

THE INVISIBLE FRONTIER: THE CURRENT LIMITS OF DECENTRALIZATION AND PRIVATIZATION IN DEVELOPING COUNTRIES¹

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Abstract

This paper reviews agricultural and rural extension reform literature with the purpose of arguing for a new vision within which to reformulate current reform strategies. Its purpose is to suggest how to traverse “the invisible frontier” where the current limits of decentralization and privatization strategies operate and to break through into a vision that promotes balance of powers aimed ultimately at greater democratic development.

Introduction

The contemporary rush to reduce the role of the state in public service provision has resulted in a plethora of institutional reform measures, generally summed up under the headings of decentralization and privatization.

This dissatisfaction with the public sector is due in part to its management failures (a problem that still needs to be seriously addressed), but reflects also the global shift toward private sector hegemony in commercially related activities and the consequent pressures of the public sector. At the same time, notably in low-income developing countries, there are the twin pressures to meet the challenges of increased globalization and the scourge of ignominious poverty.

International organizations are promulgating a host of strategies aimed at helping low-income developing countries to reform service systems such as agricultural and rural extension. Concentrated on decentralization or privatization reform, these strategies lack a clearly stated, long-term vision of socio-political and economic development.

An invisible frontier delimits the international strategies toward decentralization and privatization.

The way in which these concepts are interpreted and consequently the way they are carried out makes for this delimitation. To visualize this frontier, the meaning of decentralization and privatization must be revisited.

1. Two Main Strategies of Reform: Decentralization and Privatization Decentralization

An early observer of contemporary institutional change, Rondinelli (1987) defined decentralization as: “the transfer of planning, decision making or management functions from the central government and its agencies to field organizations, subordinate units of government, semi-autonomous public corporations, area-wide or regional development organizations, specialized functional authorities or non-governmental organizations”.

Decentralization, Rondinelli argued, could be distinguished “by the degree of authority and power, or the scope of functions, which the government of a sovereign state transfers to or shares with other organizations within its jurisdiction”.

He categorized decentralization into four forms: deconcentration, delegation, devolution and

¹ Revision of paper presented at the Association for International Agricultural and Extension Education (AIAEE), conference, Arlington, VA, 2000. Longer version published as chapter in F. Brewer (ed.), (2002) *Agricultural Extension: An International Perspective* (2001). N. Chelmsworth, MA: Erudition Books.

transfer to non-government institutions.

Privatization

Not everyone agreed with the emphasis on decentralization as the pivotal focus of institutional change.

On the contrary, Prokopenko² (1995) considered any effort at public sector decentralization to be a form of privatization. Indeed, to privatize public sector extension has become policy for many high-income countries after the mid-1980s.

Strictly speaking, privatization means a full transfer of ownership, usually by way of sale or gift, from government to a private entity. In this sense, the privatization of agricultural extension has taken place in only a few high-income countries:

The Netherlands, New Zealand, the United Kingdom, and subgovernment segments in Australia. Yet, when applied to agricultural extension, privatization is more often used in the broadest sense, of introducing or increasing private sector participation, which does not necessarily imply a transfer of designated state-owned assets to the private sector. (Rivera & Cary 1997).

Smith (1997) pointed out a fundamental difference in the two terms, privatization and decentralization, and labeled that difference "market and non-market". The distinction proposed by Smith between market-oriented and non-market oriented strategies made plain that these two concepts involve quite different ideological orientations having distinctly different implications in terms of development expectations. Smith observed that market reforms introduce or move toward varying degrees of privatization and that non-market reforms involve central government transferring authority for a certain function to other, lower-level, government authorities or other organizations that fall outside its immediate jurisdiction.

Decentralization and privatization have dominated thinking about reform throughout the decade of the 1990s and into the 21st century.

Often used conjointly, along with other concepts that have emerged, such as pluralism, partnership and participation, these two concepts have dominated discussion and also, in some respects, muddied the waters of discussion. Indeed, as some observers argue (Alex 2001)³: "A lot of things are called decentralization that aren't. Subsidiarity is somewhat of a corollary to decentralization. Participation and private sector mechanisms are good with or without decentralization."

2. The Funding and Delivery of Agricultural and Rural Extension as Related to Decentralization and Privatization

One way of highlighting distinctions between decentralization and privatization strategies for reforming agricultural and rural extension is to examine these two main strategies in terms of who funds the services, who delivers the services, and for what purpose.

