

Local Innovation Support Funds: an international review of experiences to derive practical guidelines

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ABSTRACT

The PROLINNOVA Global Partnership Program to promote local innovation in ecologically-oriented agriculture and natural resource management (NRM) has embarked on an multi-country action-research project to create and institutionalize new institutional mechanisms to give innovative farmers, groups or communities direct access to funds to speed up their innovation processes. The Local Innovation Support Funds (LISFs) are intended to be co-owned by local stakeholders. As a first step in this process, an international review of experiences with support funds for farmer-led research and development was undertaken.

This paper provides an overview of these various experiences. The review focused on selected funds related to agriculture and NRM in Africa, Asia and Latin America. In addition, two special cases were included: an innovation fund for horticulture in the Netherlands and a fund for urban community development, as these bring valuable lessons on decentralized design and community involvement in local funds. The cases are analyzed according to important considerations in the design and implementation of pilot LISFs under the FAIR (Farmer Access to Innovation Resources) project.

Following this analysis, some strategic choices are outlined to assist in design of the pilot LISFs. Themes explored include:

- Farmer-owned funds versus institutionally-based funds
- Level of decentralization
- The time horizon
- Target groups in relation to levels of poverty and vulnerability
- Individuals versus group applications for support
- Other priority setting and selection criteria
- Administrative and support issues
- Institutional arrangements and governance
- Monitoring and evaluation.

The paper highlights aspects that should be taken into account when designing an LISF and makes suggestions based on the lessons arising from the comparative analysis of the case studies.

Key words: local innovation funds, agriculture, natural resource management, institutional mechanisms, Africa, Asia, Latin America

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INTRODUCTION

Worldwide, millions of farmers¹ are addressing livelihoods constraints and exploring new opportunities by experimenting with unique combinations of indigenous knowledge and new ideas. This capacity to innovate, to build on knowledge coming from different sources is key to local development and the sustainability of farming

In recent years, international appreciation for the potential of building on local innovation has grown (e.g. Reij & Waters-Bayer 2001). However, the current mechanisms for decision-making about agricultural research and development (ARD) and its funding, such as research-extension-farmer councils or competitive grant schemes, are largely controlled by government institutions. They favor activities that involve farmers in the work of researchers rather than involving these in supporting farmers' initiatives. Poor farmers far from the cities and research centers have difficulty in accessing these bureaucratic structures and cannot genuinely influence them.

Central to the approach promoted by the international program known as PROLINNOVA (PROMoting Local INNOVATION in ecologically-oriented agriculture and natural resource management) is the notion that organizations involved in agriculture and NRM research and extension can become more effective if they interact with and support local innovation dynamics. Generally known as Participatory Technology/Innovation Development (PTD/PID), this approach encourages the organizations to recognize local innovations and innovators and engage in experimentation and learning together with them.

At a workshop in 2004, nine country programs² involved in PROLINNOVA considered how local innovativeness could be enhanced. The PROLINNOVA partners (national NGOs and government institutions of research, extension and education) saw a need for alternative funding mechanisms to support farmer-led PID. They developed the concept of Local Innovation Support Funds (LISFs) that would allow farmers to invest in their own research and to decide on and hire the support they need for this. In short, this would lead to a radical change in the way ARD processes are carried out: from researcher-led to farmer-led, where farmers also have the power to manage the funds and to take final decisions over how they will be spent.

To this end, PROLINNOVA sought to create and institutionalize such new funding mechanisms. In 2005, it managed to gain support from the French-funded DURAS (Promoting Sustainable Development in Agricultural Research Systems) and DGIS (Netherlands Directorate General for Development Cooperation) to pilot and learn from LISFs in four countries: Cambodia, Ethiopia, South Africa and Uganda. This pilot project is named "Farmer Access to Innovation Resources" (FAIR). Before the PROLINNOVA Country Programs embarked on setting up pilot LISFs, the PROLINNOVA International Support Team reviewed experiences with similar arrangements in other programs and/or other parts of the world. The aim of the review was to provide a basis on which each Country Program could develop its own design for pilot LISFs, building on the lessons from elsewhere. The main findings of this review are summarized here. It indicates the main challenges and institutional and managerial issues involved in setting up such funds and highlights strategic choices that each Country Program would need to make³.

¹ "Farmers" is a collective term that refers to all people who produce and/or harvest from crops, animals and aquatic organisms. It includes peasant / family farmers, pastoralists and fisherfolk, among others.

² In Cambodia, Ethiopia, Ghana, Nepal, Niger, South Africa, Sudan, Tanzania and Uganda.

³ For a discussion on the different strategies adopted by the Country Programs involved in the FAIR project, see Krone *et al* (2006).

