



## **New roles of the public sector for an agriculture for development agenda<sup>1</sup>**

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## **Abstract**

This paper analyses critical components of pro-poor agricultural growth and policies: the role of the public sector, particularly Ministries of Agriculture. Current policies which emphasize the benefits of liberalization and state withdrawal fail to address critical institutional constraints to market and economic development in rural areas. The paper demands a reassessment of existing governance mechanisms, institutions and agents and highlights opportunities and behavioral changes needed for agricultural and non-agricultural growth as drivers for sustained poverty reduction. The paper stresses the strategic contributions of public organizations to the quality of institutions and concludes that these contributions must be recognized and reinforced. In consequence, that reassessment should be country specific, considering path of development of the agriculture and of the maturation processes of institutions and agents. Attention is given to contextual changes, private sector capabilities, public sector organizational and managerial attributes that explain policy making and implementation processes. Recommendations deal with changes in public sector orientations, resources and structures. The areas of focalization of the analysis are vision and strategy, public-private collaboration and policy and managerial capabilities. Accordingly, the redefinition of the role of the public sector should incorporate functions of networking, partnership with the private sector and leverage for supporting innovative initiatives. New mandates and strategies are needed for this redefinition, as well as a more rigorous consideration of complexities and heterogeneities of agriculture, particularly in relation with the rural poor. Ministries of Agriculture, then, should be governed by an impact orientation, cost-effectiveness criteria and reinvigorated in their analytical, operative and innovation capabilities. Some innovative steps in critical areas such as rural development and agricultural research are summarized. The adoption of a socio-territorial approach in the first case, and the expansion of partnerships in the second, are examples of the role of public sector organizations to confront present and future challenges.

## 1 Introduction

Agricultural and rural development is a public concern that generated many innovative institutional arrangements. During the eighties, the established common sense was to recommend the fading out of the interventionist state as it had developed decades before. The market and the private initiative were the new sole means for satisfying most social needs and goals.

The new institutional arrangements developed with specific theoretical grounds and were part of an expanded process of policy transfer and institutional isomorphism (DiMaggio and Powell 1983). With frequency, they were supported by technical and financial cooperation of international organizations and donors through operations characterized by a heavy reliance on conditionality to secure policy changes (Grindle and Thomas 1991). They had in common an interpretation of the imperfections of the state, assumptions on the reasons for failures in implementation and convictions on the most productive and innovative role of markets and civil society organizations for satisfying human needs and attaining development goals.

After years of experiments with new institutional designs and policy reforms, the evidence shows that the relationship among state, markets and civil society is extremely complex, and that the distribution of roles among them is not the main factor for explaining development performance and social integration. Those experiments evolved differently according to historical backgrounds, national conditions, demands of international markets and local resources and behaviors. With such a scenario of diversity of situations and processes, the net result was neither better policies nor larger impacts. In many countries markets remained weak, full of imperfections and unable to reach expectations. The state, even when smaller, remained extremely fragile, with low political and administrative capabilities, and captured by bureaucratic inertias or interest groups.

The proliferation of new institutional arrangements and organizations has produced greater fragmentation and incoherence, with a state apparatus unable to overcome the lack or insufficient coordination, generalized inefficiencies and implementation problems. In some exceptional circumstances, these arrangements have not failed, but were outgrown by the new challenges.

This paper stresses both complexity and heterogeneity of the institutional scenario for agricultural and rural development. It argues that there is no universal design or solution to the whole range of overwhelming political, organizational and managerial problems involved. In spite of that, the analysis has a conclusion: agricultural and rural developments require vision, institutional frameworks and governance systems to build consensus, to cooperate and coordinate activities among governments, private sector and civil society.

