

## Engaging Private Sector in Extension of Agricultural Technologies : A Challenge Fund Approach

### Background

#### Enhancing Livelihoods of Smallholder Farmers in Central Terai District of Nepal- ELIVES

Enhancing Livelihoods of Smallholder Farmers in Central Terai Districts of Nepal (ELIVES) project is a 3 year project funded by DFID and co-funded by ADRA UK and is implemented in four districts of Central Terai region (Bara, Rautahat, Sarlahi and Mahottari) from April 2015. The ELIVES project combines key strengths of project partners - ADRA Nepal, iDE and FORWARD Nepal and district based partners (LNGO) to enhance livelihoods and income for poor and marginalized smallholder farmers with a focus on women and socially excluded groups in particular, Dalits, Janajati and Madhesi.

The project aims to bring tangible change in poor people's lives through interventions on goats, vegetables/lentil and market access/promotion. The project worked with 600 farmer groups comprising over 13,000 HHs. The project's work in developing local service providers and building market systems has ensured that the beneficiaries continue to get services and access to market and also benefitted the wider community. The end line survey revealed that skill enhancement in vegetable and goat production, coupled with increased access to services and markets increased annual income by £80 for 66.5% of beneficiaries.

A large number of farmers in interior pockets are not often reached by government extension services. Where non-government development projects are running, their outreach is also small due to limitation of resources. In many cases, farmers rely on technical advisory provided by private input suppliers popularly known as "Agro-vets". However, agro-vets themselves have limited technical knowledge and do not actively provide extension services other than some advice while farmers visit to agricultural inputs. Development projects often introduce new technologies having high potential for increasing crop yield, improving economic return, easing work and enhancing overall efficiency. If input supply chain is not developed to increase access to those technologies, wider replication and scaling up would not happen despite their potential benefits.

A large number of small to medium scale agro-vets operating in the rural areas have well-established networks with the rural farmers. They also have potential for expanding their network for expanding their business. Strategic engagement of such private sector in project implementation can play a crucial role in effective and efficient delivery of new technologies and practices. Their role would be more important to reach out communities and households that are often unreachable by government and non-government agencies.

Owing to this fact, the ELIVES project introduced a unique approach of providing a small fund, known as the Challenge Fund, to private sector for extending their outreach to households not associated with project facilitated farmer groups. The project is building the capacity of the private sector to profitably market their inputs, equipment, and services by establishing local service providers in rural areas. Involvement and investment of the private sector is critical to develop market access and to establish long-term sustainable access of inputs, equipment, services and information through local service providers in the community.