². Personal correspondence, October 1995, Dr. Joseph Prokopenko, International Labour Organization.

³ Personal correspondence, Sunday 21 Oct 2001 04:39:06 -0400 Galex@worldbank.org.

Diagram 1: Funding and Delivery of Agricultural Extension as Related to Decentralization and Privatization

| | Public Funding to accomplish decentralization | Private Funding to accomplish privatization |
|-----------------------------|---|--|
| Public Delivery | <p>Strategies: Deconcentration, delegation, or devolution to other public sector agencies</p> <p>Examples: Public funding and management of extension systems, e.g., deconcentration to field (branch) offices, devolution to subnational government, or joint budgeting/delivery with farmer associations.</p> | <p>Strategies: Cost recovery strategies employed by public sector institutions and agents</p> <p>Examples: <u>Public management with private funding through direct charging, e.g., fee-based or contract-based services paid directly by farmers.</u></p> |
| Private Delivery | <p>Strategies: Delegation of management to parastatal or private sector organization, including farm organizations.</p> <p>Examples: Public funding (through vouchers or credit to small farmers), with parastatal or private sector (including farm organization) management of delivery services.</p> | <p>Strategies: Transfer of public sector services to the private sector</p> <p>Examples: Private funding and management ("privatization") of public sector extension services by private agricultural development enterprises.</p> |

A. Public funding, public delivery. In this case the public sector -- whether central, state or local government -- funds and manages extension systems. The original determination to decentralize is made by the central government utilizing one or another of the following strategies: deconcentration to field (branch) offices, devolution to subnational government, or joint budgeting/delivery with farmer associations.

B. Public funding, private delivery. In this case the public sector funds extension (through vouchers, credits to farmers, or other fiscal arrangement), while a parastatal, private sector company or farmer organization manages and delivers the extension services. The shift of public sector authority for extension management and delivery is sometimes referred to as "subsidiary" or the transfer of authority to the grassroots level.

C. Private funding, public delivery. In this case the private sector provides the funding for extension. This funding is gained through one or another form of direct charging, e.g., fee-based or contract-based services paid directly by farmers. Such cost recovery strategies may be employed by public sector institutions or by the technical agents that represent the public sector.

D. Private funding, private delivery. In this case the private sector either acquires or develops (commercializes) the public sector extension services and thus assumes responsibility for funding, management and delivery of these services.

3. Expectations and caveats in discussion of decentralization and privatization

One of the expectations of both decentralization and privatization strategies is the advancement of institutional pluralism, that is the involvement of various public and private sector institutions in the delivery, and also in some cases the funding of agricultural and rural extension services. But is institutional pluralism the answer? Originally suggesting simply a composite of players in the provision of extension services, the concept of institutional pluralism is sometimes defined in terms of “partnership”. However, when central government contracts for service delivery or otherwise presumes to share authority with other organizations that fall under its jurisdiction, there is some question as to the equality of the relationship.

Bebbington and Kopp (1998), in their study of pluralistic developments in Bolivia, state that “...the increasing tendency of government to engage in contractual arrangements with NGOs, under which the NGOs merely implemented government programmes, has often served to weaken the identity and legitimacy of NGOs, although it did provide them with much needed funding”. Similarly, Anderson and Crowder (2000) argue that “contracting out tends to be an administrative or technocratic approach where governments and/or donors promote contracting for a variety of fairly economic rationales. However, they also tend to try and keep methodological and conceptual control, which can limit learning and flexibility.... While often advocating the existence of several partners, these approaches do little to encourage pluralistic partnerships...” (Anderson & Crowder 2000).

The simple transfer of power for extension delivery to a lower level of government or other organization(s) appears to be only a partial answer to institutional reform. Such a step is likely to ignore the importance and need for central government to be involved in a number of public sector responsibilities (e.g., policy direction, the (full or partial) funding of public good services, training of subgovernment staff, system standardization, accountability, etc.). As Leonard noted early on (1983), what is needed is “not power for either central or local organizations, but complementary strength in both”. Also, not to be forgotten is that fact that decentralization can lead to more and cheaper control by industry. The fact that government is local may make its councils easier to influence.