The analytical framework used derives from the “institutionalist reaction”, which gave new clues for understanding the complexities of social and economic changes and advanced analytical instruments to embrace heterogeneity. The quality of institutions is, according to this theoretical approach, the main mediating dimension among purpose, processes and outcomes (Engerman and Sokoloff 2000, North 1981, Jones 1981). Low level of development

in the institutional environment of poor rural areas, together with a low density of transactions, leads to very high transaction risks and costs in financial, input, and output markets. High transaction costs and risks lead to coordination failures. In consequence, a key ingredient in agricultural development is institutional development where institutional arrangements are defined as the governing of specific transactions (Davis and North 1971). Key functions of the state and of other actors promoting development are then to support institutional development that will reduce the transaction costs of critical transactions (Dorward et.al.2004)

The timing for this analysis is particularly promising. Some of the common and basic attributes of the institutional innovations resulting from incomplete or frustrated efforts directed to policy reforms are put into question after the evidence of poor results, the unconvincing record of achievements or the magnitude and relevance of the issues that remain without adequate debate. A new institutional framework should result from new propositions based on the results of evaluations of past efforts. This new institutional framework should be able to guide social processes and policies towards the goals of competitiveness, poverty reduction and sustainable development. In the same line of argumentation, agricultural and rural development should be addressed with innovative policies but also with more efficient and effective implementation.

This paper analyzes the historical process that explains the role of the agricultural public sector, with particular reference to Latin American countries. References are made to innovative steps taken to adapt and improve institutional frameworks for designing and implementing public policies with participation of governmental agencies and social actors. It introduces some of the main issues on state capacity and public-private collaboration and partnerships. The models that inspired the reforms are discussed. Lessons from recent debates and evaluations of reform programs are presented, with emphasis on the problems identified and the questions opened vis-à-vis new and prospective scenarios.

Some key challenges and areas of concern are discussed in sections of this paper, examining some successful and innovative experiences in domains of agriculture and rural development. The paper concludes with some thoughts for discussing the redefinition of the role of the public sector and strengthening the Ministries of Agriculture. National policy makers, civil society organizations and the private sector should be involved in discussions and negotiations to define the institutional framework, sharing the social learning accumulated during the past decades of policy reforms and substantial transformation of the agricultural economy and the rural society. In addition, that framework should be built by means of incremental improvements within a wider view of transformation of existing institutions and organizations.

## **2 Governance, institutions and agency**

In this section, some fundamental notions are presented. These are governance and institutions. Both constitute the frame of reference for defining the role of the state in agricultural and rural development and for designing and implementing effective public policies and organizations. In the second part of this section, some considerations are advanced on the contributions of the public sector to institutional quality.

## *Governance and institutions*

The definition of the role of the state, the public-private cooperation and the promotion and articulation of civil society organizations are dependent on the governance mechanisms. Governance is conceptualized as the sum of organizations, policy instruments, financing mechanisms, institutions (rules, procedures and norms), resources and capabilities that regulate, give guidance and move the process of agricultural and rural development (Najam et.al. 2006). For Hollingsworth, a governance system is “the totality of institutional arrangements – including rules and rule-making agents – that regulate transactions inside and across the boundaries of an economic system” (Hollinsworth et.al. 1994). In a more restrictive sense, governance is also the public administration of inter-jurisdiction relations and third party implementation (Frederickson 2005). It is understood that good governance is a key component and even a necessary condition for competitiveness, sustainability and equity.

In order to make the scope and depth of the issues involved more manageable, such governance is to be considered attending mainly to institutions. These institutions are diverse. Each institution is influenced by the broader environment which defines its attributes and consistency within other institutions. According to the analytical tools of the new institutionalism, rules, norms and conventions are a) regulative, constraining actions and establishing incentives and sanctions, b) normative, defining obligations and duties, and c) cognitive, governing perceptions, conceptualizations and identification of alternatives for choice.

Institutions constrain preferences and policy choices. Institutions are politics. Also, institutions distribute discretion (Oakerson & Wlker 1997). They are the output of social processes and create the “decisional spaces” within which actors make choices: therefore, the importance of considering the relevant actors in the policy process and the relationships among them (Clay and Shaffer, 1984). They allow the emergence of discernible patterns of interaction and condition social outcomes. Moreover, history matters.

Building institutional arrangements is an incremental process that evolves over time. Paths taken in a specific social situation tend to be followed throughout the whole process of institutional development. This inertia may shape the actual impact of changes in the design and implementation of policies, sterilizing their purposes and intended results. The outcomes of these processes depend on the behavior of different actors and the particular ways in which they respond to scenarios and challenges. For several authors (North 1990, Hodgson 1995), institutional innovations are necessary conditions for the organizational improvements demanded by new scenarios. But institutions are also part of an evolutionary process of changing interactions and learning (Nelson 1994).

