices, market opportunities or sources of raw material or agro-inputs.

Trainee advisors were contracted to the project on a cost-sharing basis, i.e. while they may have been trainees they were also independent businessmen and businesswomen. By the time the initiative ended on 30 April 2008, after some 12 months of operation, eight fully independent, private-sector, client-financed consulting companies had been formally established: Kocev, Mc, Neda, Paskov, Plus, Pro, Tim and Viva.

The project assisted these companies to select locations for their offices and helped them promote their services. However, they were required to finance themselves for the physical establishment of their premises.

Replication and Scaling Up

The total number of borrowers advised by the eight consulting companies was 1,323, for a total disbursed loan amount of €7.4 million. Within months of being established, these companies had already broadened their client base well beyond the number of borrowers. They are now contributing to growth in rural economic activity by enabling an increasing number of farmers and small entrepreneurs to access necessary financial and technical support. The approach as a whole is a viable one for replication, particularly in other dynamic market economies.

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