SELECTION OF CASES

Limited time and resources led us to choose carefully the cases to be reviewed. All the initiatives chosen were driven by efforts to ensure that ARD moves into the field and responds to local demands and interests, with researchers, extensionists, farmers and other local actors working in close partnership. The alternative funding mechanisms were seen as ways to support the reform of ARD, so that it becomes more relevant for poor farmers.

An ensemble of criteria guided the choice and analysis of cases included in this study. We focused on funds related to agriculture and NRM. This already excluded a great number of “community funds” being used to build schools, local roads etc. We focused on cases concerned with small-scale/poor farmers in rural settings. To these initiatives, we added two distinctive ones that provided interesting points of comparison: the Dutch *Innovatiefonds Glastuinbouw* (Innovation Fund for Greenhouse Horticulture, IFG); and the City Community Challenge Fund (C3F), which brings valuable lessons on decentralized design and community involvement in local funds.

The next section gives a short description of the cases studied, while Table 1 brings a summary of their main characteristics, focusing on elements that may be useful when designing and implementing the LISF pilots under FAIR.

BRIEF REVIEW OF CASES

The CATFs (Competitive Agricultural Technology Funds) are part of many research systems in different parts of the world. They aim at making research planning and implementation more demand-driven by allowing all interested parties to apply for research funds, which used to be channeled only through the government research institutions. The key features of a CATF are given in Box 1. We looked in detail at the CATF under the National Agricultural Research Organization (NARO) in Uganda and compared this with the findings of a review by the Overseas Development Institute (ODI) on the use of CATFs worldwide (Gill & Carney 1999). In the Ugandan approach to Client-Oriented Agricultural Research and Dissemination (COARD), a multi-stakeholder Fund Management Committee, composed mainly of non-farmers, reviews the applications and decides on granting funds. Proposals may come from NGOs, research centers or groups, community-based organizations (CBOs) or farmer groups. Priority fields for funding are derived from participatory needs assessments carried out beforehand. A review of lessons learnt (NARO & DFID 2004) revealed that, in practice, participation of non-traditional ARD organizations (in particular, farmer organizations) has been very limited: none of the projects has been submitted or led by a farmer group. The funds mobilized through the CATFs can cover activities such as local-level participatory research on agriculture, post-harvest technologies, development of information material for dissemination and pre-multiplication of inputs (e.g. seeds).

Box 1: Ideal characteristics of CATF

- Autonomous or semi-autonomous status in relation to all stakeholders
- Priority areas clearly derived from national policy priorities
- Requirement of evidence that the proposed research is demand-driven
- A set of rules that encourages the widest possible participation in the scheme
- Wide advertisement of the program and of conditions for application
- Peer review procedures that are clear, transparent, professional and anonymous
- A financial and administrative review process that balances priority and quality with cost
- Adequate financial provision
- Integrity, independence, accountability and quality of management
- Non-intrusive monitoring of progress by competent reviewers
- Institutionalized evaluation and impact assessment

Source: Gill & Carney (1999); adapted from J Kampen (1997), Financing of agricultural research: lessons learned with agricultural research funds (Washington DC: World Bank), mimeo.

The **CIAL** methodology for participatory research by smallholders involves the development of Local Agricultural Research Committees (known by the Spanish acronym CIALs). This approach is championed by CIAT (International Center for Tropical Agriculture), an institute under the Consultative Group on International Agricultural Research (CGIAR). CIALs are steadily expanding across Latin America, since the first one was formed in 1989. They are responsible for planning, implementing and evaluating formal agricultural experiments, supported by ARD organizations such as research centers and local NGOs. The funds for the CIALs come from international donors and can be channeled through different organizations: CIAT, local NGOs etc. These organizations selected the CIALs to be supported on the basis of their composition and capacity: the CIAL has to fulfill several simple criteria (a certain number of people involved, division of tasks, women's involvement etc). Whereas the main initial goal was research, CIALs are generally also involved in activities aimed at ensuring continued funding of their work (such as collective production of crops for sale) and thus assume a more "development" character (CIAT n.d., Wheatley 2002).

The **SSPF** (Small-Scale Project Fund) is a supra-regional project started in 1986 by the German Appropriate Technology and Eco-efficiency Program (GATE), a section of the German Agency for Technical Cooperation (GTZ). The SSPF makes funds available to self-help groups so that they can test and apply "small" innovations related to appropriate technology. It keeps the groups informed about technological options and helps them share experiences already gained with proven technologies. Projects are relatively large (costing up to €20,000) and are submitted by formal organizations that work closely with the target group (and not by the target group itself). Each project must be assisted and supervised by an independent expert, who is known to GTZ or another German development aid organization. This expert sees that the funding is used and the accounts are settled according to the terms of the contract, and is the channel for communication with GTZ. The proposals are selected by the SSPF Coordination Group, which is composed only of GTZ staff (GATE/SSPF website, Trenkle 2005).