This specificity of institutional design was not taken into account in recent years. Policy reforms were coherent efforts to change specific institutions so that they were standardized across countries (institutional harmonization). In particular, “policymakers, governments and multilateral agencies have promoted harmonization of institutions as a way to promote trade (and growth), by reducing transactions costs or as a way to protect the distribution of gains from economic activity” (Islam and Reshef 2006). A key policy question

for developing countries is how important it is to standardize particular institutions versus just trying to get them to work better overall in each one.

### ***Agency and public sector organizations***

***The quality of institutions:*** The new scenario for agriculture (due to technical change, differentiation of markets, increasing terms of trade, etc.) introduces new actors into the picture and demands new behaviors from old actors. The premise here is that the institutional framework is not sufficient condition for explaining system performance. For dealing with the new agenda for agriculture and rural development, not only institutions are relevant. The question of agency must be considered.

Agency has autonomy within a given institutional arrangement and determines the effective patterns of interaction. Institutional weakness of failure occurs when agents break the rules or adopt opportunistic behavior. In most developing countries, institutional weakness or low institutional quality conform the background of institutional design and, therefore, the effective outcomes of reform should be evaluated accordingly.

Public sector organizations are central in these processes and in the quality of institutions. The state has an architectural role and capability: it can shape rules and norms, it is the main instrument for rule application and through its policies, decisions and behaviors set up operational incentives, generate opportunities and contribute to the management of uncertainties and risks. Among these organizations, the Ministries of Agriculture constitute the focus of the analysis. Issues that will be considered are:

- changes in roles,
- their participation and contributions to development policy definitions attending the challenges facing agriculture and the reduction of poverty,
- their capacities for formulating and implementing diverse and complex policies with multiple goals, and
- their predispositions and capacities for coordination, intermediation and negotiations within and outside the public sector in order to guide social resources and behaviors towards development, sustainability and poverty reduction.

Transparency of government policies and enforceability of legal contracts are only two indicators of such quality (Anderson and Marcouillier 2002). Others are bureaucratic quality, control of corruption and protection of property rights. Some empirical results indicate that institutional quality has a positive effect. An improvement in institutional quality can increase bilateral trade more than the formal definitions of rules. These results indicate the priority of institutional improvement and adequacy to social goals rather than to institutional standardization (Islam, R and Reshef, A. 2006)

***The debate on the role of the state:*** In the last decades, two main theoretical currents gave support to alternative institutional design, in particular in relation with the distribution of roles between state and markets. Those currents are part of an old and long lasting debate on development, on agricultural development and on the role of the state, with contrasting

positions on operational rules and governance structures for the coordination of social actors, systems of production and regulation of transactions.

The vision centered on the imperfection of markets and markets failure was the rationale for state intervention and the argument for an expanded state apparatus in scale and scope. Public policies were the main instrument for conducting and restraining production, determining income distribution and affecting resource allocation and redistribution. The assumption was that the state apparatus had not only the imperium for structuring and controlling markets, but also the capacity to impact the society according to political goals. Civil societies weakly organized, social actors not well articulated or activated and rather simple productive systems constituted the background for the preponderance of the state. Producer organizations were mainly concerned with preserving or advancing sectorial or corporative interest against urban populations, powerfully organized or privileged by public policies. The state – and in particular its Ministry of Agriculture – was visualized as the driver of development, the organizer of the productive system and the distributor of costs and benefits. Ministries of Agriculture were suppliers of subsidies, price regulation, different forms of protection to farm production, insurance, credit, extension and agricultural inputs with responsibilities for substitution, intermediation and coordination of markets.

The vision centered on the imperfections of the state or government failure led to dismantle the interventionist policies and mechanisms. market liberalization, elimination of public enterprises, withdrawal of production and marketing activities, privatization at large and decentralization, and substantial downsizing and streamlining of Ministries of Agriculture with important consequences on their political and technical capabilities.