Government is not a business concerned with profit, but a political organization with the function of governing people and seeing to their welfare. While economics may be central, it is not the only concern. Thus while institutional and systemic reform remains critical for responding to production and food security purposes, national policymakers responsible for directing extension find themselves called upon to consider its role in the development of rural economies, social equity, and the protection of the environment. This demands a serious review of public sector extension both in terms of who funds and who participates in the delivery of extension services.

The critical role of national government

Contrary to the view that national extension systems have outlived their usefulness, the fact remains that national policy and assistance for certain public sector extension services are needed. For instance, new priorities are coming into play that could, and should, force reexamination of the role of the public sector, especially as it relates to public good services such as agricultural extension. Challenges involving liberalized trade, food security, poverty alleviation, environmental protection, food safety, animal and plant health, and other formidable tasks, such as HIV/AIDS (increasingly an agricultural issue especially in Africa), confront national government, and cannot be met adequately by local and state (provincial, regional) government. There are national issues relating to agricultural and rural information dissemination, for instance, that go beyond the capacity and authority of subgovernments to

resolve for nations as a whole. That said, the lack of capacity and commitment on the part of central government remains a major problem for development.

New responsibilities require a more inclusive paradigm for central government and its role with respect to extension, including extension's role in educating consumers and retailers as well as producers, and new priorities, including the emergence of new clientele and the impact of global urbanization. As cities expand, the frontiers between urban, peri-urban and rural activity are blurring and merging. In the next two decades leaders worldwide may well find themselves confronting again the question of public sector extension's role, with a view to the renewal of its scope and purpose, rather than rushing to shift that role to the private sector. In the Latin American and Caribbean region, for instance, it would seem that governments would want to assign a priority role to public sector extension to help the agricultural and rural sectors to prepare for the expected opening of the free trade area of the Americas and to sort out the implications of this approaching reality for management of everyday agricultural and rural enterprises.

Technical, social and environmental responsibilities are inextricably linked; and ideally need to be met by both public and private sector entities. The multi-functional nature of agriculture is increasingly recognized (FAO/Netherlands 1999). The private and public sectors embody very different ways of thinking about contemporary development and these differences deserve re-thinking.. As Eicher states (2001), "there are some tough questions to be addressed in the current debate on the privatization of extension in rural areas." While various efforts toward partial privatizing through contracting for extension have shown considerable success (Rivera & Zijp 2002), the jury is still out on the much touted decentralization strategies in countries such as Bolivia, Ecuador, Mexico, Paraguay, Mozambique, Uganda, and other developing countries that have adopted or are in the process of adopting decentralization and privatization strategies.

4. Adopting a vision of balance of powers

While the concepts of decentralization and privatization may have been innovative and useful at a time when public sector failures were more than apparent especially in agriculture, analysts are beginning to question these constructs and their predictable outcomes (Eicher 2001). In addition, although useful strategies for central government for various financial and managerial purposes, they lack vision.

The vision that is lacking has to do with the responsibilities of national government, including governance and social welfare as well as overall political and economic development. What is that vision? It is the vision in which would fit the sundry concepts already mentioned -- decentralization, privatization, pluralism and participation. It would involve the much larger and more socio-politically meaningful concept and practice of creating a more equitable sociopolitical and economic balance of powers among the various levels of government and the existing or not-yet-existing farmer-organized private sector.

Government engagement in services such as agricultural extension are necessary of course for market purposes, both to gain national income from exports and to ensure food security among the domestic population, both urban and rural. But agriculture provides social benefits not valued by the market: environmental protection, food security and the maintenance of rural communities. These latter values are often used for protectionism purposes and form the rationale for tariff and non-tariff distortions in food prices (*The Economist* 2001: 69); they are nonetheless aspects of the multi-functionality of agriculture and constitute important values.

Decentralization, as it refers to the transfer of responsibility to lower levels of government tends to ignore the importance of a central (federal) government in providing policy direction, funding of service for the public good, training of subgovernment staff, system standardization, and accountability. Privatization also, as it refers to the transfer of

responsibility to the private venture companies, ignores the importance of a central (federal) government in providing guidance in certain areas where only government in concord with its communities can act responsibly, such as environmental protection.

