

THE INVISIBLE FRONTIER: THE CURRENT LIMITS OF DECENTRALIZATION AND PRIVATIZATION¹

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ABSTRACT

There is an invisible frontier that delimits the concept and, more importantly, the practices of decentralization and privatization. It is the way in which these concepts are interpreted and consequently the way they are carried out. To visualize this frontier, the meaning of decentralization and privatization must be revisited.

1. 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”. (1987:31).

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 what he saw into four forms: deconcentration, delegation, devolution and transfer to non-government institutions. In a review of political events in Asia, he found each of these four forms of decentralization to exist.

Briefly, and according to Rondinelli (1987),

“**Deconcentration** involves the transfer of functions within the central

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government hierarchy through the shifting of workload from central ministries to field officers, the creation of field agencies, or the shifting of responsibility to local administrative units that are part of the central government structure”.

“**Delegation** involves the transfer of functions to regional or functional development authorities, parastatal organizations, or special project implementation units that often operate free of central government regulations ..., and that act as an agent for the state in performing prescribed functions with the ultimate responsibility for them remaining with the central government”.

“**Devolution** involves the transfer of function or decision making authority to legally incorporate local governments, such as states, provinces, districts or municipalities.”

“**Transfer to Non-government Institutions** involves shifting responsibilities for activities from the public sector to private or quasi-public organizations that are not part of the government structure” (p. 31-32).

Each of these four forms of decentralization, Rondinelli pointed out, may involve distinct variations. For instance, he cites five variations of deconcentration.

Rondinelli considered decentralization to be the defining concept for changes taking place as a result of central governments transferring responsibility for certain functions to agencies or organizations beyond the border, so to speak, of the central government.

2. PRIVATIZATION

Not everybody agreed; some authors³ (Prokopenko, 1995) considered any effort at public sector decentralization to be a form of privatization. Indeed, to privatize public sector agricultural extension was a policy option that became seemingly mandatory during and following the mid-1980s for, mostly, developed countries. Strictly speaking, privatization means a full transfer of ownership, usually by way of sale, from government to a private entity. In this sense, the privatization of agricultural extension for instance has taken place in only a few high-income countries, e.g., The Netherlands, New

³ *Personal correspondence dated October 1995, with Dr. Joseph Prokopenko, Chief, Management Development Department, International Labour Organization.*

Zealand, the United Kingdom, and in subgovernment segments of developed countries such as certain states in Australia. However, the term as applied to agricultural extension is often broadly conceived to include efforts by developed and developing⁴ countries to decentralize their institutions (Rivera & Cary 1997).

Smith (1997) pointed out a fundamental difference in the two terms, privatization and decentralization, and labelled 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 involved 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 is considered a non-market strategy for shifting authority for delivery of extension to other public-sector agencies or private-sector organizations but utilizing public-sector funding arrangements. And privatization is considered a market strategy whereby authority for extension delivery may be provided either by the public or private sectors, but funding for extension services (and also delivery when total privatization is operative) is derived from private sources, either by companies or farmer entities.

In sum, these two major concepts -- decentralization and privatization -- have dominated the literature and practice of extension throughout the decades of the 1980s and 90s and into the present 21st century. Often used conjointly, along with various other concepts that have emerged, such as pluralism, partnership and participation, these two concepts not only dominated discussion but also, in some respects, muddied the waters of discussion.

3. PUBLIC SECTOR FUNDING AND DELIVERY STRATEGIES FOR DECENTRALIZING AND PRIVATIZING AGRICULTURAL EXTENSION

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 and who delivers the services.

⁴ *The terms "developed" and "developing" are intended to be suggestive. For classifications of economies into low-income, (lower and higher) middle-income and (OECD and non-OECD) high-income countries, see: The World Bank (1995), Social Indicators of Development, p. 392 ff*

	Public funding to accomplish decentralisation	Private funding to accomplish privatisation
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>

Diagram 1: Funding and delivery of agricultural extension as related to decentralisation and privatisation

- **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 decentralise is made by the central government utilising one or another of the following strategies: deconcentration to field (branch) offices, devolution to subnational government, or joint budgeting/delivery with farmer associations.
- **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.