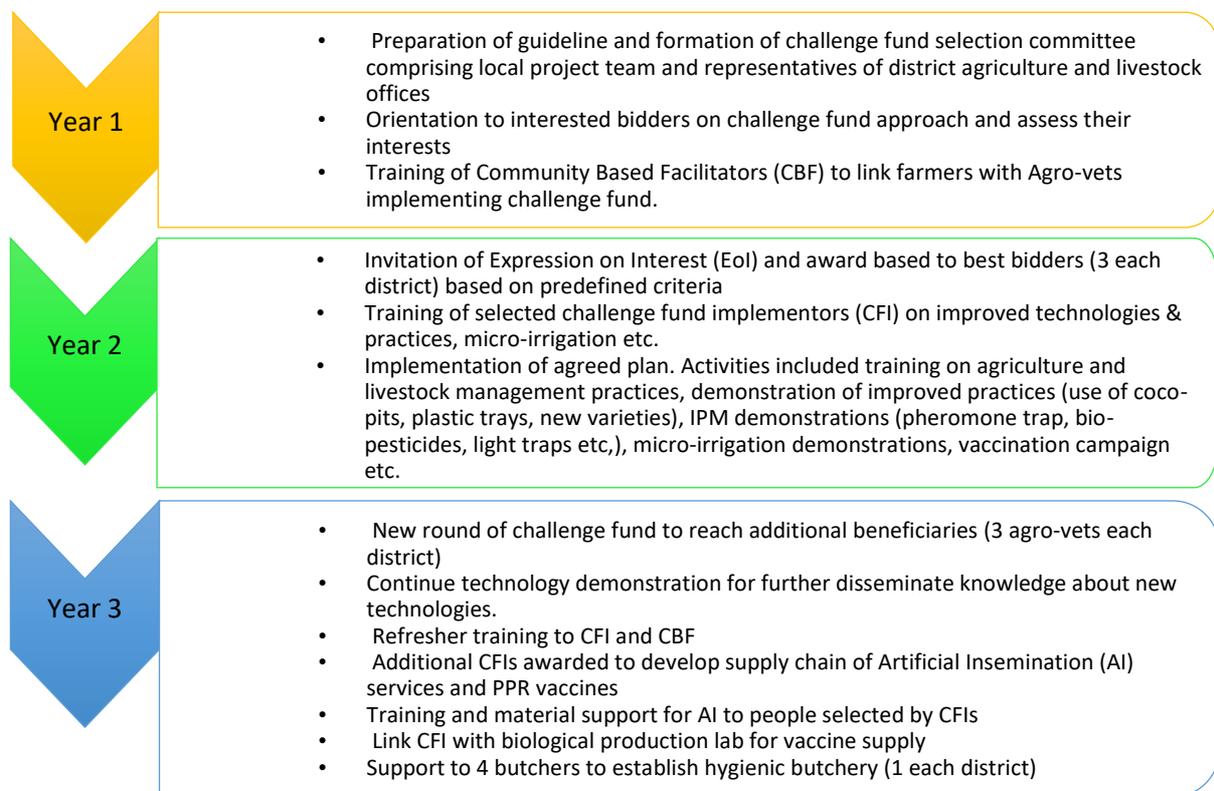
*One of the Challenge Fund Implementor in Mahottari district*

## Methodology

The Challenge Fund initiative begins with selection of private sector, followed by their capacity building and allocation of challenge fund to them. The amount of fund per grantee ranged from NPR 50,000 to 100,000 based on their proposal. The flow diagram of engaging private sector through challenge fund is depicted below.



Other details of actions taken by the ELIVES project in three years are depicted in a figure below.



## Outcomes/Initial Impacts

### Reaching unreached using cost-effective approach

The Challenge Fund has made possible ADRA to extend its outreach in low cost and efficient way through CFI's extended network. The demonstrations of the new technologies focused on marginalized and remotely located communities that often are deprived of government support. Therefore, previously unreached and deprived communities and households have started getting access to new agricultural technologies and improving crop yield and economic benefits. 17,800 households were reached through 24 private input suppliers who implemented the challenge fund to expand their services in vegetable and goat management.

### Strengthening private sector capacity to expand business

Agro-vets implementing the challenge fund increased their business volume by about 40% by expanding their outreach. The CFIs participated in trainings, interaction programs and other capacity

building activities, so their capacity is enhanced in business development, entrepreneurship development and client relationship management. They have also become aware and more confidence on new technologies, which help them promote promising technologies and practices. The CFIs have already tested several technologies on farmer's fields in collaboration with CBF, which has resulted in increased demand of those technologies by farmers. As a result, local they have increased stock of the highly-demanded technologies and have already been able to expand their business, thus making profit.

Description	Before challenge fund	After challenge fund
Number of customers per day	25-30	45-50
Amount of transaction per month (NPR)	250,000-300,000	375,000-425,000
Sell of IPM materials per month (NPR)	2,500	18,000
Demand for veterinary services per month (no of call/visits)	150-180	300-350
Demand for AI services per month	15-20	40-50

*Comparison of transaction before and after implementing challenge fund: Sulav Agro-vet, Bayalbas, Sarlahi*

