



Project funded by the
European Union



BUDGET PROGRAMME EVALUATION

- **AGRICULTURAL CONSULTING SERVICES**
- **STATE SUPPORT TO AGRICULTURAL LAND-USERS:
PURCHASES OF FERTILIZERS AND DIESEL FUEL AT AFFORDABLE PRICES**

«INCREASING CIVIL SOCIETY PARTICIPATION IN NATIONAL POLICY DIALOGUE IN ARMENIA,
ENPI/2013/334643

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ABOUT THE INITIATIVE

The project is funding by the European Union.

The project is implemented in cooperation with OXFAM.

Within the framework of the project, EDRC makes:

- Simplifications of state budgets of agriculture, healthcare and social protection sectors,
- Policy framework analysis,
- **Monitoring and evaluation of selected budgetary programmes,**
- Activities aimed at increasing budget literacy and building analytical capacity of CSOs.

ABOUT THE INITIATIVE

The selected budgetary programmes are.

1. Family Living Standards Enhancement Benefits Programme
2. Social Services At Home to Single Elderlies
3. Medical Services to the Socially Vulnerable and Special Groups
4. Primary Healthcare Services (PHCS)
5. **Agricultural Consulting Services**
6. **State Support to Agricultural Land Users**

THE METHODOLOGY

- **Collection and analysis of statistical data**
- **Review and study of policy documents**
- **Review of related studies and reports**
- **Key Informant Interviews**
- **Focus-group discussions with beneficiaries and experts**
- **Review of service providers and interview with their representatives**
- **Sample survey: PSES-2016**

QUANTITATIVE AND QUALITATIVE STUDIES

Sample-based HH Survey: PSES-2016

- Face-to-face interviews in HHs based on the Survey Questionnaire
- Stratified, multi-stage random sampling model
- The sample size: 1800 HHs
- Margin of error: +/- 3.5%
- Number of selected rural communities: 100

FGDs and KIIs

- 8 FGDs carried out in 4 Marzes,
- 32 interviews with KIIs in the sector.

ABOUT THE PROGRAMMES

AGRICULTURAL CONSULTING SERVICES PROGRAMME (ACS)

- **ACS budget programme is a continuous programme targeting the improvement of knowledge and skills of farmers in Armenia.**
- **The programme aims at providing consulting services in line with agro-technical rules and new technologies.**
- **Services are provided through 10 Marz centres (Marz Agricultural Support Centres - ASCs) and the National ASC.**
- **Services provided under ACS programme:**
 - Consulting events,
 - Seminars/workshops,
 - Field trainings,
 - Experimental and demo activities,
 - Radio and TV programmes,
 - Publication of information leaflets and booklets, newspaper issuance.
- **About Marz ASCs:**
 - About 160 experts and consultants,
 - Provide services to farms in **914 communities** (annual average 70 thousand farms (20%)),
 - **On average 7 communities per 1 consultant** or annual average 550 farms).
- **«Improvement of agrarian scientific-educational and consulting system is on of the 17 priorities in the Government strategy for the sector.**

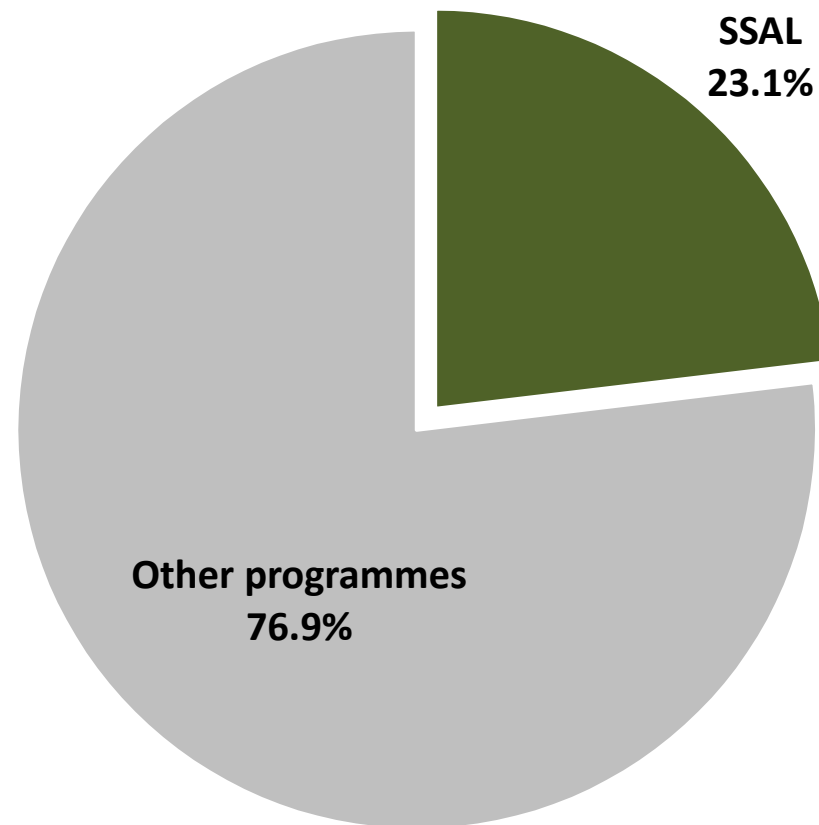
STATE SUPPORT TO AGRICULTURAL LAND-USERS (SSAL) PROGRAMMES

- SSAL programmes are indirect subsidization programmes for agricultural land users **aiming at reduction of costs for fertilizers and diesel** used by farms.
- SSAL Programmes are implemented by the following entities:
 - **Masisi Berriutyun** – supplier of netric fertilizer,
 - **Hrashq Aygi** – suppliers of phosphoric and potassic fertilizers,
 - **Flash LLC** – diesel fuel supplier.

	Set Normative (max)	Price	Subsidized portion of the price
Diesel fuel	200l	AMD 280/litre	AMD 55/litre
Nitric fertilizers	300kg/6 sacks	AMD 6,000/sack	AMD 2,730/sack
Phosphoric fertilizers	400kg/8 sacks	AMD 7,000/sack	AMD 6,735/sack
Potassic fertilizers	150kg/3 sacks	AMD 7,000/sack	AMD 6,799/sack

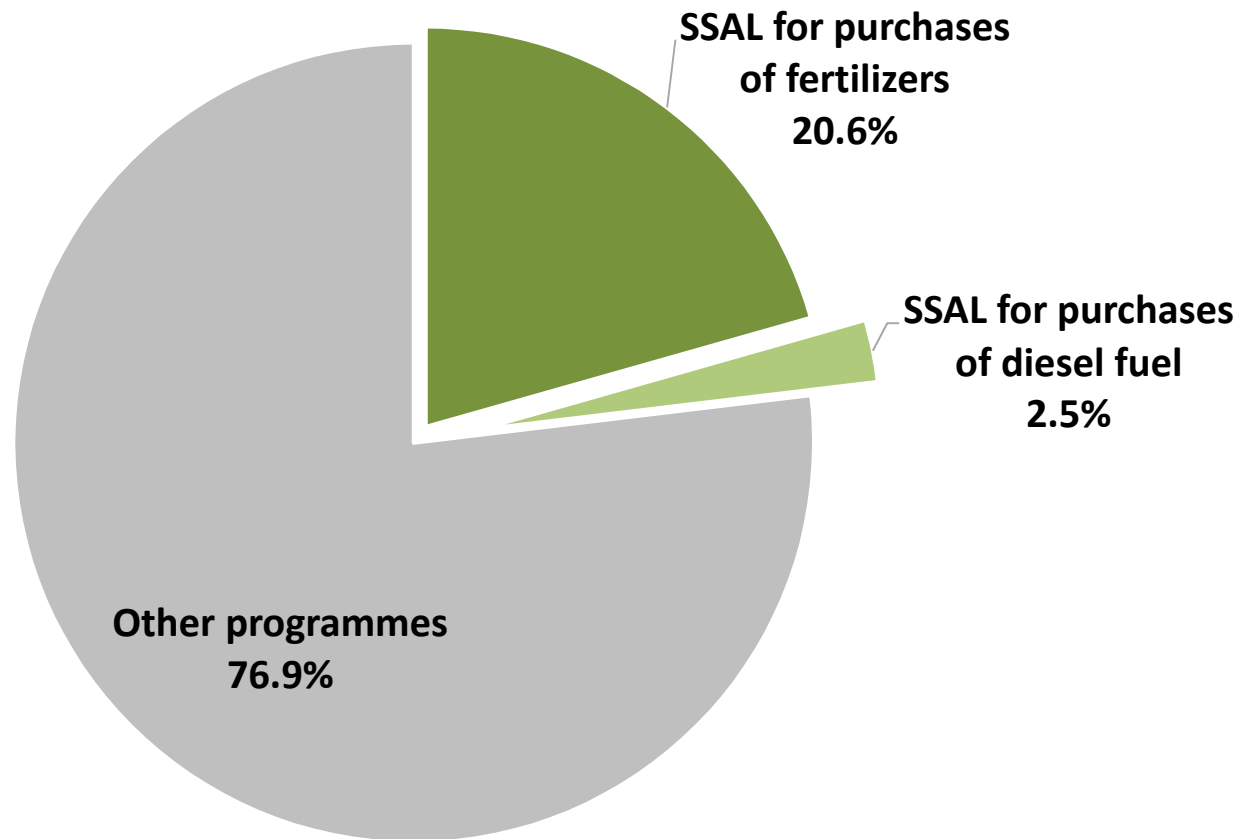
- SSAL programmes are **the largets expenditure direction** in the sector – allocations of AMD 3.1 bln (23.1%).