The **ATIRI** (Agricultural Technology and Information Response Initiative) began in late 2000 in Kenya, partly financed by a World Bank loan, and was aimed at empowering farmers' groups to make technology and information demands on agricultural service providers. The initiative targets CBOs, which submit the proposals. These are screened by a committee at each of the Regional Research Centers and forwarded to a National Steering Committee for final approval. The grants cover the acquisition of technological inputs (e.g. planting material), exchange visits to other farmers who have already adopted a technology, visits by Kenya Agricultural Research Institute staff and other costs of seeing, learning about and adopting technologies (Gustafson 2002).

The **SF-FFSs** (Self-Financed Farmer Field Schools) are Farmer Field Schools that can continue to operate through an innovative funding mechanism developed to make the FFSs less dependent on external funds. This approach to FFSs started in 1999 in East Africa. New or established FFSs submit proposals in response to announcements of "Learning Grants". These are normally crop-specific. Each SF-FFS usually counts on the support of a qualified FFS Facilitator, an experienced farmer or extensionist whose services are to be paid out of the grant. The FFS receives the money in the form of a loan to be repaid to a revolving fund managed by the facilitating organization or project. The group requesting the loan must agree by group contract that it will return the operational costs of the FFS to the revolving fund. FFS participants also arrange their own field study plots. In East Africa, FFSs have begun to establish commercial plots, which – as in the case of the CIALs – are used to raise more funds for the group (Gallagher 2002a, 2002b; Sones *et al* 2003).

Table 1: Comparative analysis of the different cases of alternative funding mechanisms

Case	Volume (in US\$) ¹		Who accesses fund		Longer-term vision ²			Main direction ³	
	Large (>USD 1000)	Small (≤USD 1000)	Individuals	Groups	Sustainable NRM	Acquisition of technology	Innovation development	Research	Development
CATF	X (<USD 25,000/ 2 yrs)				X		X	X	
CIAL		X (USD 500/yr)		X	X		X	X	X
SSPF/GATE	X (<USD 23,000 / 1 or 2 yrs)			X			X	X	
ATIRI	X (average of USD 3000)			X		X			
FFS		X (USD 100– 400/season)		X	X	X			X
NIF	X	X	X				X	X	X
C3F	X (up to USD 10,000)	< USD 1000		X	X				X
IFG	X		X			X			X
LISF–Nepal		<USD 750			X		X		X
LISF–FAIR (suggested)		X	X	X	X		X	X	X

¹ Some of the cases reviewed have two “modes of operation”, in relation to smaller and larger grants.

² Refers to the general aim of the initiative. “Sustainable NRM” refers to projects that regard grants as broader means to achieve more sustainable livelihoods, as ways of e.g. building farmers’ capacity to experiment in NRM. “Acquisition of technology” refers to grants aimed at buying or creating access to externally-developed inputs (knowledge, seeds etc). “Innovation development” refers to the experimental character of some of the funds, which focus on further developing an innovation.

³ The cases in which grants are used for experimentation are marked as “Research”. Note that cases might be simultaneously linked to experimentation (trying new things out) and direct local development (seed purchase, promoting local markets etc).

In India, the **National Innovation Foundation (NIF)** developed through the efforts of the Honeybee Network, born at the end of the 1980s. Over the years, the network has documented innovations and traditional practices and collected outstanding examples of contemporary knowledge to form a database with about 10,000 entries (Honeybee Database of Grassroots Innovations). In 2000, in a path towards institutionalizing this approach, the Indian Department of Science and Technology helped establish the NIF, with the main goal of providing institutional support in scouting, spawning, sustaining and scaling up grassroots innovations and helping their transition to self-supporting activities. The NIF supports individual innovators in further developing their innovations, in partnership with public and private sector actors, with a view to adding value and commercializing the innovation (NIF 2004, Honeybee Network website, NIF website).

The **C3F (City Community Challenge Fund)** is supported by DFID (British Department for International Development) and managed by CARE International UK and the Local Government International Bureau UK in Zambia and Uganda, respectively. Set up in the year 2000, it provides a localized funding stream for poverty-alleviation projects that are community-initiated, city-based and focused on capacity building. The project aims to develop an effective (in terms of cost and human resource efficiency) and transferable mechanism for channeling multiple small-scale investments to urban development projects initiated by communities. The C3F supports poverty-alleviation initiatives by poor urban communities and their representative local authorities. Local groups can apply to the C3F. It thus responds directly to their projects and priorities. Within this initiative, a fast-track procedure was designed for “Small Projects” (under USD 1000), for which the applying group need not be formally registered (Beall 2003, City Community Challenge Fund 2002, DFID/UN-Habitat 2002, Kiyaga-Nsubuga *et al* 2001).