### **Kisan Sewa Agrovet, Bijalpura, Bardibas municipality**

This agro-vet shop is located in the remote village of Bardibas municipality. It is a major input supplier for farmers in its vicinity. Two years ago, it used to sell only chemical fertilizers and pesticides. When the owner came in contact with ELIVES project officials and heard about the challenge fund, he applied for the fund and won the bid. He now became a CFI. First year, the CFI received NPR 225,000 to initiate chemical-free agricultural practices such as IPM related products like Heli-lure, Water trap, Pheromone trap, EM jhol, nylon net, Jhol Mal, Trichoderma, organic pesticides, cocopit, plastic trays and other such products. The CFI received training on IPM, nursery management, composting, Jhol Mal preparation and participated in an exhibition and agro-fairs to observe new technologies. The CFI worked with 26 farmers group (760 members), mostly non-beneficiary households (not getting direct benefits from other activities of the project). For overseeing its activities, the CFI recruited one Community-Based Facilitator (CBF) with a minimum salary. Looking at the potential of diversity and scale of activities, the project again gave additional NPR 100,000 to the CFI. This year the CFI is increasing focus on material supply. It has now increased networking and linkages with farmers and, in turn, was able to increase awareness of farmers. The CFI matched NPR 36,000 in-kind support from its own resources (administrative and labor cost). The business has expanded since it joined the initiative, including increasing sales of non-chemical products. Earlier there were no any non-chemical products sold but this year sale for the products was close to NPR 150,000 (around 5% of total business) and it is increasing.

### **Increased access to inputs, technologies and services**

The CFIs expanded their outreach across all project target areas for the sustainable supply of inputs and services. Farmers have now access to desired inputs and technologies locally through collaborating agro-vets implementing challenge fund. CFIs have developed close linkage with regional and national suppliers and have started to sell inputs where they were not selling previously. Some of those inputs are: pheromone traps, light trap, bio-pesticides, coco-pit and plastic trays for seedling production, water trap, effective micro-organisms, nylon net, biocontrol agents (Trichoderma), organic pesticides and so on. The project also collaborated with one agro-vet each district to develop supply chain artificial insemination and PPR vaccines. Farmers can now avail those services in need. The project also collaborated with local butchers (one each district) to demonstrate a clean and hygienic meat shop and facilitated linkage with farmer groups to source goats.

### **Improved hygiene and meat quality**

Another success of challenge fund is improved processing, handling, and storing meat in fresh (butcher) house and other farm products, thereby, providing clean and safe agricultural products to the ultimate consumers. Fresh houses have received support to buy devices and improve slaughtering and storage area in order to improve hygiene and quality of meat. It has created a demonstration effect and collaborating butchers report that their volume of sale has increased due to increased consumer confidence.

## Key Learnings

- Challenge Fund is an effective approach to trigger business for new and poorly known technologies and practices and reaching out to poor, marginalized and deprived families by engaging private sector in extension work.
- Since it involves cash grant to private sector, a tough competition is likely. Therefore, a competitive bidding using appropriate selection criteria is helpful to find dedicated and honest private sector. Utmost care has to be taken to make the process transparent.
- Regular monitoring and scrutiny of the activities conducted by the CFIs is a must to ensure the objectives are met in timely and efficient manner and misappropriations of fund is not done.
- In some cases, the brand-new technologies are also new to the private sector, so they have poor knowledge about the technologies. Hence, sufficient orientation is needed to the CFIs prior to introducing those technologies.
- More the demonstration plots better the chance to reach out more people. Hence, multi-location demonstrations would help disseminate technologies more rapidly by generating demand for technologies.
- The aim of grant is to minimize the risk to venture into business of new inputs and technologies. However, CFI's contribution is total cost has to be increased to build ownership and to ensure dedicated effort by CFIs.
- The existing model of challenge fund mainly focus on production technologies. If challenge fund also supports initiatives pertaining to product marketing, that would generate more economic return. Actions in marketing aspect could have been identification of premium buyers, branding, packaging, establishing linkage better producer and buyers.

I received CBF training and was attached with Kisan Sewa an Agro-Vet and a challenge fund partner of the project. I collect various agri-inputs such as seeds, coco pits, plastic trays, biopesticides, insecticides etc and supply from the agro-vet. I get about 5- 7% commission per sale. Farmers now save travel time visiting agro-vets in town. On an average, I make about £70 per month per the supply of inputs to farmers. Being from a very poor family, this income has been an incentive for me to continue studying until grade 11. -Indu Kumari Thakur, CBF, Hatisarba-1, Mahottari

### For further information:

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