The major part of structural adjustment policy reforms was intended to strengthen competitive market dynamics and “putting the prices right”. The institutional reform was conceived as removing obstacles for a better allocation of resources through more flexibility and less regulation. The assumption was that civil society and private sector could take care of those functions abandoned by the state (Piñeiro et.al. 1999).

Different ideas about what the state is best capable to do led to critical choices about what to do and what not to do – and this had practical consequences. Neither vision takes into account the necessary role of the state in institution creation, maintenance and enforcement, in stimulating and coordinating social actors in a more complex economy and society full of interdependencies. The fact that the majority of the world’s poor reside in rural areas and depend on agriculture for their main source of livelihood are factors that justify the active role of the state where market mechanisms are insufficient or ineffective. Neither vision is concerned with other institutional mechanisms apart from the state or the market. Both of them do not consider the circumstances under which these various mechanisms are chosen, are effective or maintain legitimacy. Moreover, neither vision considered the main issue of institutional strength or quality, relying mostly on formal reforms with high symbolic content without affecting in a significant way incentives or social behaviors.

***Actors and institutional arrangements:*** Recent development theory stresses the significance of institutions and of institutional choice. (Hallingsworth and Boyer 1997)

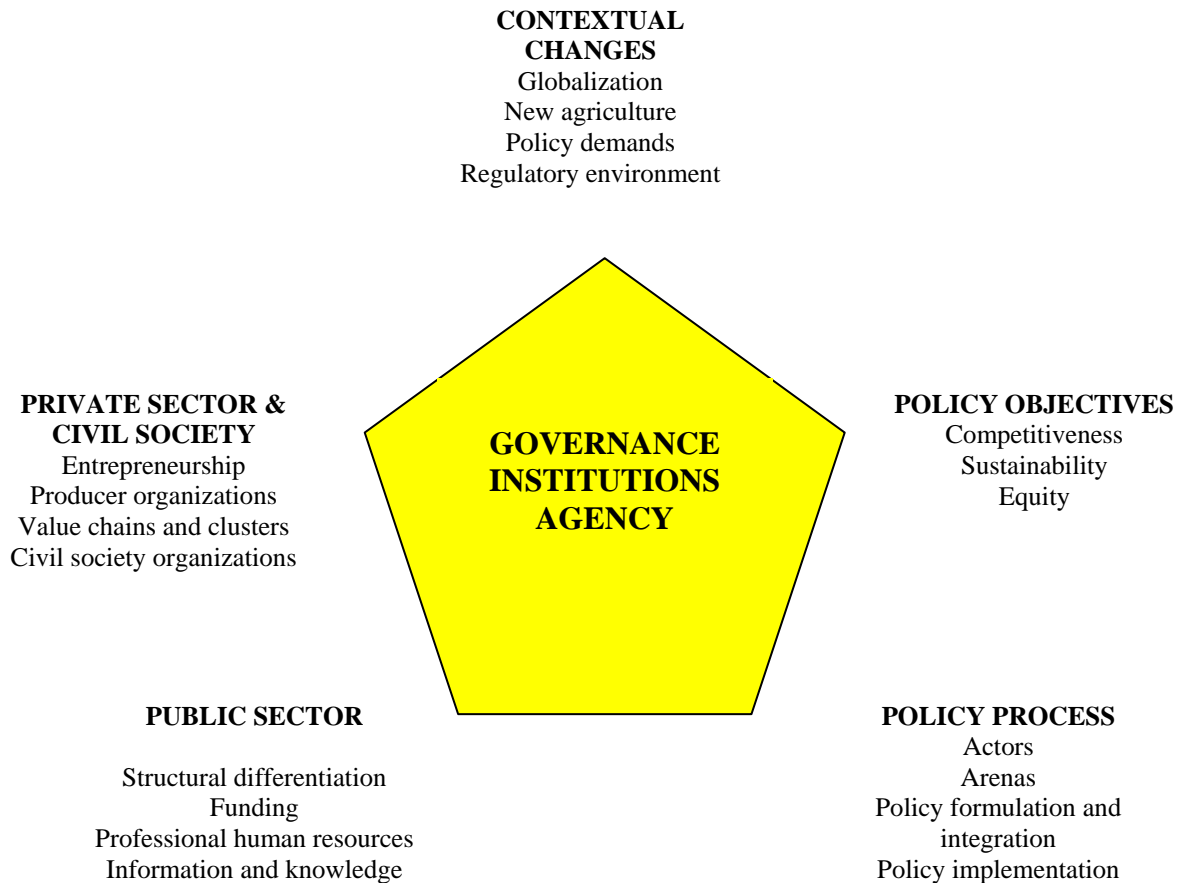
Hallingsworth and Boyer use two dimensions for elaborating a taxonomy of institutional arrangements: distribution of power and action motive, resulting in six alternatives for coordination. They are: markets, corporate hierarchies, associations representing common structurally based interests, networks, and communities of shared cultural identity and state agencies protecting and creating socially generated obligations and exercising public power. The main institutional problem is to define the way in which these elements are configured. The question is not only, consequently, the distribution of roles between state and markets.