BUDGET FINANCING OF THE PROGRAMMES



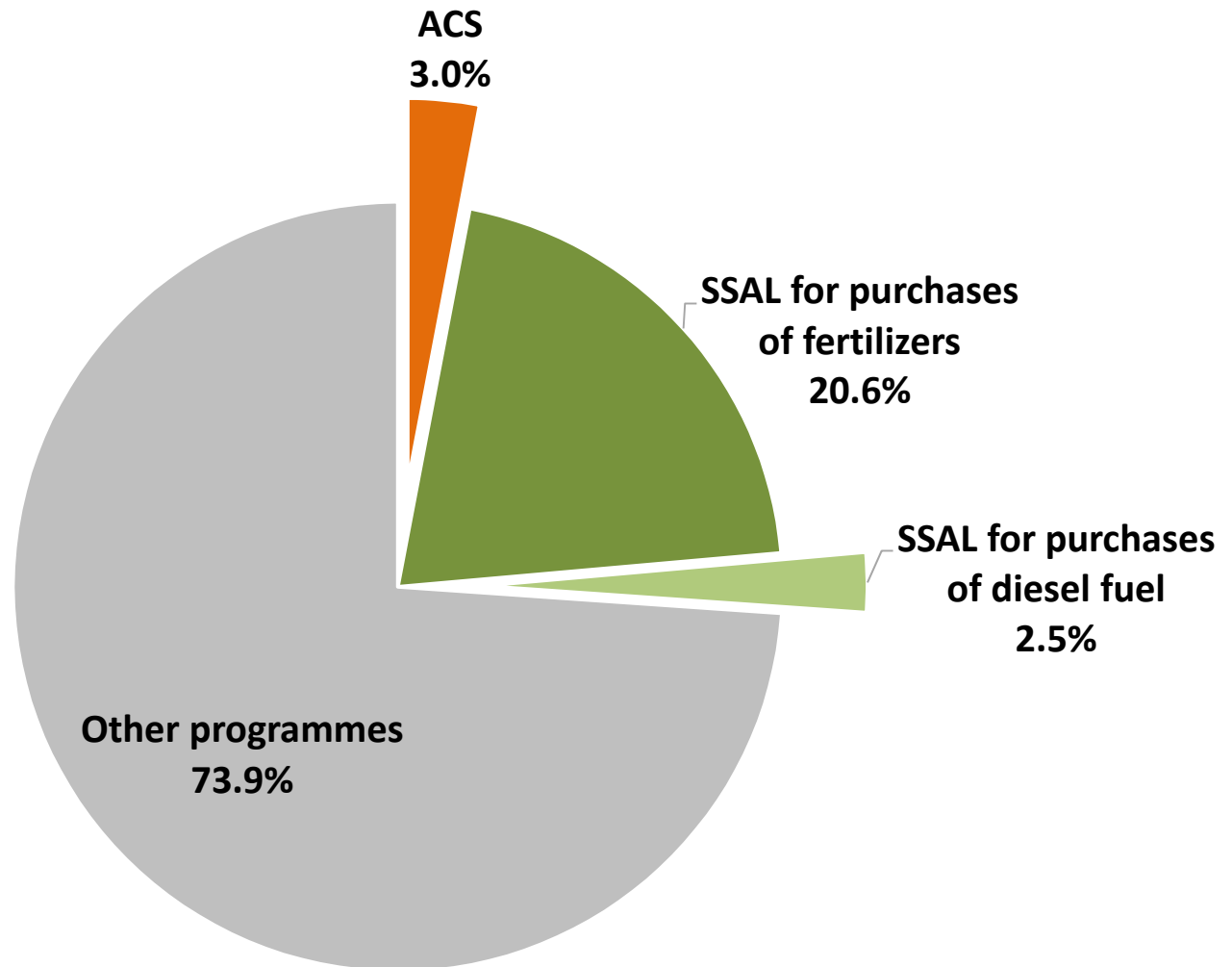
Source: EDRC

BUDGET FINANCING OF THE PROGRAMMES



Source: EDRC

BUDGET FINANCING OF THE PROGRAMMES



Source: EDRC

MEDIUM-TERM OBJECTIVES OF THE PROGRAMMES

MTEF envisages to keep the financing of SSAL programmes at almost the same level in 2017-2019.

	2016 Bugdet	2017	2018 MTEF	2019
Agricultural consulting services, AMD mln	397	397	397	397
State support to agricultural land users for purchases of fertilizers at affordable prices, AMD mln	2,760	2,560	2,560	2,560
State support to agricultural land users for purchases of diesel fuel at affordable prices, AMD mln	330	330	330	330

Source: The RA Law on 2016 State Budget, 2017-2019 MTEF

Prior to 2020, it is intended to increase the share of the ASCs revenues from paid services and to ensure that ASCs cover their expenditures from their own revenues starting 2020.

EVALUATION RESULTS OF THE PROGRAMMES

CHARACTERISTICS OF FARMS

- The level of **land cultivation** is very low in Armenia. 70% of farms cultivate total area of the land plot they own.
- 59% of farms cultivate less than 1 ha. Only 3.4% of farms cultivate more than 5 ha.
- **The level of specialization among farms is low.**
- **Commercialization level is quite low:** 18% of farms do not sell their agricultural production at all. Only 19% of farms sell or exchange major share of their harvest – 80%-100%.
- Agricultural **incomes of farms are small** and are not sufficient for the needs of families. Only 4.2% of farms mentioned their incomes were sufficient. Only 2.7% of farms mentioned they have resources to expand the farm after all costs and expenses.
- Lack of both technical and management skills and marketing and agribusiness knowledge of farmers add to the list of problems in agricultural production.
- **Farms mostly evaluated their efficiency as low and do not view consulting as an important factor contributing to its improvement.**

AGRICULTURAL CONSULTING SERVICES

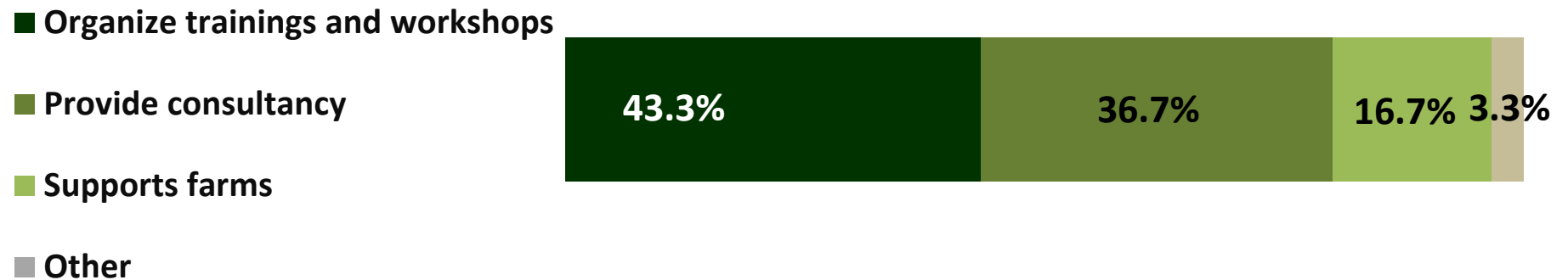
ACS: AWARENESS OF FARMS

20% of farms have heard of and are aware of activities of Marz ASCs.

About Marz ASCs.

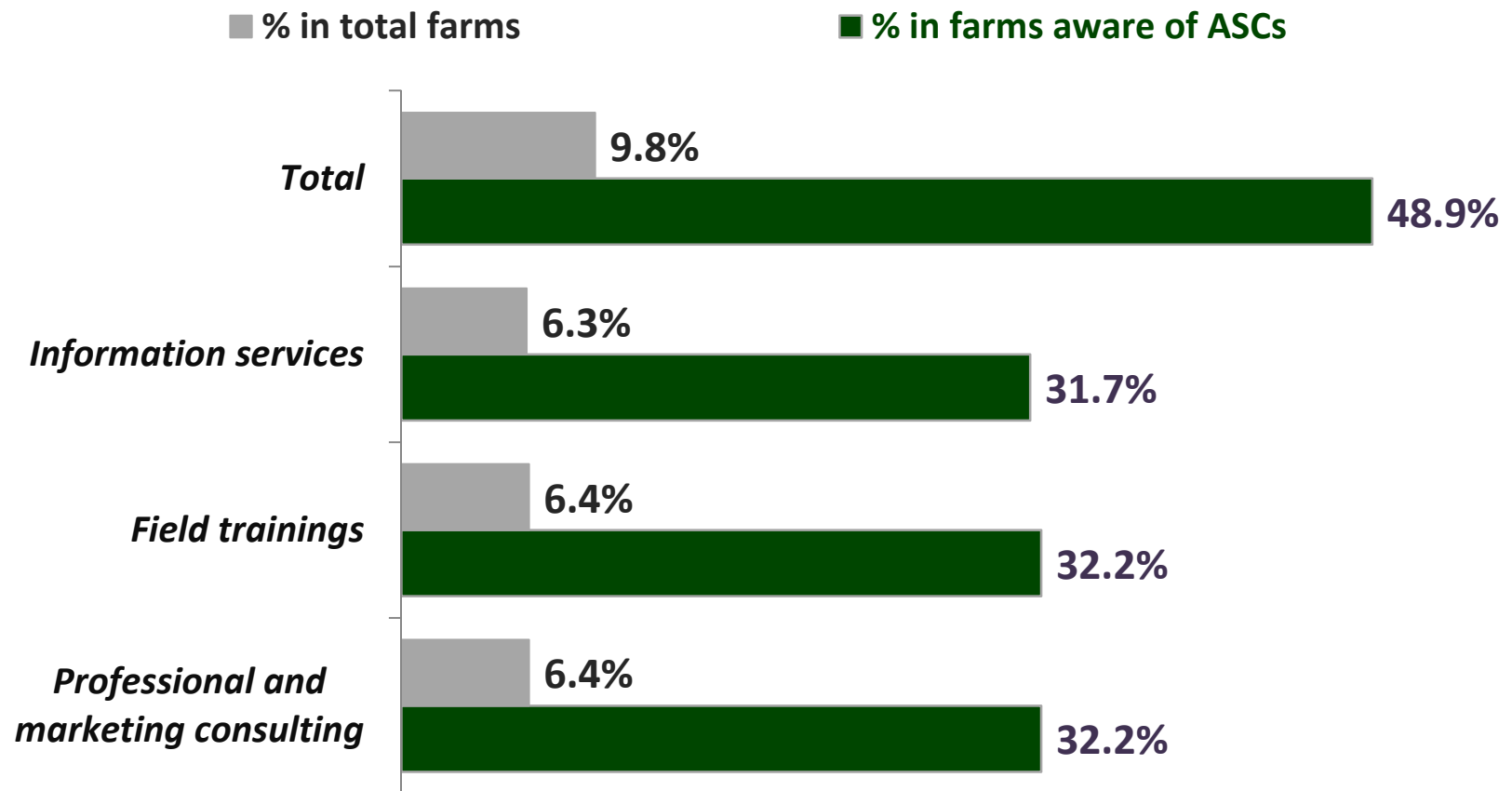


About services



ACS: FARM PARTICIPATION

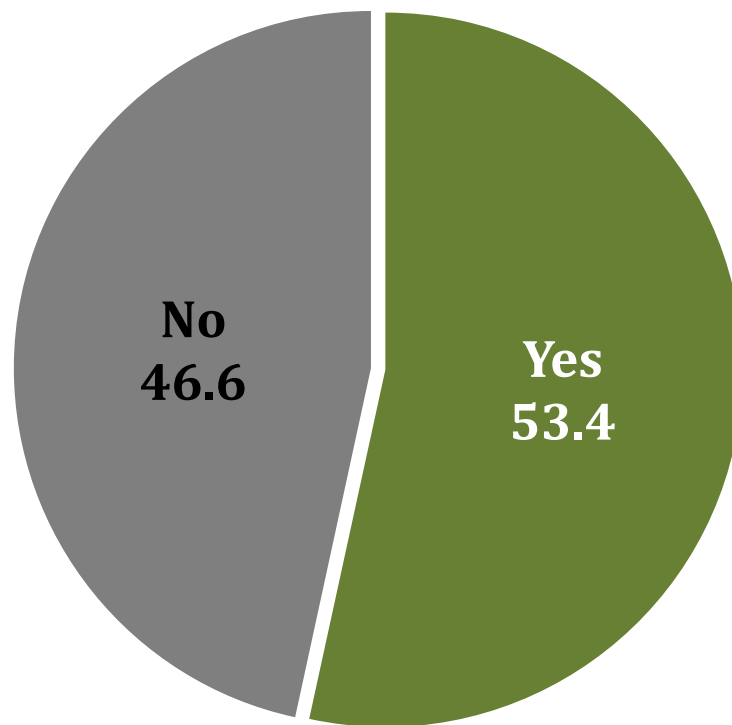
Only 9.8% of farms received consulting services from Marz ASCs during the last 3 years.



