



Factors affecting members' evaluation of agri-business ventures' effectiveness

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ABSTRACT

This paper presents work to identify factors affecting effectiveness of agri-business ventures (A-BVs) on the side of providers as perceived by their members. A survey was conducted among 95 members of A-BVs in Zanjan province, Iran. To collect data, a questionnaire was designed. Two distinct groups of A-BVs with low (group 1) and high (group 2) perceived (evaluated) levels of effectiveness were revealed. The study showed that there were significant differences between the two groups on important characteristics of A-BVs and their members. The study also found that there were statistically significant relationships between A-BVs' governance structure and capacity, management and organization characteristics and the perceived effectiveness, whereas there were no statistically significant relationships between A-BVs' advisory methods characteristic applied by members and the perceived effectiveness. Logistic regression results also showed that level of application of rules encouraging members' active participation in important decision makings, clear terms of reference to guide contracting procedures, roles, and responsibilities of parties involved, type of people served and geographical area of program coverage, and members' ability to use Information and Communication Technologies (ICTs) were predictors of the perceived (evaluated) effectiveness of A-BVs. The study showed that evaluation of members of effectiveness of A-BVs would not be the same. It is suggested that Iranian public agricultural extension organization, as responsible organization for monitoring and evaluating services conducted by A-BVs, considered these differences between members with different levels of some important variables.

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1. Introduction

After a period of neglect, agricultural advisory services have returned strongly to the international development agenda. The terms agricultural advisory services and agricultural extension refer to the set of organizations that support and facilitate people involved in agricultural production to solve problems and to obtain awareness, knowledge, skills, and technologies to improve their livelihoods (Anderson, 2007). Traditional public agricultural extension services continue to offer hope for improving the lives of rural poor in the developing world, but these services has been under serious pressure to reform since the 1990s (Hanson & Just, 2001). In this decade, agricultural extension services were attacked and criticized for being inefficient, irrelevant, ineffective, and poorly targeted. The need for reform was obvious and [globally] national systems responded with some strategies (AKIS, 2000). Rivera, Zijp, and Alex (2000) noted traditional public extension systems are now seen as outdated, top-down, paternalistic, inflexible, subject to bureaucratic inefficiencies and therefore

unable to cope with the dynamic demands of modern agriculture. To overcome these widely acknowledged problems, and to overcome weaknesses inherent in earlier public extension efforts, a number of specific extension operations formats emerged over recent decades. Outsourcing or contracting for extension work, decentralization to lower levels of government, or involving farmers' associations and non-governmental organizations are some of the options and newer approaches of providing and financing agricultural advisory services (Anderson, 2007). Processes of change have been under way for some time but in many developing countries these have been accelerated by structural adjustment reforms aimed at reducing public sector spending (Chapman & Tripp, 2003). In sub-Saharan African countries, the pressure to change has been exacerbated by structural adjustment programs that have rendered the traditional public extension systems unsustainable (Obaa, Mutimba, & Semana, 2005). In Iran, agricultural extension system, with a history of more than fifty years, has still not been able to reach and support all potential clientele (Amirani, 2001). Shortage of extension personnel (Pezeshki-Raad & Aghai, 2002), inadequate extension employee professional competencies (Pezeshki-Raad, Yoder, & Diamond, 1994) and financial crunches are some important problems of extension organizations in Iran. Hence, to convert the subsistence agriculture sector to modern agriculture, the agriculture ministry

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has stimulated the emergence of A-BVs (agri-business ventures) in Iran by proposing a Scheme for financing setting up of agricultural consultancy services private network in 2007. Increase in the availability of appropriate advice and information to agricultural producers and beneficiaries, providing opportunities for self-employment to agricultural graduates (in agriculture and allied activities) and increasing involvement in the planning and implementation of extension activities are important objectives of the scheme. The government plans to achieve these aims by providing public funds to service providers on a scaled counterpart contribution basis that foresees the proportions of the farmers' contribution gradually increase. Under this program, Agriclincs and A-BVs by agriculture graduates were launched with the support of the Iranian Agricultural Extension organization and Agricultural Engineering System Organization (Ebrahimi, 2006). Essentially, these service providers operate on a contractual bases with farmers' organizations. They are ventures offering advice or training on agricultural production. These centers provide a package of soil and input testing facilities and other consultancy services. The necessities to set up this network have been a large number of unskilled field level staff for extension work, unemployment of nearly 43,000 agricultural graduates, and a large number of illiterate farmers, as 80 percent of Iranian farmers are illiterate or under-educated (Ebrahimi, 2006). Setting up this network was due to the belief that an effective alternative would be to delink certain services from the public sector and allow the private sector to handle those services. Hence, outsourcing strategy of privatization of extension was adopted to promote and support private sector involvement in extension provision (Ebrahimi, 2006). In fact, outsourcing is a way of involving the private sector in an agricultural system that is coordinated and regulated by the public sector. Under this approach, responsibility for extension delivery is contracted out to private extension sector (Shabanali Fami, 2003).