Other current concepts, such as participation (although important and needed) are partial pieces in the puzzle of development. Important and needed, participatory programs often help participants gain the knowledge, critical skills and self confidence to make decisions about management based on their own experiments, observations and analyses so that natural resources can more sustainably provide them benefits suitable to their livelihood needs. This is the case with recently developed agricultural and rural extension programs promoted by the FAO/UN with assistance from the World Bank, e.g. FFS (Farmer Field Schools) and FFMS (Farmer Forest Management Schools). Such programs provide a platform for participant negotiation in the process of farming or determining the intended use of community resources. Participatory processes such as FFS and FFMS help clientele build a sense of ownership through involvement in program decision-making and management. They are valuable and should be seen as an important effort in the development of balance of powers within nation states.

At best, decentralization and privatization are partial strategies, as are the strategies of pluralism and participation. Democratic development depends not on transferring authority for services that should remain at least in part a central (federal) government concern but rather on the sharing of power through political, economic, social and technical instrumentalities that enhance balance of powers. As noted earlier, "the role of the public sector has to be redefined to permit multiple approaches which account for user diversity, and to develop partnerships with farmer organizations, NGOs and the private sector for service delivery" (World Bank 1995).

While elements of decentralizing and privatizing are needed, any vision underlying the enactment of these and other purposive strategies must be viewed with an eye to the role of central government, not just to its dismantlement or transfer of power. A balance-of-power vision involves a more equitable and broad-based set of players in national development. It is the premise on which contemporary reform strategies need to be built.

Governments and international organizations have not yet gone far enough to promote such a vision. Decentralization, privatization and participatory decisionmaking efforts lack a holistic vision of the various roles of different sectors (including central government) in advancing democratic development within nations and the sectors of their society, including and especially in the domain of agricultural and rural development. There is still an "**invisible frontier**" that stands formidably between piecemeal measures and a comprehensive vision that aims at developing policy and practice that ensure a more equitable balance of powers within, as well as among, countries. And this is nowhere more evident than in the agricultural and rural sectors.

The long-term overall vision and purpose of reform makes most sense when it envisions a balance of power -- between the central authority and other constituent government units and the promotion of a private-sector, including semi-public/private organizations, that advances the development and independence of organized groups around their special economic and social interests.

This vision would mean the advancement (1) among the various levels of government (central, state [regional, provincial, governorate]), (2) between the public and private sectors, and (3) between government and associations, including organized citizens. Such balance of powers does not yet exist in developing countries, and needs to be explicitly set forward on the agenda of development goals.