Source: PSES-2016, EDRC

ACS: USE OF INFORMATION

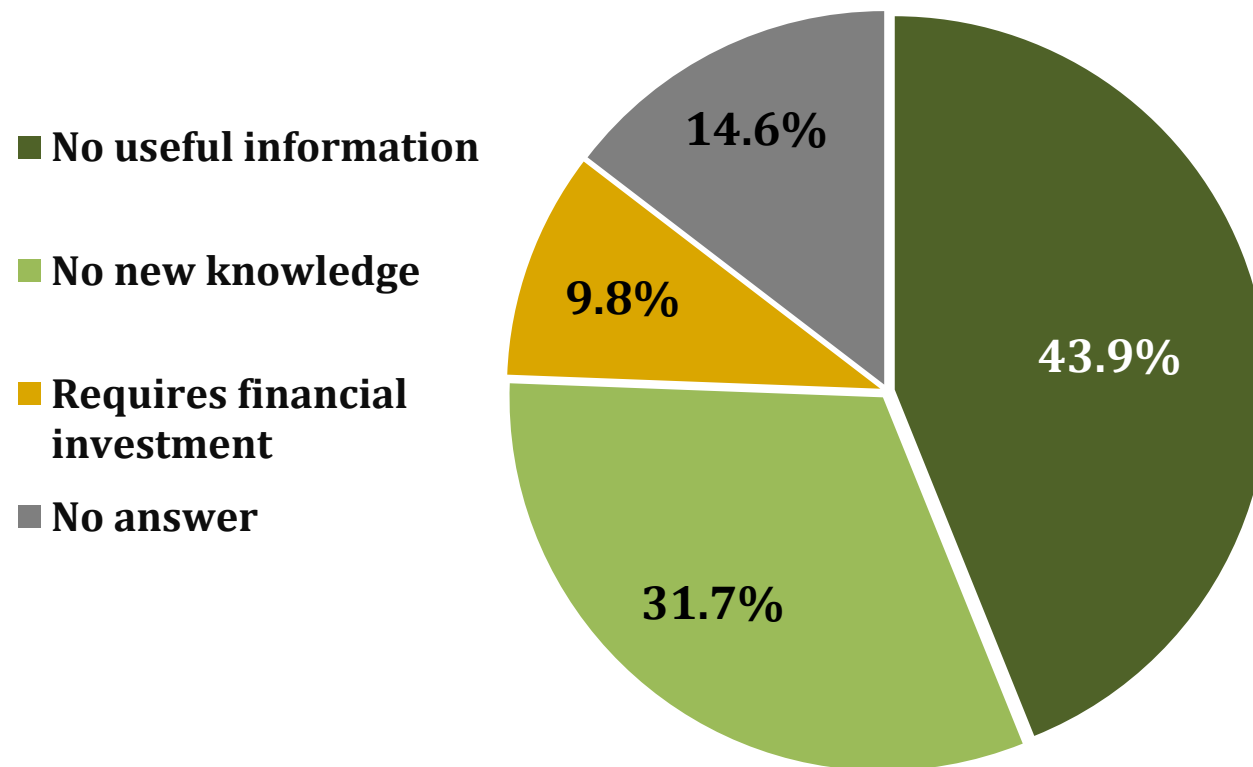
47% of programme beneficiary farms never used the acquired skills and knowledge in their farming activities.



Source: PSES-2016, EDRC

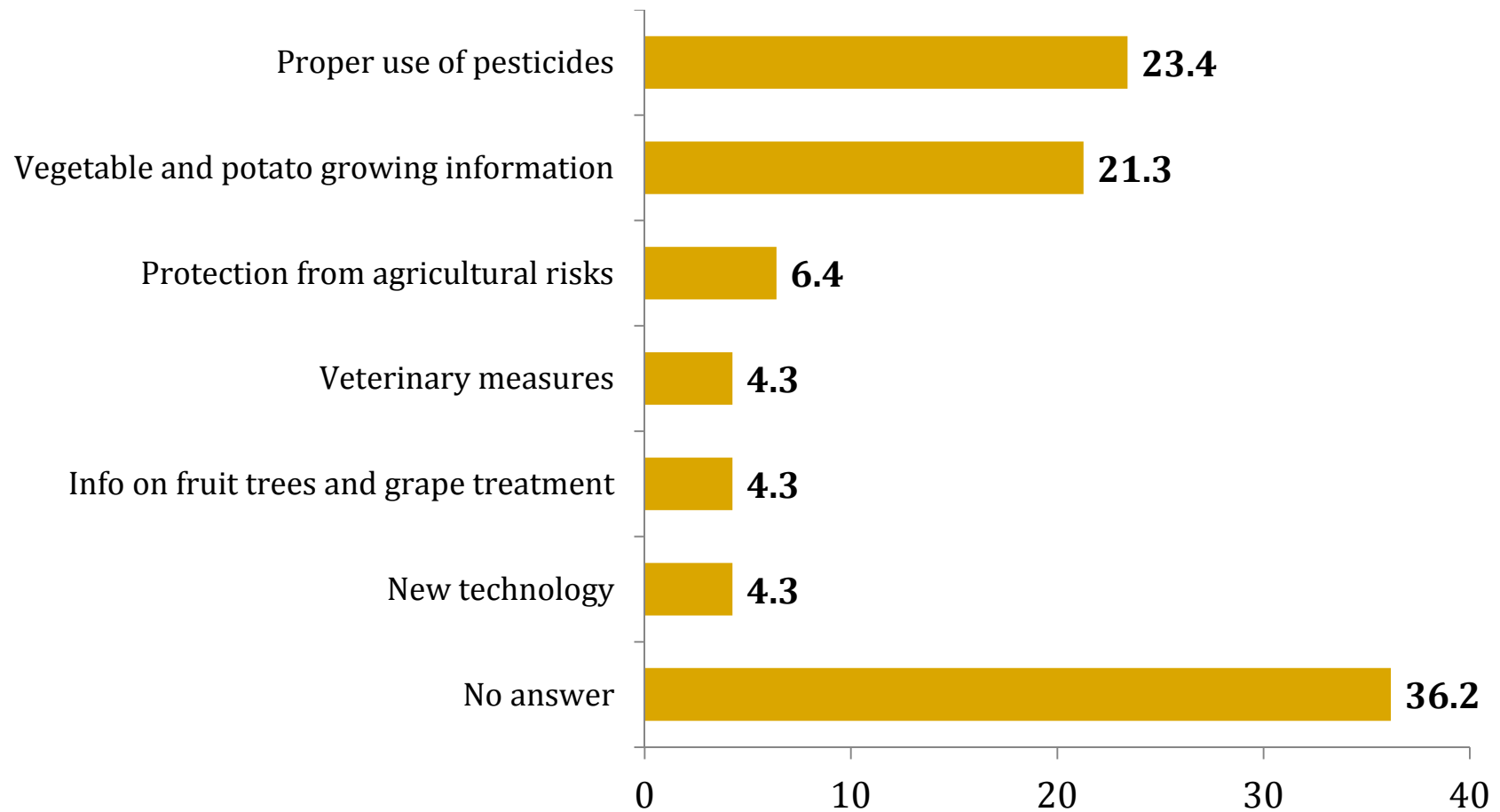
ACS: REASONS FOR NOT USING THE INFORMATION

The main reason for not using them is that the information was not useful or was not new to them.



ACS: USE OF INFORMATION

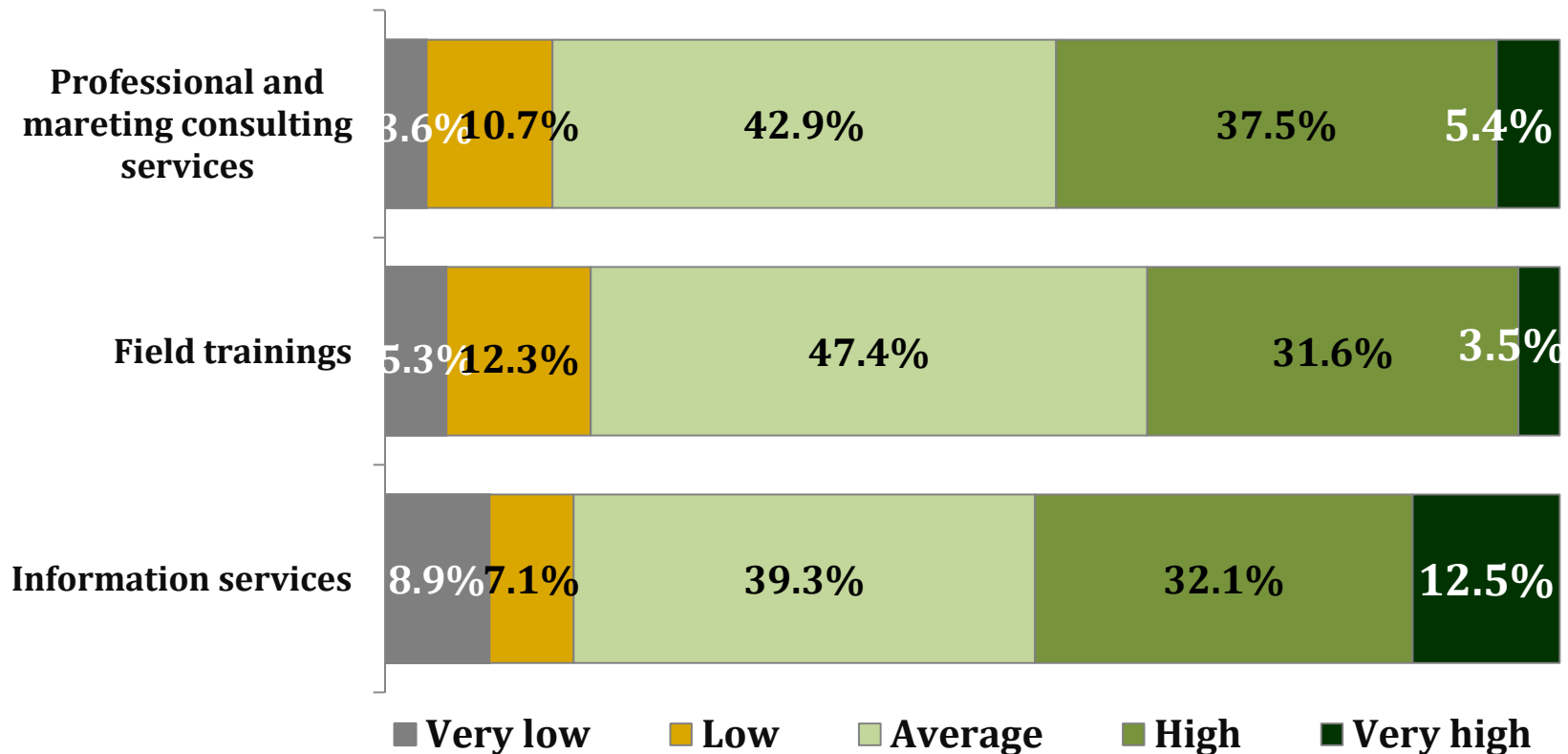
Majority of farms that used information/skills acquired through consulting services were not able to clearly state how they used it.