The Dutch **Innovatiefonds Glastuinbouw** (Innovation Fund for Greenhouse Horticulture, IFG) was set up in 2004 when, in this very capital-intensive sector (glasshouses), individual farmers increasingly felt it impossible to innovate because of the costs involved and the associated risks⁴. At the same time, the need for innovation was felt very strongly, not only for economic reasons to remain competitive, but also because of the necessity to meet new government requirements in terms of energy efficiency and environmental management. The IFG was created to support farmer-led ARD that combines resources from different stakeholders in innovation in the horticultural sector: the farmers themselves through their farmer organization, the government and private investors. An independent legal body has been established to manage the fund and to regulate and secure property rights on innovation outcomes with wider market potential (Innonet 2004).

LIBIRD (Local Initiatives for Biodiversity, Research and Development, the NGO coordinating the PROLINNOVA program in Nepal) is piloting a Local Innovation Support Fund (**LISF–Nepal**). While LIBIRD’s experience is still very new (having started in 2005), it already provides some interesting insights (LI-BIRD 2005). The LISF is aimed at providing funding support to farmers, farmers’ groups and CBOs involved in promoting local innovation. LISF–Nepal is presently managed from within LIBIRD but, in the long run, it is foreseen that the management committee will consist of farmers’ representative, local extensionists, representatives from relevant line agencies and staff from LIBIRD. The innovations supported may be technical (e.g. plant breeding, new ways of conserving soil and water) or “soft” (e.g. new institutional arrangements).

STRATEGIC CHOICES FOR AN LISF

From the review of these cases, a number of strategic issues emerge that should be taken into account when designing an LISF. For each point, a summary of findings from the case studies is followed by suggestions (in italics) for designing LISFs in the FAIR project.

⁴ Though the level of finances in this sector is much higher than in countries involved in the FAIR project, the issue of funds needed to accelerate innovation and farmers’ capacity to carry these costs may be similar.

Institutionally-based versus farmer-owned funds

Three types of fund can be distinguished: 1) LISFs based in existing institutions such as government research organizations or large farmer unions; 2) those based in new independent institutions such as the NIF in India; and 3) those managed by local farmer groups or communities, such as the CIALs in Latin America or the SF-FFSs in East Africa. However, all three types are catalyzed by resources from outside. In the case of funds managed by farmer groups or communities, there is a larger fund above them that channels and manages the resources available for the local funds. *We suggest that two levels be included in the LISF design: a larger, institution-based LISF supporting and catalyzing the emergence of community-based innovation funds.*

Level of decentralization

An important strategic choice is whether the institution-based LISF should be organized at district, regional or national level. The NIF in India is a national-level organization, though with good links to grassroots networks. The description of the C3F for urban settings highlights the advantages of a more decentralized set-up, with a fund in each town: easier access by more marginal groups, simplified and speedy screening of proposals as the people managing the fund have closer knowledge of the proponents and, most importantly, greater possibility to involve communities and CBOs in designing and managing the fund. The ODI study (Gill & Carney 1999) points, however, to a challenge in decentralization: maintaining quality in managing the fund, particularly in screening applications. ATIRI in Kenya arranged assessment of proposals at provincial level with a final “marginal” screening at national level. COARD in Uganda and the SF-FFSs in Kenya have regional funds managed by a regional organization or committee. *We suggest to start the LISF at the lowest possible level (district or sub-region), allowing involvement of farmers and institutions active at this level but, at the same time, to ensure some input from national PROLINNOVA partners for quality support. Once successful, this LISF can be either replicated in other districts or expanded to include neighboring districts.*

Target group

In the CATF cases studied by Gill & Carney (1999), some funds target more disadvantaged groups. This is done in two ways: 1) the options given priority for funding are those that the poor are likely to be able to apply; 2) the fund is open only for applications from poorer farmers. As it cannot be assumed that technologies developed by or with better-off farmers will gradually spread to poorer ones, this cannot be used as justification for supporting applications from such farmers (NARO & DFID 2004). The ODI study (Gill & Carney 1999) concludes that funds without a strong equity focus find it easier to survive in the long run, as they serve primarily clients with their own resources and political influence to ensure that financial inflows are sustained. In contrast, funds with a strong equity focus require more political commitment if they are to become sustainable. Similar issues arise regarding the gender dimensions of the proposals. Generally, one can expect that more pressure from the management of the LISF would be needed to ensure that applications indeed pay attention to gender dimensions. *We suggest: 1) to focus LISF grants on technical or social innovations that are likely to be relevant for smaller-scale farmers and are without negative gender implications; 2) to consider allowing a certain percentage of LISF grants to go to better-off farmers as long as Point 1 holds; and 3) to make sure that information on the possibilities of the LISF also reaches women.*