This distribution of roles demands a governance scheme that allows coordination of different agencies or arrangements with different action motives through the utilization of a diverse set of tools and instruments. Coordination and arrangements bring together different agents: public agencies, private sector, NGOs, social organizations, etc. Regional and international mechanisms for cooperation also raise governance issues. Therefore, the definition of the new role of the public sector must incorporate coordinating and collaborative arrangements such as networks, public private partnerships and associations as well as community action and empowerment. The result of these alliances and coalitions are numerous: a) larger scale and scope of actions, b) synergy, c) reduction of transaction costs and risks; d) identification and development of new opportunities and more effectiveness, e) enhance capacities, f) better utilization of social resources, g) trust and understanding among stakeholders.

If the state through its organizations has an architectural role, the capacities of public organizations are a strategic and critical issue for development. Organizational capacity refers to the ability of an organization to carry out its stated objectives. This capacity is something more than the disposition of the formal repertoire of explicit objectives and goals, norms, structures, systems, procedures and resources. Many project components of “institutional strengthening” are victims of this confusion. Capacity has to do with vision, strategic orientations, legitimacy, social capital and behaviors. Organizational strength for effectiveness depends on bringing together diverse actors, agreed-upon organizational norms and a shared conviction on the value of goals and adequacy of means. These attributes are infrequent in public sector organizations, particularly in traditional Ministries of Agriculture. The persistence of this situation makes almost impossible that these Ministries could play a strategic role for development and could generate trust and confidence in the most relevant actors.

### **3 The evolving system of governance: drivers and consequences**

Before considering the role of Ministries of Agriculture in agricultural and rural development, some reference is made to the present scenario. Within the context of new issues related to competitiveness, sustainability and equity, the policy processes have adopted some new attributes and complexity, with changes in the nature and complexity of policy making and implementation processes demanding new roles and behaviors of the agents of the new agricultural agenda. Figure 1 summarizes the main lines of aspects that are object of description.



**Figure 1.** Governance, institutions and agency: Drivers and consequences

***Contextual changes***

Four areas of contextual changes are considered: a) globalization and the new agriculture, b) social and policy demands, c) markets, and d) regulatory environment.

***Globalization and the new agriculture:*** The present scenario is one of new and more demanding challenges . Some of these are:

- globalization, with its potentials, threats and paradoxes,
- redefinition of the notion of agriculture, the relation of agriculture with non-agricultural activities and the significance of rural development,
- recognition of the multi functionality of agriculture, with its social, cultural and environmental contributions,
- relevance of commodity value chain integration, with new forms of competition and collaboration among autonomous economic actors,

- differentiation and growing asymmetries in bargaining power among these actors,
- the knowledge revolution and the diffusion of systemic technological innovation,
- growing social and political attention to environment and natural resources management,
- increasing emphasis on equity, social integration and poverty reduction,
- search for global governance mechanisms, overcoming obstacles and failures
- development and consolidation of the “new regionalism” (bilateral and regional mechanisms) and multilateral forums for discussing and reaching agreements and common policies and regulations on environmental, trade and agricultural issues..