Source: PSES-2016, EDRC

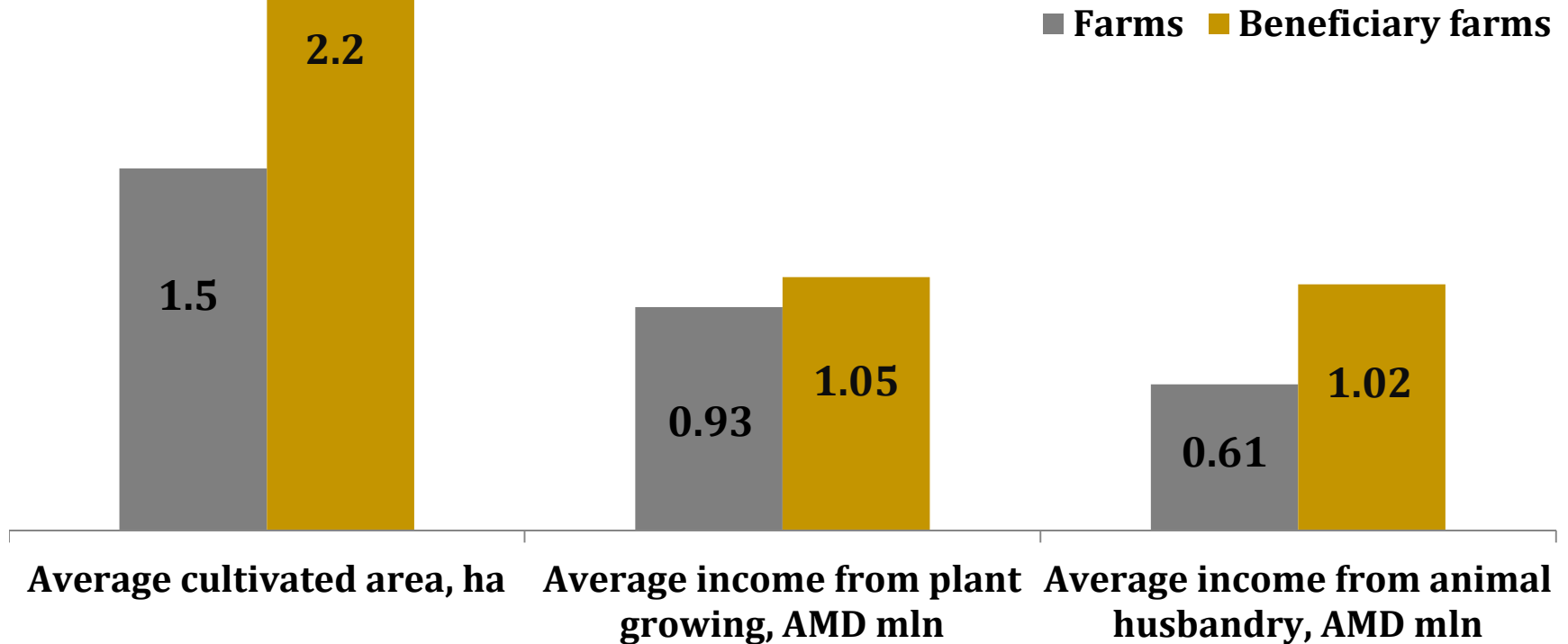
ACS: EVALUATION OF PROVIDED SERVICES

Majority of survey participants – more than 55% - estimated consulting services to be of average quality or lower.



ACS: CHARACTERISTICS OF BENEFICIARY FARMS

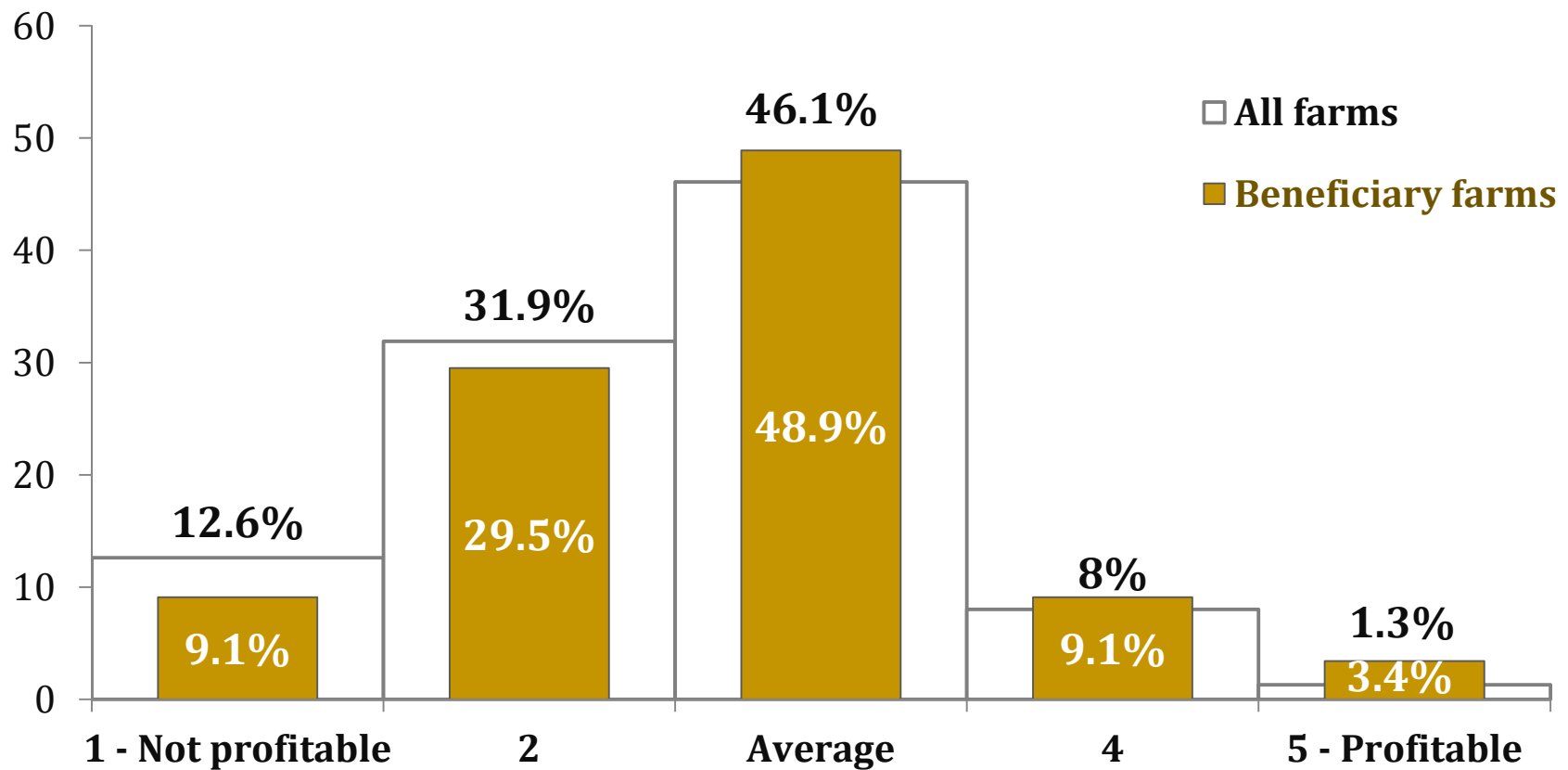
Farms are larger and, on average, more profitable.



Source: PSES-2016, EDRC

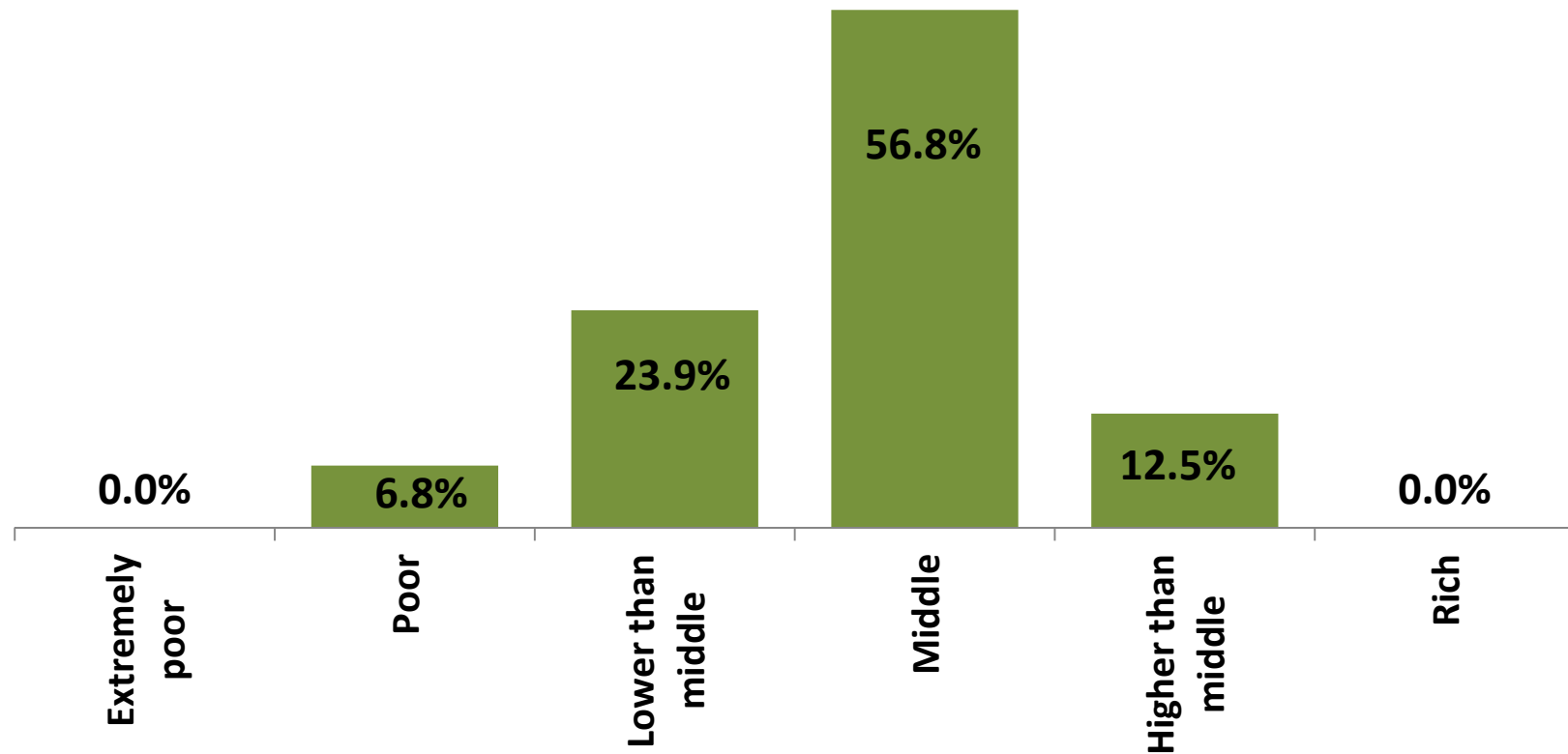
ACS: SELF-ASSESSMENT OF FARMING EFFICIENCY

Beneficiary farms estimate their agricultural activities as relatively more efficient.