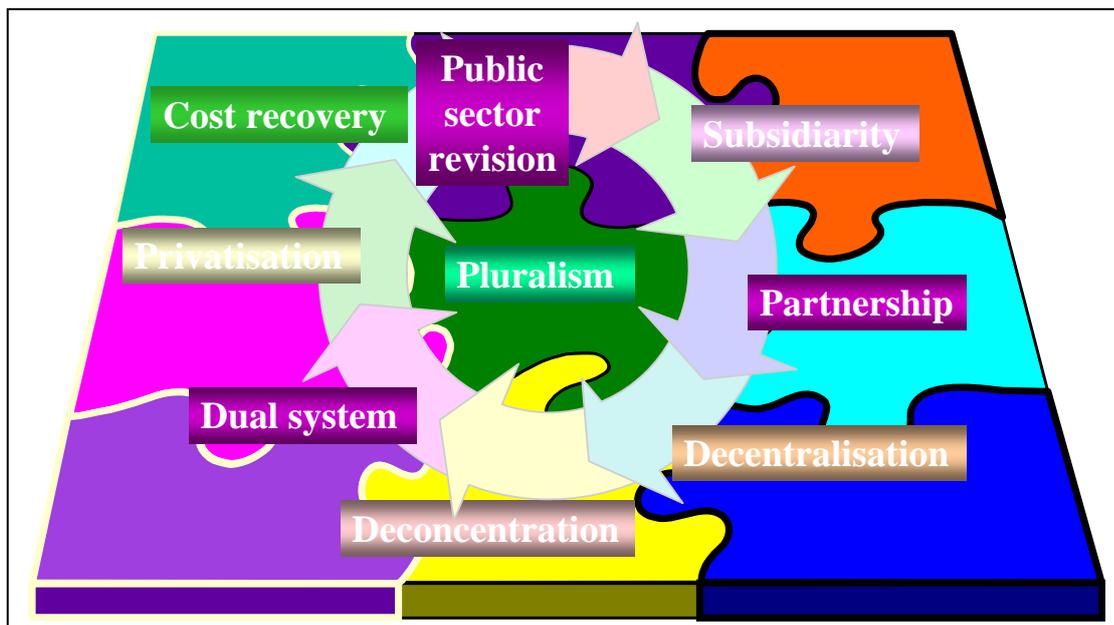
Balancing the Shape of Development

Governments are confronted with various options for developing such services as agricultural and rural extension. Unfortunately, the approach to date has involved an either/or approach, - either decentralization **or** privatization, either technology transfer **or** participatory engagement, either lower-level government authority **or** subsidiarity to farmer organizations. One of the problems with this “either/or approach” is that the reform strategy involves shifting much if not all of central government authority for extension to a separate entity.

New priorities are coming into play that could, and should, force reexamination of the role of the public sector, especially as it relates to public good services such as agricultural extension. There are national issues relating to agricultural and rural information dissemination that go beyond the capacity and authority of subgovernments or the capacity and interests of the private sector to resolve for nations as a whole. Central government’s role is exactly that, “central”, and essential to the development of agricultural and rural communications relevant to the public good.

What then should central governments in developing countries do? Diagram 1 illustrated main strategies being pursued worldwide as they relate to decentralization and privatization. Diagram 2 presents these strategies in a composite framework of options, suggesting that the options for extension reform are many and that the working out of a reform strategy operates within a puzzle that needs to be figured out for its suitability to the individual country’s situation, and not simply replication of determinations taken, or insisted on, by others.

Diagram 2: Dynamic view of multiple options for extension reform



This dynamic view of extension institution reforms provides a broad and mixed array of strategies that governments might consider in any agricultural and rural extension reform. It underscores that there is no single response to the question of reform. Indeed, several areas of reform ought likely to be combined to formulate the policy of a country, depending on the country’s situation and the government’s perspective on its needs.

What then might a pluralistic arrangement look like? It would be made of a balance of power among the various elements in the public and private sectors. Hypothetically it would promote multiple institutional advancements with central government providing both incentives and regulations to promote and protect the public good. Five avenues of reform would likely need

to be promoted at one and the same time.

1. The for-profit private sector in most developing countries is still in its infancy, except for the large estates that are linked to export of major crops such as coffee, tea, cocoa, rubber, tobacco, and the international corporations that have put down roots in these countries. This sector requires an enabling environment.
2. The advancement of a national private sector would contribute to the country's exports and international base. The non-profit non-governmental organizations need to be encouraged in their provision of services to the rural sector. Some may be contracted in this regard, but others might be supported through grants that advance the work already being performed by these organizations.
3. Also, with yet untapped potential for farmer groups and organizations to provide services to farming and rural communities (Byrnes 2001), extension reform initiatives should consider what mix of incentives could unleash this potential. Grants to state and local authorities earmarked specifically to foster progress in this direction would be a beginning of such support. Their efforts might be supported by non-profit non-governmental organizations.
4. Devolution of authority "with financial clout" (i.e. "fiscal federalism" needs to be transferred to the states (provinces, districts, governorates) and to local governments (parishes, municipalities, counties). Fiscal federalism as defined by the World Bank would shift part of central government's extractive policy to state and local governments allowing them the power to tax for the purposes of developing state and local revenue.
5. Finally, the privileged positions of existing power relations needs to be addressed, and this can probably best be done through a process of grassroots remonstrations and international pressure. It is long pass due that development organizations cease supporting inept and often corrupt governments that fail to have their nation's welfare and progress as primary goals.

Each of these strategies toward reform would require careful and systematic planning and budgeting. Even if small steps at the beginning, such a multi-advancement would engage a new approach to reform and set the stage for bringing greater potential into the arena of development. Agricultural and rural extension units deserve high-level personnel who can move assertively toward involvement of multiple partners, recognizing that each partner may and most likely will have separate agendas. It is these multiple agendas that can pave the way toward maximum commitment to the multiple purposes of government. At the same time, international organizations need to review and change their own internal agendas.

Conclusions

The present review of agricultural and rural extension reform literature is intended to highlight the need for a new vision within which to reformulate reform strategies. Its purpose is to traverse "the invisible frontier" where the current limits of decentralization and privatization strategies operate and to break through into a more meaningful vision that promotes balance of powers aimed ultimately at greater democratic development.

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