Individual versus group applications

Evidence from the experiences of the CIALs and the SF-FFS Learning Grants reveals several advantages of granting funds to groups rather than to individuals. In the SF-FFS case, grants were made to established groups (often of women) and strengthened their functioning. Groups could undertake joint farming activities and thus generate resources to replenish the community-based funds. Groups opened and managed bank accounts. In the case of both the CIALs and the SF-FFSs,

strong groups also formed the basis of larger-scale federations which could then play other key roles such as advocacy and joint representation, e.g. for experimentation contracts with seed companies or research institutes. One can see also the possibility of building up farmer representation in PROLINNOVA decision-making through such federations. With the group approach, several development objectives can be reached that go far beyond only research or innovation. In contrast, the NIF in India makes a large portion of its grants available to individual innovators in the form of venture capital so that they can develop their innovations further and commercialize them. An overemphasis on groups may exclude many creative and innovative people who simply do not like to be part of group efforts. *We suggest giving priority to applications to the LISF by groups/CBOs, particularly to well-established and formalized groups in the case of larger grants; and allowing for a small number of applications from individuals, if their innovations are potentially relevant to poor farmers.*

Other priority-setting/selection criteria

Each fund reviewed had developed a set of criteria according to which the many applications received were prioritized. The following examples of criteria are drawn from the cases:

- The poverty, gender and group issues already mentioned
- The wider relevance of the innovation being developed and/or concerted efforts in helping others (poor farmers in particular) make productive use of these innovations
- Potential for dissemination and uptake
- Demonstrated efficient and effective ways to use the funds, realistic budget and “own contribution” from the farmers
- Consideration of environmental aspects and sustainability
- Strength and past record of the group/individual
- Farmer-owned experiments, with the role of other (external) agents being only supportive
- Possibly a limit to the number of grants that can be given to the same group or individual.

We suggest to prepare a list of key selection criteria inspired by the above list, and to make sure that criteria are made widely known and expressed in simple and clear language.

Timeframe for grants by LISF

In most cases, the grants covered only 1–2 seasons or years. If grants are made for only one year, the activities proposed have a very short timeframe. To address research questions with a longer time horizon, it may be necessary to provide also longer-term grants to groups that have shown competence in handling shorter-term LISF grants. *We suggest that the timeframe for LISF grants should generally be one season or year but the possibility of making longer-term grants to successful groups be considered, if required by the nature of the proposed ARD activity.*

Funding volume

The institution-based funds involve relatively large amounts of money. One research grant can be for as much as USD 23,000 per year. The SF-FFS Learning Grants are typically about USD 300 each. In the ATIRI in Kenya, the group- and CBO-managed grants are around USD 3000 each. *We suggest to keep individual grants small (e.g. 100–400 Euro) during the pilot phase when the LISF has limited resources, and then to plan for different grant volumes, with the smaller ones following a fast-track procedure with less administrative requirements.*

Activities that may be funded

According to the COARD study, it is vital that farmers understand why only certain types of activities may be funded, i.e. that they understand the purposes for which the LISF is intended (innovation, knowledge sharing and learning), and do not expect free inputs as a major part of the LISF grants. The following list of activities that could be covered by an LISF is derived mainly from experiences of the SF-FFS, CIALs and ATIRI:

- Costs of learning visits by farmers to other farmers or to research and extension centers;
- Costs of farmer-led experimentation (simple measuring equipment, notebook etc). It is advisable to exclude costs of inputs such as seed or fertilizer, as farmers should be able to cover these from the sale of outputs from the trial; this obliges them to make realistic cost-benefit analyses of the results of their experiments. However, this raises the question as to whether very poor farmers need some start-up money as a grant or loan so that they can make the initial purchase of inputs for experimentation;
- Payment for involvement of ARD agents – NGO, government or private: most fund managers accept in principle the payment of travel and/or accommodation allowance. However, farmers may find it difficult to pay these at official government rates and may prefer to pay actual costs and arrange accommodation and meals for the ARD agents;
- More controversial is the payment for the time of ARD agents. To allow all organizations (not just those with core funding) to be involved in LISF-supported activities, some compensation for staff time seems necessary. Reports on SF-FFSs suggest using a “reasonable” fee (to be determined per country or even per agency). Most documents emphasize the need to request “own contributions” from the supporting organizations, assuming they have resources and time to support LISF activities from their regular research and extension programs;
- Costs for preparing documentation (brochures, photographs, posters etc) on the outcomes of the activity funded;

Venture capital is a key component of NIF grants in India to allow individual innovators to develop their innovations to a level that they can be commercialized. This is not included in the other grant schemes, which are set up using public funds to produce “public goods” intended to benefit groups/communities rather than individuals.