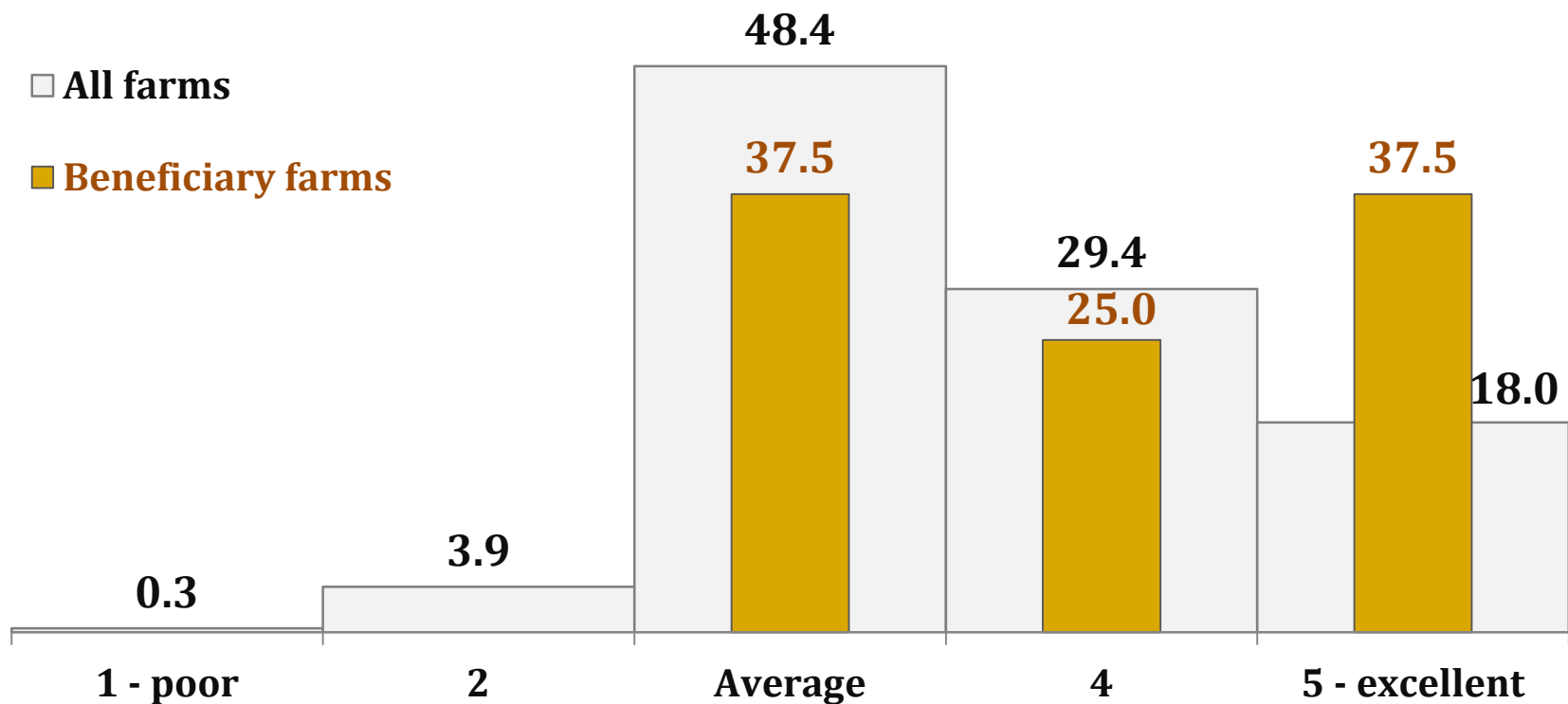
ACS: SELF-ASSESSMENT OF FARMS ON LIVING STANDARDS

57% of farms belong to the middle-income group.



ACS: SELF-ASSESSMENT OF FARMING KNOWLEDGE

Self-assessment of agricultural knowledge is relatively higher.



QUALITATIVE RESEARCH FINDINGS

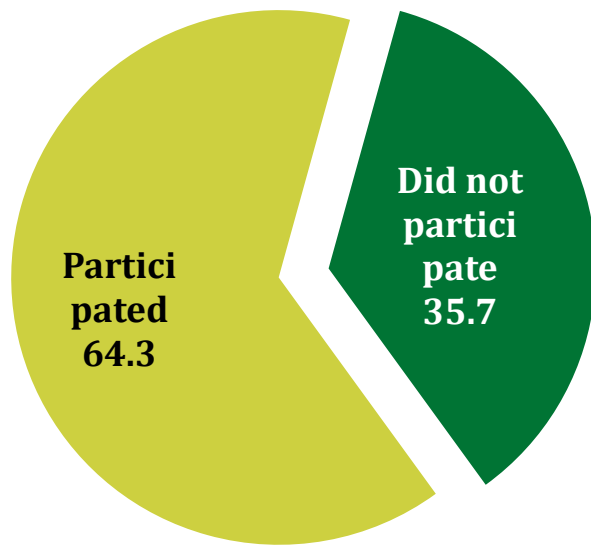
- **It is difficult to ensure participation of farmers** to ASCs' events: farmers need to be persuaded and requested to participate.
- ASCs are **not capable of providing** services in the **demanded quality and scope**. Information of ASCs is mainly **limited** to diagnosing illnesses, preventing or treating them, fighting rodents and **proper use** of pesticides.
- Farmers can receive and learn necessary information from Internet. **You Tube** and 1 skilled consultant are able to carry out this task.
- **Farmers are not willing and cannot afford paying** for the services provided.
- Farmers believe that it is more important **to have experts/specialists** in villages/municipalities that will be much closer to farmers and easily accessible.
- If ASCs did not exist, **nothing will change** from the perspective of current problems in communities since ASCs are not meant to solve any problem.

STATE SUPPORT TO AGRICULTURAL LAND-USERS

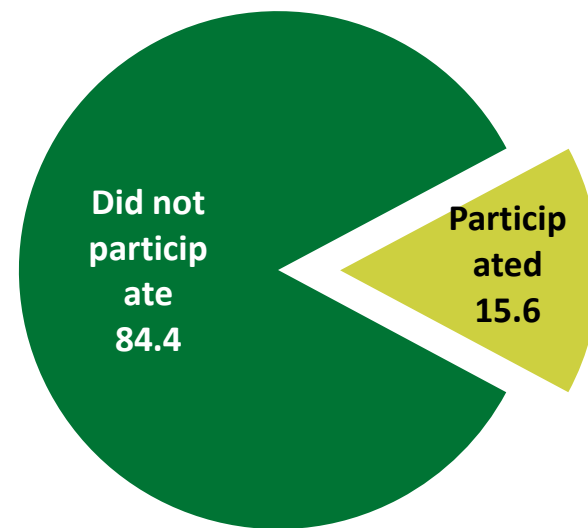
SSAL: FARMS COVERAGE

64.3% of farms bought subsidized fertilizers, while 15.6% - subsidized diesel under SSAL programmes.

Fertilizers



Diesel Fuel



Source: PSES-2016, EDRC

SSAL: FARMS COVERAGE AND CONSUMED QUANTITIES OF FERTILIZERS

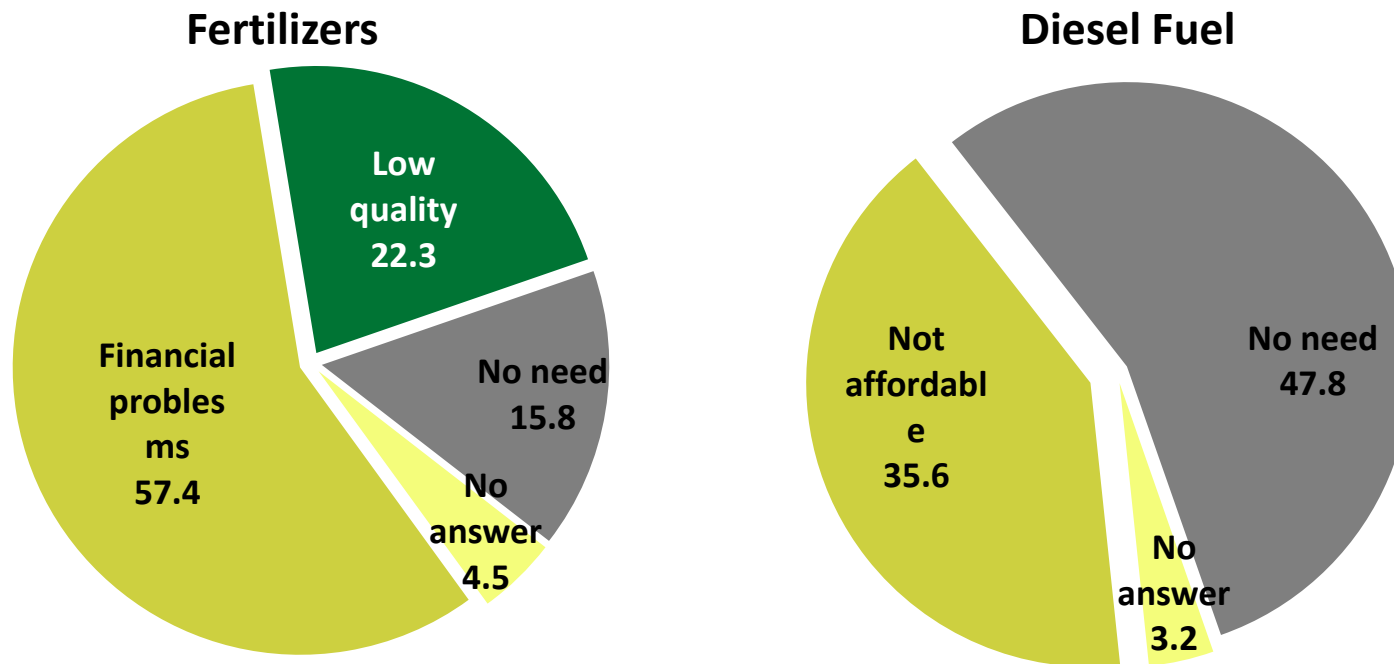
The fertilizers has been used on 56 % of lands.

	2015		2016		
	Average quantity	Farms, %	Average quantity	Farms, %	Land used by Farms, %*
Nitric fertilizers, sack	8.3	56.0	8.9	50.3	58.4
Phosphoric fertilizers, sack	3.0	1.0	4.6	1.1	1.2
Potassic fertilizers, sack	3.5	2.0	3.1	2.3	2.4
Diesel fuel, litre	188.1	13.1	193.4	11.9	24.3
Total fertilizers, sack	8.4	56.4	9.1	50.8	59.1

*Percent in total used land
Source: PSES-2016, EDRC

SSAL: FARMS COVERAGE

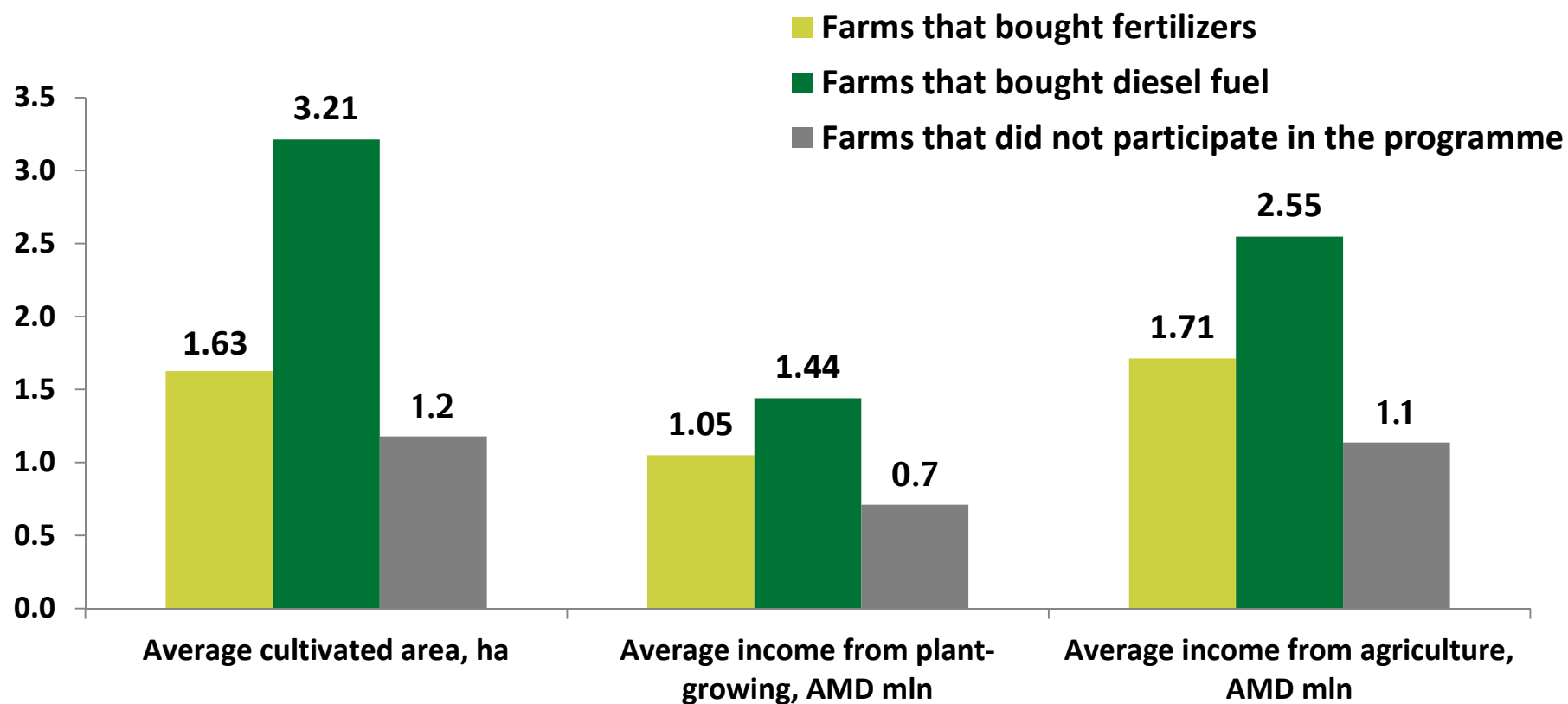
The main reason for not buying subsidized fertilizers was the lack of financial resources at the time of placing the order/application (57.4% of cases).