Reform of governance structures while contracting out services, and cost-recovery (fee-for-service provision) have often been introduced together with decentralization and devolution, these two approaches can also be combined with other models. They reflect a broader trend in public sector service provision, where contracting out services is also referred to as outsourcing (Anderson, 2007). It reflects the idea that the state should play a "facilitating role" rather than engaging itself in delivering frontline services. Rivera and Zijp (2002) compiled experiences and emerging practices of a range of industrialized and developing countries with contracting for agricultural extension. In developing countries, contracting out services usually still entails considerable public funding even if the provider is private. Systems that involve contracting of private sector extension agents are also referred to as public-private partnerships (PPPs). This term is also used to refer to systems where a private sector firm and a public sector extension agency decide to jointly finance and/or provide extension services. Government-funded contracts were expected to be gradually reduced as farmers' cost sharing would increase (e.g., in Iran) (Anderson, 2007). Contracting extension is one strategy increasingly being promoted by the World Bank and other donors to expand extension coverage and improve performance and impact (Obaa et al., 2005).

On one hand, contracting for extension services is a useful strategy for public sector extension systems for two reasons. First, the strategies involved tend to promote a greater number and variety of providers of agricultural extension information and thereby encourage more competition in an area that has been strongly criticized for its ineffectiveness and inefficiencies since the mid-1980s. Second, the strategies of contracting for extension tend to foster cost sharing by end-users and thereby tend to insure more relevance and responsiveness to clients (Rivera & Alex, 2002).

On the other hand, because contracting for extension services is widespread both geographically and across various agricultural interests, and as Rivera and Alex (2002, pp. 570–571) concluded "While we find that contracting for extension is a positive development and a vital strategy for the advancement of knowledge transfer in the agricultural domain, we stress that it should not be considered, and cannot be, an answer to unresolved management problems or the incapacities within an institution. In short, despite its advantages and benefits, contracting is not a panacea." Little is known about systems for contracting extension. They are generally too new to show evidence of impact on the farming community or service provision. There is a need for empirical evidence of the effectiveness of the new system (Obaa et al., 2005). Hence, contracting for extension services deserves greater in-depth research as to its performance in different locations and environments.

It is important to distinguish between efficiency and effectiveness (Israel, 1987). The concept of effectiveness of A-BVs includes their capacity to achieve objectives. Whereas, efficiency refers to the way in which the available resources are used to achieve objectives (Karami & Rezaei-Moghaddam, 2005). At this stage of A-BVs development in Iran, policy makers are primarily concerned with the effectiveness of A-BVs. This investigation attempts to assess factors influencing effectiveness of A-BVs as a result of establishing a contract extension system as perceived by A-BVs' members and to provide information that could be useful in improving the program as it covers more provinces. In other words, this investigation attempts to provide needed empirical evidence on evaluating effectiveness of A-BVs from perspectives of A-BVs' members and to identify factors affecting members' perceived effectiveness of A-BVs. To know how and to know what factors affect members' evaluation of effectiveness of A-BVs can be helpful for those who responsible for monitoring and evaluation of A-BVs due to members' perceptions of effectiveness of A-BVs may play an important role in their performances. They evaluate their performance based on their perceptions of effectiveness of A-BVs. Also as Rivera and Alex (2006) concluded that monitoring and evaluating contract extension service must be considered as one of operational issues important to contracting for extension and all actors should involve in monitoring and evaluation of A-BVs works (not just government).

1.1. Purpose and objectives

The main purpose of this research was to identify factors influencing the effectiveness of A-BVs on the side of providers as perceived by A-BVs' members.

Of particular interests were to:

1. Assess the effectiveness and compare characteristics of A-BVs.
2. Identify background characteristics associated with the perceived effectiveness of A-BVs.

2. Method

2.1. Case study

The study was conducted in Zanjan province, Iran. The province lies 330 km northwest of the capital, Tehran. This province, with an arid–semi-arid climate, receives an average rainfall of 360 mm each year. Its numerous plains have a surface area of 22,164 km². Agricultural lands exceed 50% of the Zanjan province and provide appropriate capabilities and potential for agriculture. In the province, agriculture is the principal occupation, and production crops include rice, corn, oilseeds, fruit, and potatoes. Poultry, cattle, and sheep are also raised in Zanjan (Zanjān, 2008). The province

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