We suggest: 1) to consider the above-mentioned points in defining activities eligible for funding; 2) to create a system of insurance in which the value of inputs (seeds etc) might be paid back to the farmer experimenters if the experiment fails; and 3) to prepare some simple templates that farmers can use when applying for funds for, e.g. farmer-to-farmer visit, short training, single-season PID or FFS etc⁵ – these templates would include basic information needed, budget lines and a pre-defined grant ceiling for these activities; the farmers could then gain ideas and complete the application forms more easily and quickly; in addition, an open form would still be available for applicants whose proposals do not fit into any of the pre-defined choices.

PID capacity of ARD staff to support LISF-funded activities

On the one hand, the PID capacity of ARD staff may be a selection criterion for their involvement. On the other hand, if there are few people with such capacity, PID training may have to be given so that the LISF can function well. Generally, the LISF grant would not be used to fund such training; it would therefore be necessary to link up with organizations that have funds from other sources to offer training, e.g. those involved in PROLINNOVA programs. *We suggest: 1) to pay attention to the extent that ARD agents involved in activities to be funded through the LISF have enough PID understanding and skills to support farmer-led research; one option is to encourage farmer applicants to consider this criterion when they select agents to support their research; 2) to encourage farmers to involve ARD agents who have received PID training through PROLINNOVA; and 3) to make an inventory of PID trained/ experienced people in the different regions who are willing to support farmer-led research.*

ADMINISTRATION AND SUPPORT

Preventing bureaucracy

The fund should be administered by an institution that has no direct stake in the actual grants. This

⁵ With thanks to Esbern Friis-Hansen and Henrik Egelyng for this suggestion.

excludes the ARD organizations that are to give services under the grants. There is considerable danger, especially for the smaller grants that an LISF will provide, that administrative procedures and requirements – justifiable to ensure quality – will take a large part of the available budget because much time and resources are needed to handle many small grants (*cf.* ODI). One solution may be to distinguish between two different types of application: the first for very small amounts (Euro 100–200) for rapid treatment (i.e. only light screening) and the second for larger grants that require more detailed assessment and prioritization. Gill & Carney (1999) also report the use of “volunteers” to do an initial pre-screening; this cut down costs but, in the case of the larger funds they studied, often led to delays, because volunteers could not be depended on to respond quickly. *We suggest: 1) to keep administrative costs as low as possible; 2) to consider alternatives to bureaucratic procedures, such as peer review of proposals by farmers or communities, selection and recommendation by well-respected partner organizations, and use of volunteers; and 3) to consider using two streams: small funding amounts for light screening and larger amounts for more thorough screening procedures.*

Selection committee

In most cases, a committee was formed to make final decisions on approval of applications for funding. This committee needs to be able to make unbiased decisions. This is particularly important if the LISF is, in the long run, to attract regular funding from government sources. It needs to establish a reputation of transparent decision-making and independence from individual stakeholder interest. The COARD study in Uganda stresses the need to include representatives of key stakeholders in the committee and raises the question of how to ensure they are true representatives. Each member of the selection committee should meet most or all of the following criteria:

- Acceptable to those whom s/he is representing
- Willingness and availability to review proposals in own time and in meetings
- Broad-based experience in agriculture and/or NRM
- Member of an organization/group with a good reputation for performance and integrity
- Familiarity with participatory approaches in collaboration with NGO/ research/ extension
- Experience in monitoring and evaluation
- Articulate communicator able to present ideas clearly both written and orally.

A gender balance in the committee should be sought. A critical question is whether formal researchers should be in the selection committee, if this means they cannot be involved in the activities being funded⁶. In countries with few farmer-oriented researchers, this could be a big bottleneck. A large committee makes the selection more costly in terms of travel allowances etc but helps prevent that the individual preferences of members play too large a role. *We suggest to consider carefully the composition and size of the selection committee for deciding on proposals to the LISFs, taking the above into consideration.*