Source: PSES-2016, EDRC

SSAL: Characteristics of Farms

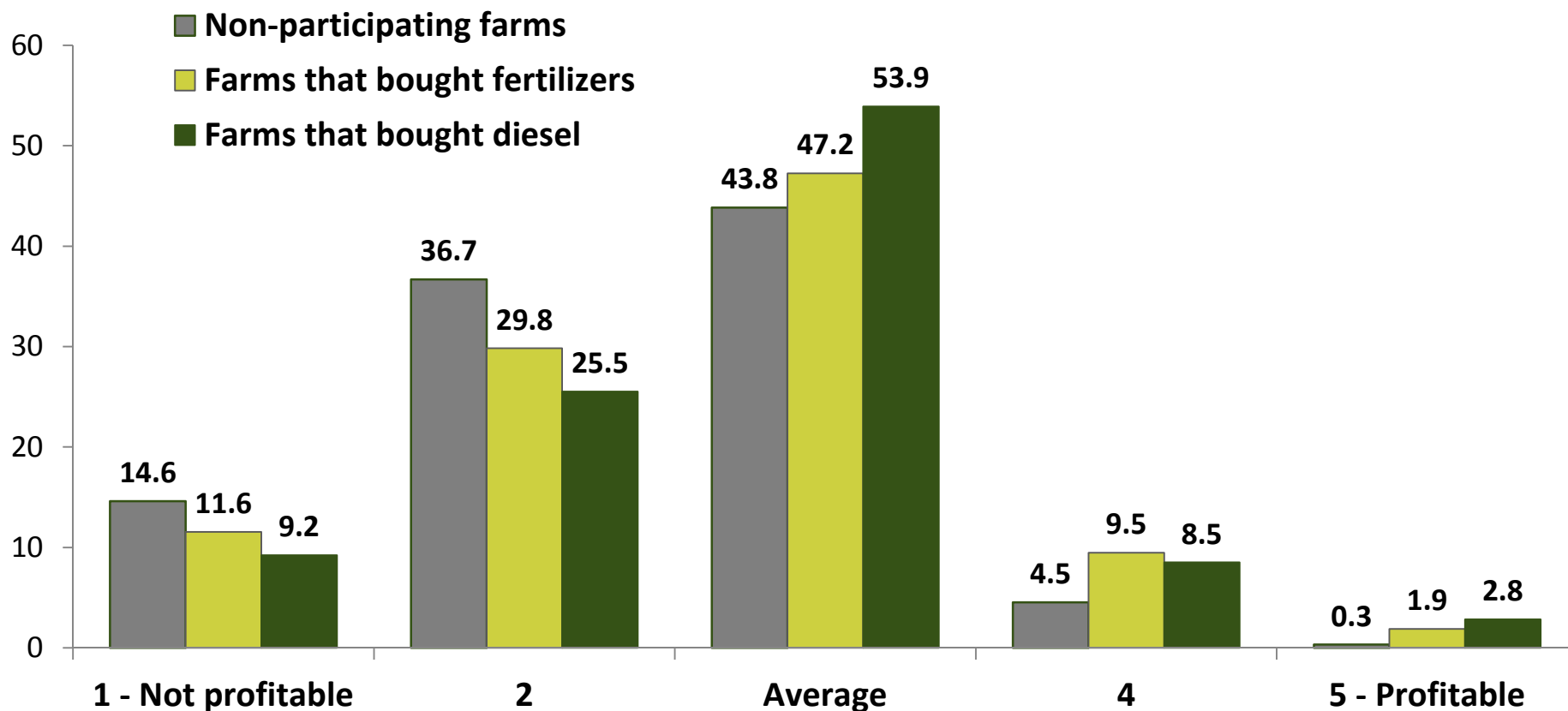
Farms participating in SSAL programmes are larger and on average, more profitable.



Source: PSES-2016, EDRC

SSAL: Self-Assessment of Farming Efficiency

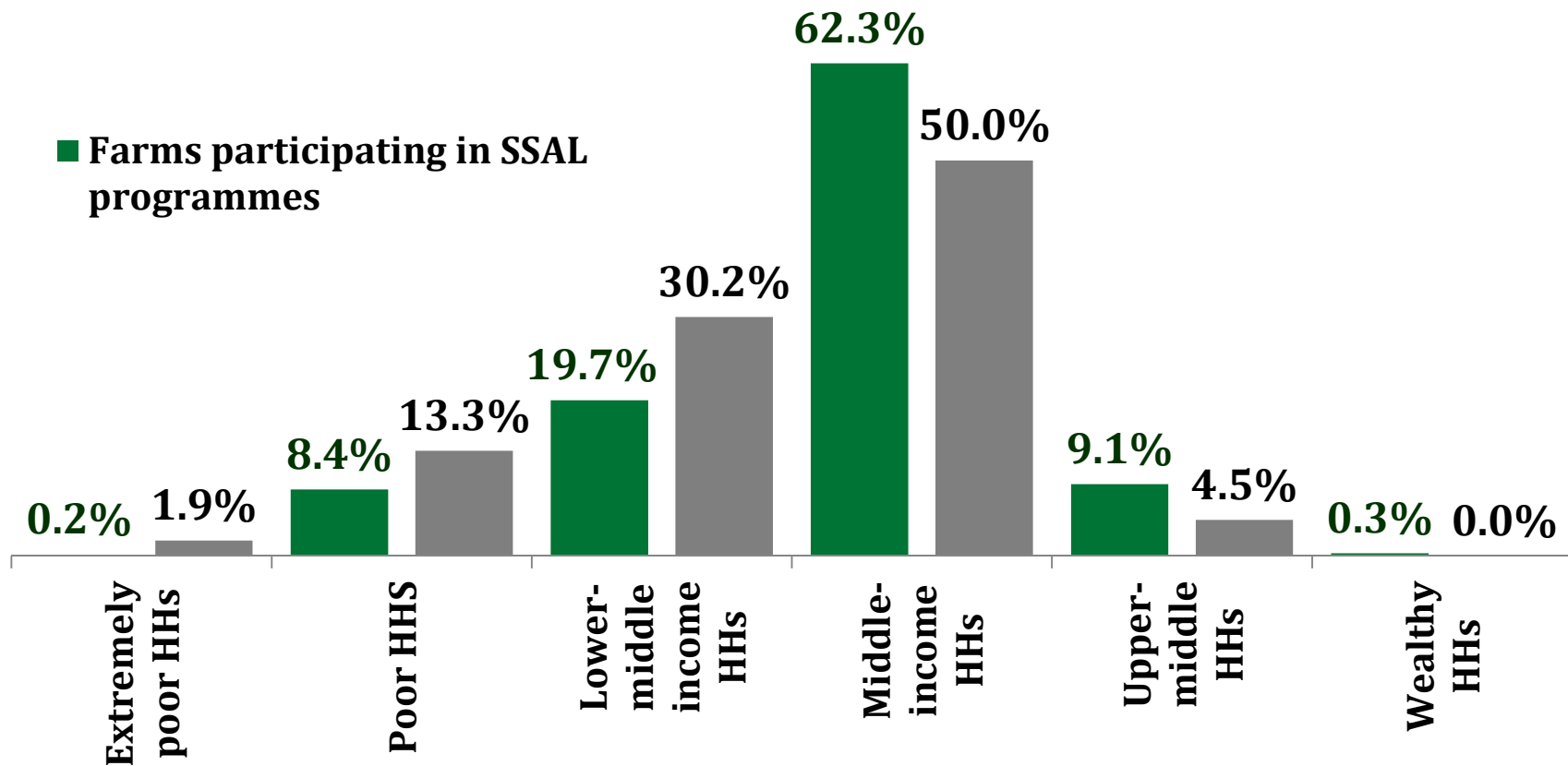
Participating farms consider efficiency of their agricultural activities much higher.



Source: PSES-2016, EDRC

SSAL. SELF-ASSESSMENT OF FARMS ON LIVING STANDARDS

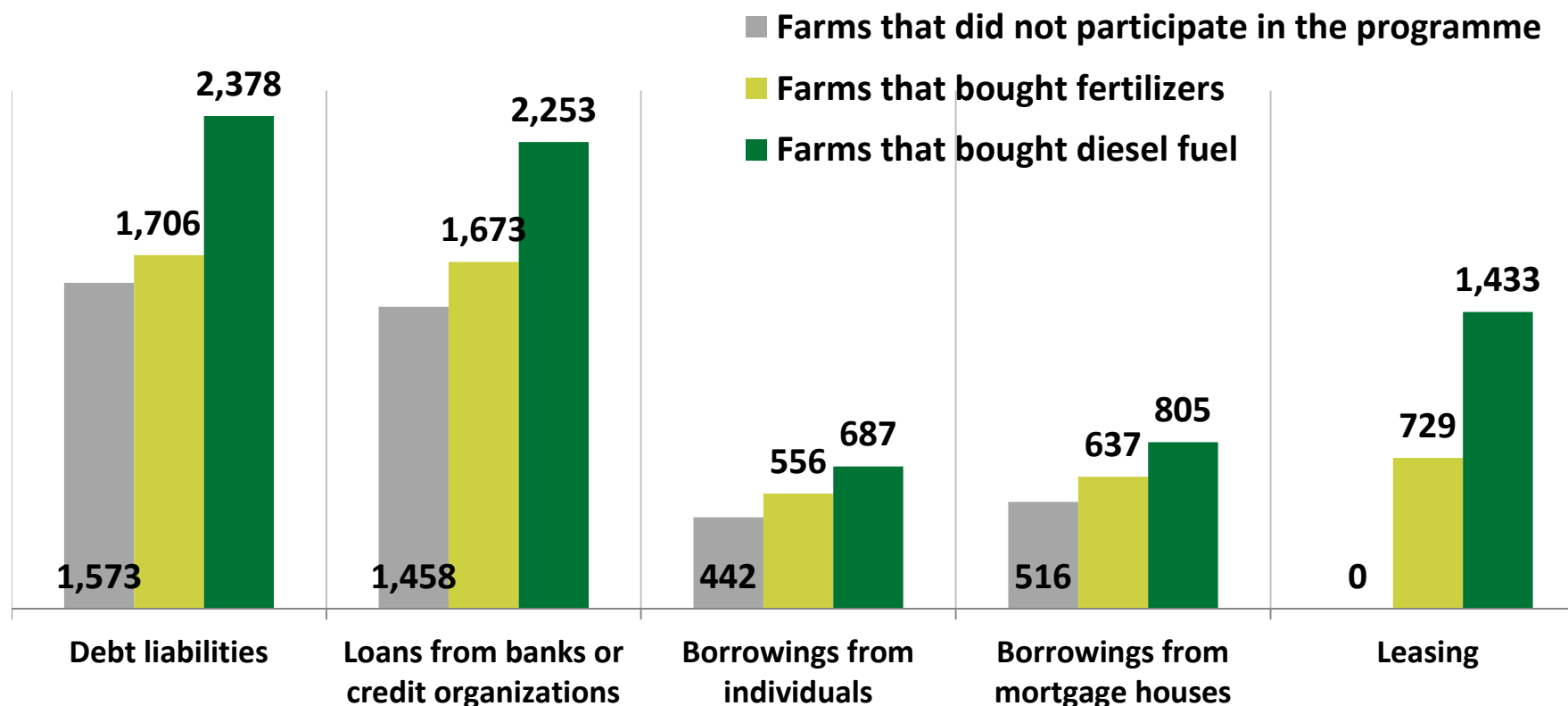
72% of farms participating in SSAL programmes are from middle and higher income groups.