Decentralisation strategies raise several issues, particularly those relating to fiscal arrangements as well as human and political capacity. A major concern regarding fiscal arrangements is "fiscal federalism". Fiscal federalism is the shift of money either directly or in the form of authority to raise taxes by the lower level of government. Shah (1994) argues that decentralisation exists in name only when there is not this concurrent shift. He considers "fiscal federalism" to be critical for (a) more efficient and equitable provision of public services such as agricultural extension and (b) greater participation of local government in the processes of financing and managing such services.

Decentralising to lower levels of government or to other organisational entities also requires in most cases upgrading administrative and technical capacity. To implement programs effectively, staff must have the capacity to translate intentions into reality. Leonard (1983) notes that in addition to technical and management skills, however, an organisation has to "produce a decision to act, to sustain the legitimacy of that decision against internal and external challenges, and to mobilise the human and material resources needed to execute the program chosen. These attributes are 'political'. They derive from the interaction of leadership and institutional history" (1983:274).

- **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.
- **Private funding, private delivery.** In this case the private sector has either acquired or developed (commercialised) the public sector extension services and thus assumes responsibility for funding, management and delivery of the services. Transactions are concluded on a contractual or other cost-recovery basis. Agricultural economists tend to consider this latter strategy to be "true" privatisation. In this paper however, as already stated, the third case -- involving private funding-public delivery in which cost-recovery applies -- is considered a form of privatisation.

The direction toward privatising agricultural extension and charging fees for agricultural knowledge has brought about both negative and positive results. Countries with an important agricultural base are confronted by the arguments in favour of efficiencies resulting from the profit motive, emphasis on

monocropping and marketing for export, and the contribution of agriculture to GNP growth. As a result, while reluctant to rescind all control of agricultural extension services, governments are ever more cognisant of the value of changing their agricultural funding arrangements to promote greater efficiency in costs and benefits. Even developing countries are considering alternative funding arrangements, such as fee-payments, privatisation or commercialisation as inevitable responses to the pressures of world trade, exponentially expanding populations, and the greater demand for domestic and imported food.

The advantages associated with privatisation are several. They include: (a) the attention to the profit motive and the resultant inclination toward greater cost-effectiveness, (b) the reduction of costs for production and the use of these savings for market purposes, (c) the involvement of extension staff in all aspects of the production-processing-transportation-marketing chain, (d) the shift from a "technology push" to a "demand pull" orientation and greater responsibility to the client, (e) the emphasis on benefits and results, not just service activities, and (f) the contribution of privatisation to greater involvement of the private sector in information transfer.

Privatisation however is not a simplifying strategy. It alters the inter-organisational fields that impact public and private services. The trade-offs involved in adapting to private sector hegemony have to be weighed carefully if national imperatives and the values of democratic government are to be preserved.

Privatisation shifts agricultural knowledge from being a public good to a private good with consequent cost and property-right factors involved. One fear is that big business will not be client-oriented and demand-driven, indeed that business is more likely to pursue the course for which public sector extension was criticised, i.e., for promoting a supply-driven orientation to knowledge transfer. The content of agricultural extension also raises important questions, not least because it involves multiple issues relating to food security and the nutritional value and safety of food, as well as the sustainability of productive land and water and the environmental health of the planet.

The arguments opposed to privatisation of information and agricultural industrialisation are that: There is a greater likelihood of misinformation when knowledge is controlled by the private sector. There is a greater prospect of monopoly power, and with such power the likelihood of coercion of legislators by multi-nationals. There is greater control of the market by private companies. There is a diminution of biodiversity as a result of

increasing agricultural specialisation and precision agriculture. There are dire possible consequences of genetically altered seeds (possibility the spread of unwanted plants, comparable to the spread of kudzu in the southern United States.) Some argue that crops are being lost to insects today because plants are getting weaker from soil that is dying because it is increasingly lacking in nutrients. Still others oppose the chemicalisation of agriculture, arguing that it is untrue and generally unrecognised by the general public, and not admitted or countenanced by the scientific community, that returns to small farming and organic farming can feed the expanding world population (Govindasamy, 2000). Others argue that small farms are more productive than large farms, and add that small farms are being threatened by the WTO negotiations (Rosset, 1999).

4. CAVEATS REGARDING INSTITUTIONAL PLURALISM

One of the expectations of 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 the funding in some cases, 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 currently being re-examined and re-defined to embrace the concept of partnership. When central government contracts for service delivery or otherwise presumes to share authority with other organizations that fall within 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).