Contract-based grants

Most case studies stress that, if farmers receive a grant from an LISF, it should be formalized in a Memorandum of Understanding (MoU) or contract to be signed by the farmers and all other key actors involved (researchers, extensionists etc). The MoU specifies the responsibilities of each actor and includes a budget giving full transparency about any allowances and fees paid. To reduce administrative costs, one could consider using such MoUs only for larger grants, whereas smaller grants could have a lighter procedure, e.g. simply a letter of approval by the LISF countersigned by the farmers. The COARD study raises the issue of the extent to which the farmers are accustomed, able and willing to work with and fulfill contractual obligations. If it is a question of willingness, the application procedure should be such that people seeking only quick financial benefits are “weeded out”. A small size of the grant would probably discourage them. *We suggest to plan for a*

⁶ The same would apply to farmers, extension and NGO staff, who would have to be selected amongst those without a direct interest in implementing the activities funded through the LISF.

procedure that makes the use of the grants fully transparent to all involved, e.g. by signing an MoU or contract to which all stakeholders have access; and to consider the possibility that grants be approved on the condition that a PROLINNOVA member organization supports it. However, this might add a layer of bureaucracy to the process, as farmers would have to ask for a statement from the PROLINNOVA member organization.

Monitoring and evaluation

There is little information in the case documentation about monitoring and evaluation (M&E) of the grants. The challenge seems to be to strike a balance between, on the one hand, the need for information on what was done and its impact and, on the other hand, the need to keep M&E simple and overheads low. In the case of most funds reviewed, reporting requirements were specified in the MoU or contract. The reports included information on expenditure of the grant money (financial report), activities actually implemented, results (e.g. outcome of experiments, what was learned during cross visits) and wider spread of these results.

All contributors of resources to an LISF will want evidence of its cost-effectiveness in generating innovations relevant for a wider group of farmers, at least in the locality. In practice, M&E in most funds is limited to looking at the use of the funds and completion of activities as in the proposal. It would be necessary to include a few simple questions and means of verification related to the wider relevance of the outcomes of the experiments and their spread. However, on this very point, the COARD study concludes that too little information is usually given. In some cases (e.g. C3F), LISF staff or people hired by them make field visits to do M&E, but these are “costly”. If the LISF is decentralized, field-based M&E becomes easier and cheaper. Organizations partnering in the LISF may be able to do M&E of the grants as part of their regular fieldwork. *We suggest: 1) to apply different M&E procedures to smaller than to larger grants, and 2) to consider other, more direct activities for M&E of the grants in addition to the regular reporting.*

Roles of LISF beyond granting and monitoring funds

In several studies, it is evident that people involved in handling the fund play a role that goes beyond administering the screening process and disbursing resources. They assist communities in reflecting on and analyzing what they really want, preparing a solid plan for this and then making a good application. They also assist in documentation and analysis of results of the activities funded through the LISF. While each grant may include activities by farmers and their support agents in documenting the main results achieved, some of this documentation may merit wider distribution through various media. This latter activity is, in most cases, not part of the grant. *We suggest: 1) to make a conscious choice whether the managers of the LISF should assume these additional tasks and, if so, explore possibilities to access other financial resources for them; 2) to encourage other people to support farmers in proposal writing, e.g. ARD agents who will be involved in the actual activity (though monitoring will be needed to ensure that the proposal reflects the farmers’ interests and not only those of the agents); and 3) to include farmers’ documentation of results as part of the activities under the grant.*

Human resource development

The studies stress the need to ensure that the managers of the LISF are capable of doing so. This includes skills in facilitating the screening process and the selection committee, and handling the administration, forms and computer program. If these skills are not present, some initial training has to be planned for. *We suggest to screen and select proposed LISF staff with these capacities and to send key LISF staff members to a PID training-of-facilitators course offered by PROLINNOVA.*

INSTITUTIONAL ARRANGEMENTS AND GOVERNANCE

In the present set-up of the LISF pilots funded through DURAS, the overall fund in each country is managed by an NGO partner in the PROLINNOVA Country Program. Will it remain there, or should

a different institutional base be found? In the case of the Dutch IFG, a new legal entity was created: a non-profit foundation. This separate body allows various donors, including the Netherlands Government, to contribute to the fund, as it is not part of only one interest group. The legal body may also monitor issues of Intellectual Property Rights (IPRs). If the IPRs lead to financial benefits, the foundation can develop rules how to divide them between the farmer group(s) involved and the investors in the fund. The ODI review (Gill & Carney 1999) concludes that CATFs work best in an independent institution, not one involved in activities that may be proposed to the fund. If it is hoped that government resources will ultimately be fed into the LISF, the new or existing institution managing the overall fund will need to make clear from the beginning how it and the LISF links with existing government policy priorities. The SF-FFSs in East Africa are sustained through money from a revolving fund to which farmers repay in kind or cash. As the FFS activities have led to active farmer networks, the emerging federation of FFS networks is suggested to be the best host for the fund to ensure accountability. Obviously, this would lead to great control by farmers over the activities of the fund.