Source: PSES-2016, EDRC

SSAL: DEBT LIABILITIES OF FARMS

Debt liabilities of participation farms are higher than those of non-participating farms.



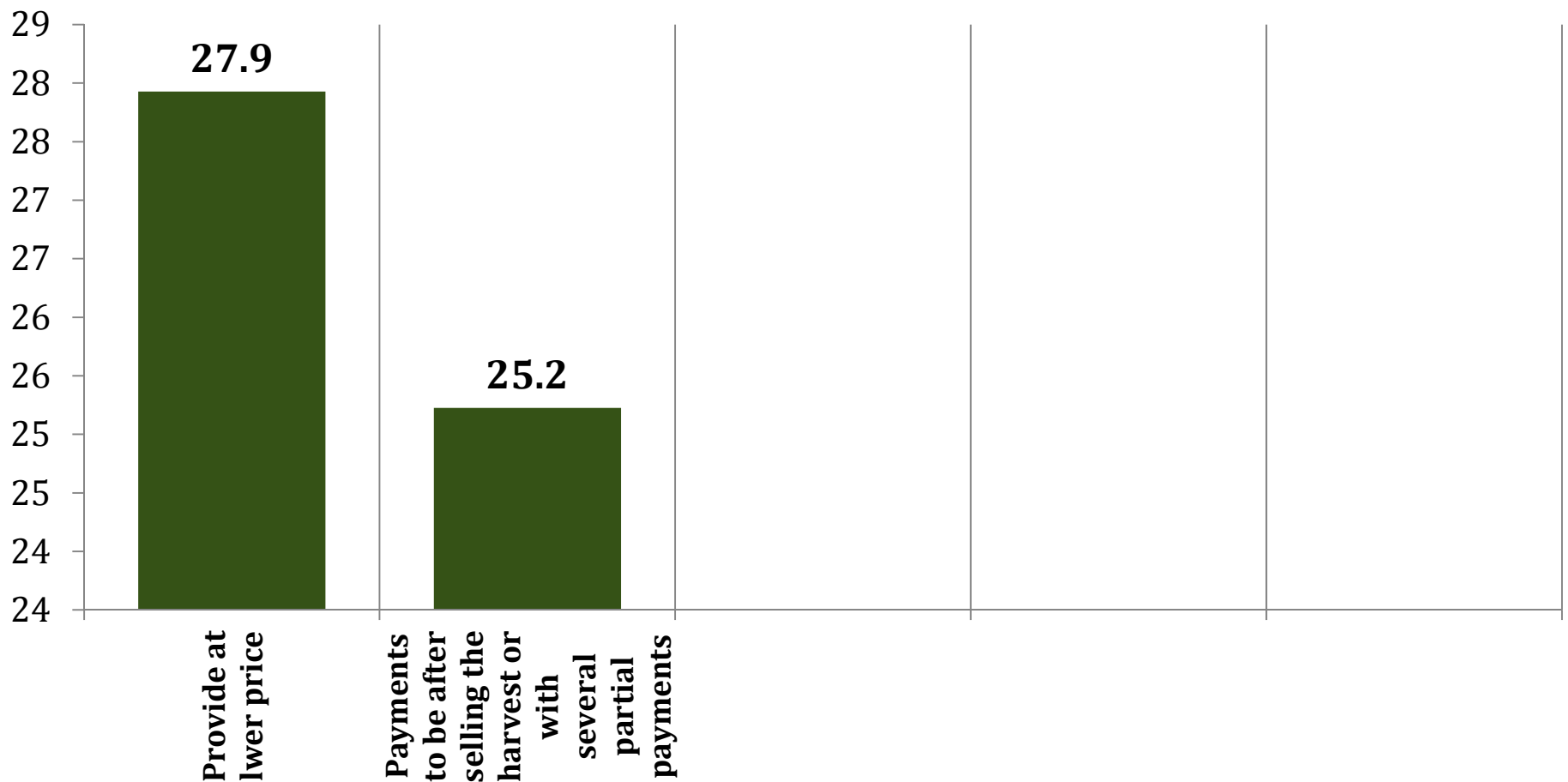
SSAL: COMMENTS OF FARMS ON SSAL PROGRAMMES

Participation of farms is not high since the subsidized prices for fertilizers are still not affordable for farms.



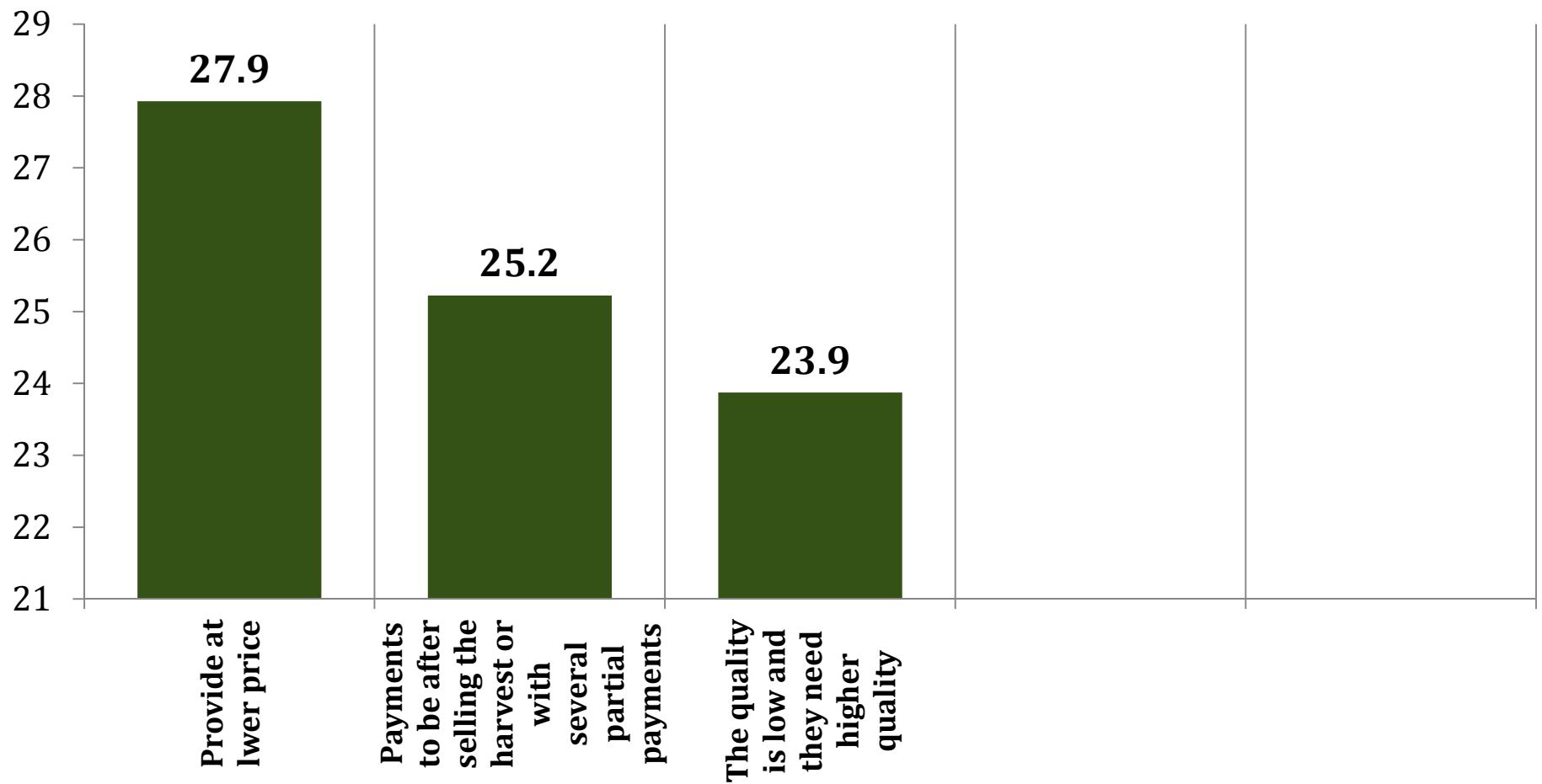
SSAL: COMMENTS OF FARMS ON SSAL PROGRAMMES

25% of farms consider the timing of payments for fertilizers is problematic.