Decentralising suggests that central government relegate its responsibilities to another body -- except in the case of deconcentration wherein control essentially remains with the central government. The simple transfer of power to a lower

level of government or other organization appears not to be the answer to institutional reform -- although it might reduce the budget of a central government in the short term. Such a step may 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, as past U.S. President James Madison argued. The fact that government is local may make its councils easier to influence.

Another issue is that of stakeholder participation in program development decision-making and, depending on the extent of the participatory involvement, management processes. This issue alerts us to other ways of examining the question of decentralization, not only from the standpoint of structure and physicality but management (Rivera 1996). Governments are beginning to move institutionally and technically toward putting responsibility into the hands of farmers to manage agricultural extension programs. Participatory involvement is considered to make services more responsive to local conditions, more accountable, more effective and more sustainable. The success of the U.S. Cooperative Extension System results in part from on its emphasis on a high degree of local level participation and control, with county agents accountable to their local constituency. Partnership efforts in information delivery and education support programs characterize the systems and its strengths. For developing countries to realize the benefits of participatory decentralization, according to the World Bank, "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).

5. THE 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, these and other formidable tasks, 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.

The same may be said for privatisation. Certainly, the world has expanded beyond the global village, a reality that also affects nations and their public sector institutions, such as agricultural extension. Globalisation is inextricably linked to privatisation, and countries find themselves confronted with a new and highly competitive global market. Major economic restructuring is taking place in both developed and developing countries, and has greatly changed the balance of the public and private sectors (Fresco 2000). Nonetheless, government is not a business concerned primarily with profit, but a political organisation with the function of governing people and seeing to their welfare. While economics may be a primary, 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.

New responsibilities require a more inclusive paradigm for extension, one that recognises extension's role in educating consumers and retailers as well as producers. International organisations and governments are already anticipating new challenges and new priorities, including the emergence of new clientele and the impact of global urbanisation. As cities expand, the frontiers between urban, peri-urban and rural activity are blurring and merging. In the next two decades leaders world-wide may well find themselves confronting again the question of public sector extension's role, with a view then to the renewal of its scope and purpose, rather than rushing to shift that role to the private sector.

While technical concerns may be met by private sector entities, social and environmental concerns may not. Increasingly the multi-functional nature of agriculture is being recognised (FAO/Netherlands 1999). It may not be too early to re-consider the concepts, and the implications, of privatising and decentralising central government functions by associating them with market and non-market institutional reforms. Serious issues emerge in discussion of these two major ways of thinking about contemporary government institutional reform. As Eicher states (2001), "there are some tough questions to be addressed in the current debate on the privatisation of extension in rural areas." As for decentralising, these strategies are in their infancy in countries such as Colombia and Uganda. And the jury is still out on current efforts to develop subsidiarity in Bolivia, Ecuador and Peru.

6. 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, analysis and preliminary evidence are beginning to show that the concepts are limited in their constructs and predictable outcomes. In short, 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 -- and 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 private sector (by "not-yet-existing" I refer to situations in countries where farmer unions and organizations are missing, or where profit-oriented private organisations are overly controlled by government).

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 protectionist purposes and form the rationale for tariff and non-tariff distortions in food prices (Economist, 2001:69); they are nonetheless aspects of the multi-functionality of agriculture and constitute important issues.

Decentralization, as it refers to the transfer of responsibility to lower levels of government, e.g. in agricultural extension, ignores 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 the forest can 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, decentralisation and privatisation 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 partnership with farmer organisations, NGOs, and the private sector for service delivery “ (World Bank 1995).

While decentralizing and privatizing elements are needed, the vision underlying the enactment of these and other purposive strategies must be viewed with an eye to the role of central government, and 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 and is the premise on which contemporary policy-driven strategies need to be built.

Governments and international organizations have not yet gone far enough to promote such a vision. Decentralization, privatization and participatory decision making 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 ensures

a more equitable balance of powers among people. And this is no where more evident than in the agricultural and rural sectors.

In short, balance of power is needed and should constitute the long-term overall vision and purpose of reform. This vision would encompass the distribution of power between the central authority and other constituent government units and the promotion of a private-sector that advances the development and independence of organized groups around their special economic and social interests. In short, this vision would mean the advancement of balance of power (a) among the various levels of government (central, state [regional, provincial, governorate]), (b) between the public and private sectors, and (c) between government and associations, including organized citizens. Such balance of power does not exist in developing countries. It needs to be explicitly set forward on the agenda of development goals.

7. SUMMARY

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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