We suggest: 1) to make the future institutional position and ownership of the LISF an important area of attention from the outset of piloting the fund in each country; 2) to ensure adequate farmer involvement in discussions on the institutional setting and governance of the fund; and 3) to allow sufficient time to resolve these issues: i.e. run the fund in the pilot stage from a temporary setting, analyze the experience thoroughly, and then plan systematically for the transfer of overall LISF management to a more independent position, if found necessary.

FUND REPLENISHMENT AND FUND-RAISING

A regular flow of funds into the LISF, whether at farmer-group or higher institutional level, is essential for its longer-term functioning. The cases studied with innovation funds at farmer level (CIALs, FFSs) emphasize the need and potential to revolve and expand the funds using outputs of the experiments and other activities and/or through local fund-raising. Many of the funds within institutions depend on donor support through project funding, and stop when this ends. According to the ODI study, only the CATFs in Latin America are based on regular government ARD funding and have therefore lasted longer than most of the other mechanisms. The NIF in India has also been successful in mobilizing government support. Governments, however, will contribute to the funds only if these are very much in line with government priorities (Gill & Carney 1999). In the case of the IFG in the Netherlands, the fund combines resources from the government with those from farmers through their organizations as well as funds from private parties (investors).

The LISF may have a competitive advantage over other ARD funding channels if it can operate with relatively low transaction costs and can reduce bureaucracy and overheads. Part of the costly formal screening procedures in government CATFs can be replaced by peer assessment or application support by reliable PROLINNOVA partners. The studies on urban community funds warns, though, not to raise too much funding for the LISF, not to have it replenished or expand it financially too quickly, particularly if the basic rules and procedures are not yet mature. Pressure to spend money should be prevented.

We suggest: 1) to analyze and strategize future resource mobilization for the LISF from the very beginning, as it will co-determine how the fund is positioned; 2) to study government priorities and future funding strategies and to explore how the LISF can link up with these; and 3) to investigate the possibilities of establishing an endowment fund so that at least part of the LISF could operate on the interest.

Time horizon

The FAIR pilot funded through DURAS is for only two years. However, in all cases reviewed, it is stressed that the people involved in the local funds – farmers, CBOs, research and extension

organizations working together with them and the organization running the LISF – need time to learn new roles and to learn how to collaborate. The LISF mechanism is a fundamental change from what has previously been done in most countries. *We suggest to plan for a pilot phase of 3–5 years and to continue to seek external resources to complement the resources currently available.*

CONCLUSION

This review shows that considerable experience exists in alternative mechanisms to funding ARD, but few experiences refer to LISFs that are farmer-led – not because they have failed, but because they have had different aims. This overview has identified some key issues to be considered when designing LISFs under the FAIR project. In the meantime, the Country Programs involved in this project have completed their initial exploratory studies to identify the best institutional set-ups for piloting the LISFs in each particular country, and have taken these suggestions into account. They have now embarked on their own learning process about use of LISFs to fund farmers' research. Lessons generated will provide a new perspective on funding mechanisms for participatory ARD. The monitoring and evaluation system set up for the FAIR project will be central to multi-stakeholder learning from this action research.

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Annex 1: List of acronyms

ARD	Agricultural Research and Development
ATIRI	Agricultural Technology Information and Response Initiative
C3F	City-Community Challenge Fund
CATF	Competitive Agricultural Technology Fund
CBO	Community-Based Organization
CGIAR	Consultative Group on International Agricultural Research
CIAL	Local Agricultural Research Committee
CIAT	International Center for Tropical Agriculture
COARD	Client-Oriented Agricultural Research and Dissemination
CSO	Civil Society Organization
DFID	Department for International Development
DURAS	Promoting Sustainable Development in Agricultural Research Systems
FAIR	Farmer Access to Innovation Resources
FFS	Farmer Field School
GATE	German Appropriate Technology and Eco-efficiency Program
GTZ	German Agency for Technical Cooperation
IFG	Innovation Fund for Greenhouse Horticulture
IPRs	Intellectual Property Rights
LIBIRD	Local Initiatives for Biodiversity, Research and Development
LISF	Local Innovation Support Fund
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
NARO	National Agricultural Research Organization
NGO	Non-Governmental Organization
NIF	National Innovation Foundation
NRM	Natural Resource Management
ODI	Overseas Development Institute
PID	Participatory Innovation Development
PROLINNOVA	Promoting Local Innovation in ecologically-oriented agriculture and NRM
SF-FFS	Self-Supporting Farmer Field Schools
SSPF	Small-Scale Project Fund