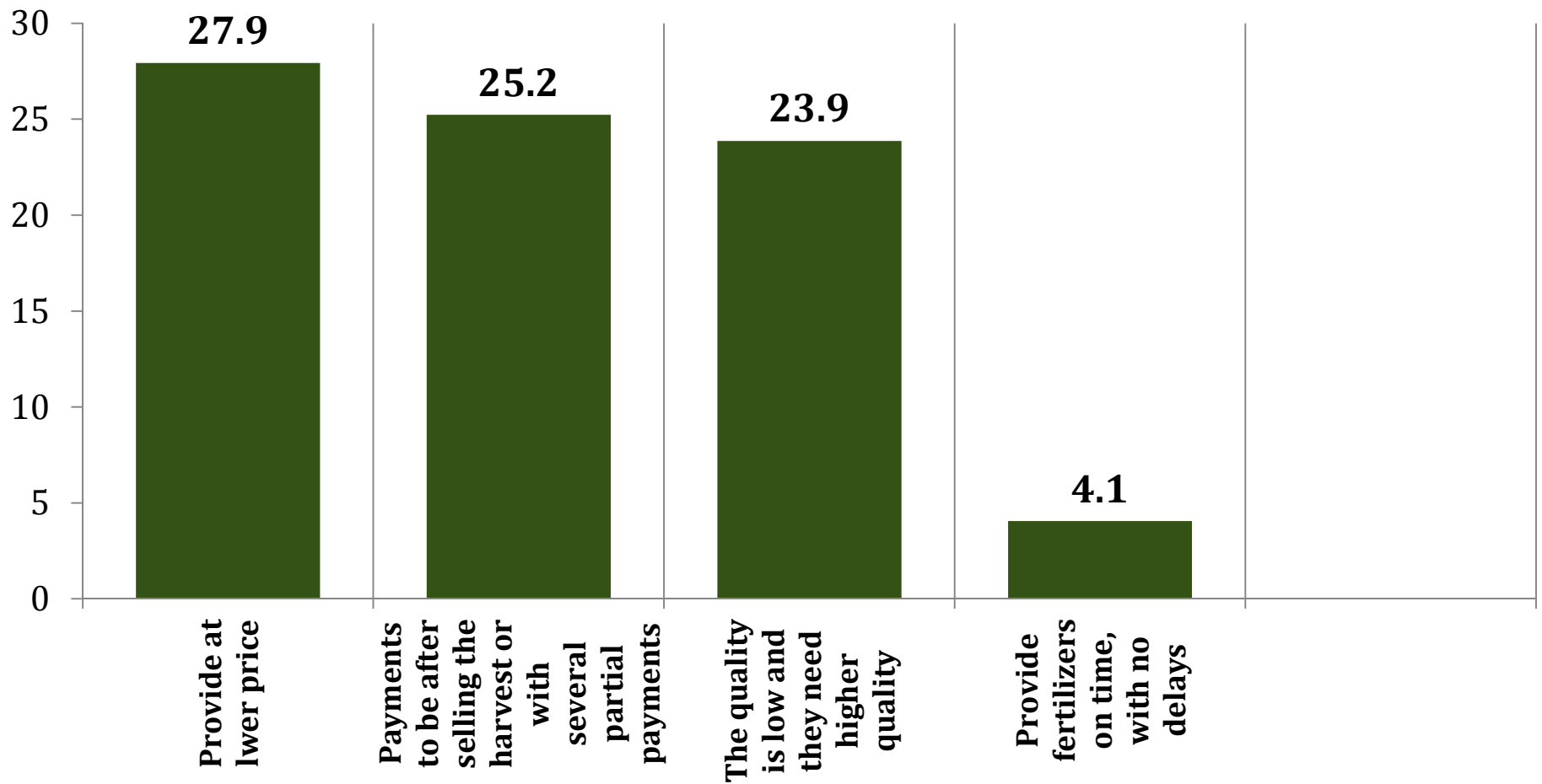
SSAL: COMMENTS OF FARMS ON SSAL PROGRAMMES

24% of farms believe that the quality of fertilizers is low and they need better fertilizers.



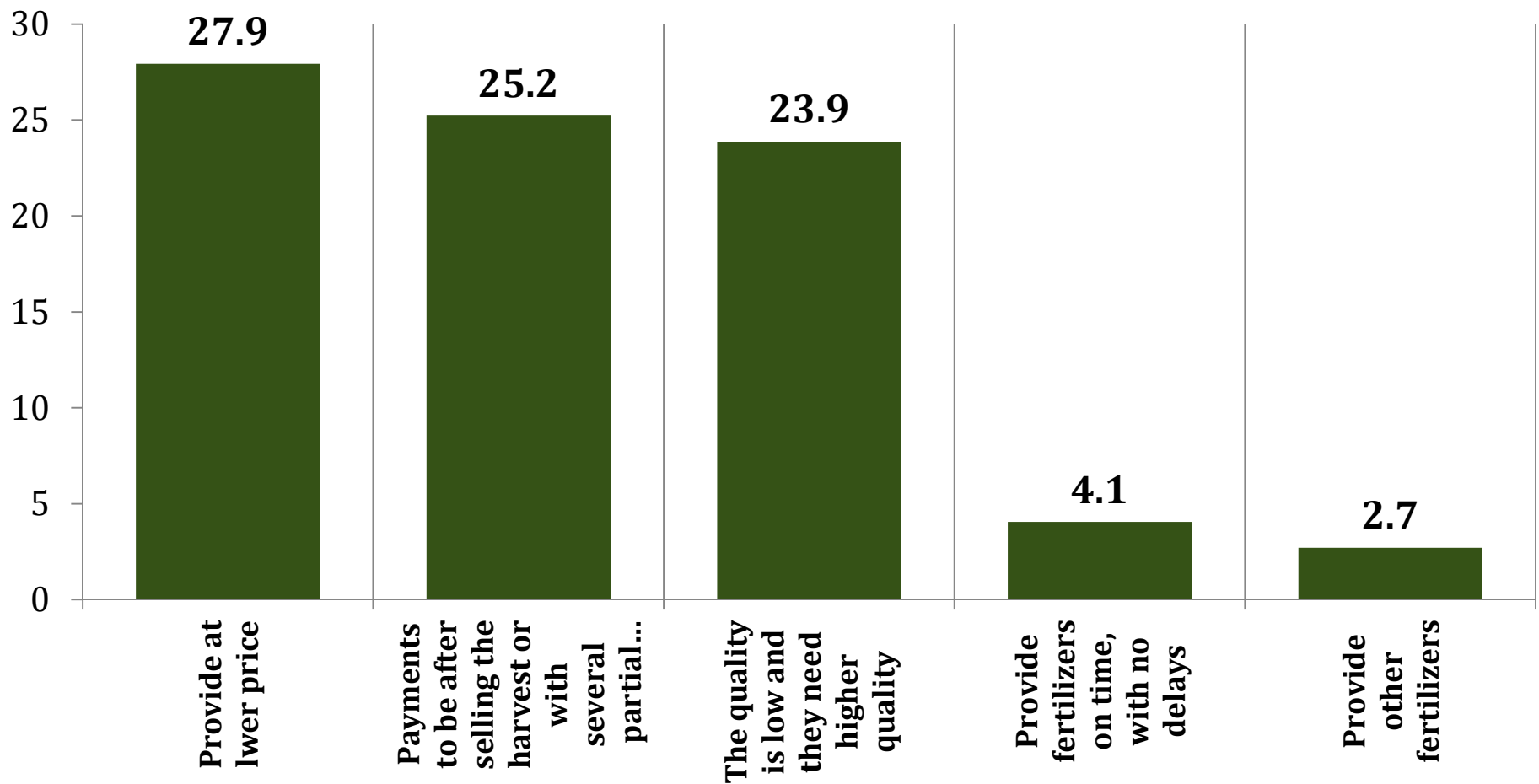
SSAL: COMMENTS OF FARMS ON SSAL PROGRAMMES

4.1% of farms mentioned about delays in distribution schedules.



SSAL: COMMENTS OF FARMS ON SSAL PROGRAMMES

2.7% of farms believe they need other, new types of fertilizers.



Source: PSES-2016, EDRC

QUALITATIVE RESEARCH FINDINGS

- Fertilizers distributions process is transparent, however, the procurement of fertilizers is not transparent.
- Suppliers are selected by the Government without a competitive selection and, therefore, other companies are not able to participate in the programme.
- According to sector experts, production of fertilizers can be organized in Armenia.
- Experts believe that the existing demand for chemical fertilizers can be met by the re-operation of Vanadzor Chemical Plant which is technically ready for the production of nitric and potassic fertilizers.

QUALITATIVE RESEARCH FINDINGS

- The qualitative research of lands is very important. People mainly don't know what kind of fertilizers are needed for that land, and they want the nitric fertilizers (selitra as they call it), as it has commonly used.
- The heads of community exaggerate the quantity of used lands, they take already subsizes fuel and sell them in the local market – to petrol stations.
- One of the main drawbacks of the program is that farmers have to pay a few months earlier than they receive fuel and fertilizers. If people have to pay for fertilizers, then they prefer to borrow the fuel from the nearest petrol stations during the high season. This mechanism should be fully reviewed.
- Taking in consider the fact that often during checkout process people are paying with liabilities, which have been involved up to twenty percent (yearly), than the effesiency of the subsidy is under the question.

BUDGET FORMULATION AND MONITORING OF THE PROGRAMMES

AGRICULTURAL CONSULTING SERVICES PROGRAMME

PERFORMANCE MEASURES

Outcome indicators

- Development of high quality agricultural infrastructure compliant with current demands in the sector

Output indicators

- Number of consulting events/measures
- Number of trainings/seminars
- Number of field trainings
- Demo works
- Radio and TV programmes
- Number of topics of leaflets and brochures
- Issue sizes of information leaflets and brochures
- Number of newspaper issues
- Newspaper issue size
- Number of trainings/seminars for consultants and other beneficiaries
- Number of consultations to consultants and other beneficiaries

GUIDING RECOMMENDATIONS

Outcome indicators

- Increase in gross output of farms that received consulting by ASCs,%
- Share of farms that experienced increases in revenues, %
- Share of farms applying innovative technologies, %
- Increase in yields in farms applying innovative technologies, %

Output indicators

- Number and shares of beneficiaries per specific types of consulting received
- Number of farms that applied and use innovative technologies;land area used
- Participation of women in specific consulting events, %
- Number of farms per 1 consultant, as well as number of farms that introduced innovative technologies
- Increase in annual revenues of Marz ASCs from paid services and share of revenues of Marz ASCs from paid services in the total budgets of ASCs, %

STATE SUPPORT TO AGRICULTURAL LAND-USERS

PERFORMANCE MEASURES

Outcome indicators

- Increase in gross output of farms

Output indicators

- Number of communities
- Frequency of transfer payment

GUIDING RECOMMENDATIONS

Output indicators

- Number of farms included in the programme, % of total
- Land area, % of total
- Fertilizers price, percentage of market value, according to the types of fertilizers

RECOMMENDATIONS

RECOMMENDATIONS

AGRICULTURAL CONSULTING SERVICES

The existing system needs to be **significantly changed** both institutionally and in terms of its quality. All units in Marzes shall adopt the same strategic approaches and principles and be managed from a single centre which will result in significant cost savings.

ASCs need to clarify their vision.

Specific recommendations.

- **Clarification of target group,**
- **Target group analyses and identification** of necessary paid and free-of-charge services,
- **Determining the mechanisms** by which the services will reach the farmers,
- **Target group estimates,**
- Discuss the possibility of having one consultant for 2-3 neighbouring communities,
- Review non-financial indicators of the budget programme,
- Introduce on-line tools and use of communication means in the dissemination of consulting services in agriculture.
- Put efforts to increase the awareness of farms and enhance participation to the ASCs events.

RECOMMENDATIONS

STATE SUPPORT TO AGRICULTURAL LAND-USERS

Cost-efficiency of this subsidization policy needs to be justified.

Is input subsidization the best strategy under severe resource constraints.

Input subsidization vs. output (product) subsidization.

The Government created distortions in fertilizers' market with its interventions. Use of input subsidization shall be terminated at all since free market competition may result in fertilizer prices lower than the subsidized prices.

Use of the resources in current amounts to support the local production shall become subject of discussions. The question is: is it possible to ensure local production of the same fertilizers or substitutes thereof?

RECOMMENDATIONS

STATE SUPPORT TO AGRICULTURAL LAND-USERS

The following rules shall be followed:

Farmer cannot afford advance payments. Financial or cash problems are the major problem for them.

Distribution of fertilizers shall be accompanied with soil and crop analyses in order to find out the appropriate fertilizer for each soil and crop type, as well as quantities to be used.

The primary target of agricultural support shall be set for each region. Middle class farms are the basis for future development of agriculture. These farms shall be the target when selecting government agricultural support instruments. Meanwhile, smaller farms need social support instruments more than economic support.

Procurement and supplier selection process contains various risks. It is necessary to select suppliers of fertilizers through open selection procedures.

It is necessary to review the performance (non-financial) indicators by including the indicators describing the coverage of farms and efficiency of interventions based on the guiding options provided in the present report.

THANK YOU



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