**Policy demands:** In this scenario, the old notion of agricultural policies exclusively centered on prices, production and productivity and conceptualized in sector specific terms should be abandoned, changing to a richer conceptualization and a long term framework for action. This simple portfolio of policies and instruments is limited for capturing new opportunities for growth. In particular, transitions to trade liberalization require active policies and careful risk management as well as distribution of costs and benefits (IICA, 2004). Changes in demand of high value products activate new actors, new relationships and associations, demanding more sophisticated coordination and incentive systems. The high cost of oil generates new conflicts between food production and energy. A more intensive use of technologies in a knowledge - based agriculture requires institutional innovations in education, technical and support services, infrastructure, financial and insurance mechanisms and markets: Pro-poor agricultural growth is obtained through direct and indirect incentives, investments and institutional reforms directed to overcome the pervasive market failures and social and institutional exclusion of poor rural areas.

**Markets:** Markets combine self-interest and horizontal coordination transactors. In the new agricultural scenario, the relevant markets grow in number, in diversity, in scope and in interdependencies. Also, important potential or underdeveloped markets persist, as well as pervasive failures in fragmented and under-resourced economies, with significant transaction costs that hinder production and investment. Therefore, the role of the state in governance is critical and strategic for the development of complex and good functioning markets, reducing imperfections and facilitating the access to them. The state is instrumental for the definition of basic institutional framework for market functioning, setting the rules for the operation of some of these markets, participating in the definition of others through international negotiations and guarantying fairness (Wiggins 2005). In consequence, the weakness of the state implies market weaknesses or imperfections.

**Regulatory environment:** Agricultural production and trade is increasingly regulated by international and regional rules and norms. Internationalization of markets, changes in consumer preferences, more attention to food security and environmental impacts as well as the proliferation of free trade treaties make the regulatory system much more complex and dynamic. The ministries should participate in the processes of rule-making and enforcement of this complex set of regulations, in particular with respect to trade agreements, sanitary affairs and environmental treaties. Moreover, there is a proliferation of settings and organizations which are concerned with or which have responsibility on matters where the national

authorities must be present and must articulate and coordinate positions among national actors, conforming alliances beyond frontiers.

### ***The policy process***

Policy processes are undergoing profound transformations. Actors and arenas for agenda formation and policy deliberation are more abundant and complex. Also, the new agriculture arises new demands on policy formulation, integration and implementation.

**Actors:** Multiple actors are involved in policy processes, with more diversity and variations in their perspectives, expectations, interests and ways in which they exert influence on mechanisms for agricultural and rural governance. Those actors, moreover, act in isolation and increasingly coalesce themselves as part of flexible networks structured around values, interests, identities or location. Actors and networks frame problems, feed the public agenda, generate demands to the state and have incidence on the policy formulation and implementation processes. Also, more actors are involved in some sort of collective behavior and strive to cope with problems of common interest. Associations are particularly relevant, with an increasing role in marketing, technical assistance and promotion of innovations. Communities, based on trust, reciprocity or obligation, are central elements not only in processes of poverty reduction based on collaborative efforts, but they are also central for the development of local articulations and chain consolidation.

**Arenas:** More relevant policies are processed outside the traditional arena for policy making for agriculture and rural development. A more complex vision of agriculture and rural development that incorporates the whole environment of production and rural life demands an increasing number of important decisions in areas such as infrastructure, health, education, social promotion, integration of value chains with industrial and service sectors, rule making for trade, preservation of natural resources, etc.. Moreover, Ministries of Agriculture remain generally largely outside the discussions on fiscal and monetary policies, or even the negotiations on integration or free trade treaties. They are seldom participants in broader development discussions or in strategy setting mechanisms. For the governance of agricultural and rural development, these ministries need to find ways to link more meaningfully these issues to other public policy spheres.

**Policy formulation and integration:** This institutional plurality means too many organizations involved in agricultural and rural governance, turned into a permanent system of negotiation with lack of strategic vision and orientation. Different mandates, analytical frameworks colored by particular disciplines and institutional inertias more than for the nature of the problems faced, specialized know-how and capabilities, organizational divergences in geographical delimitations and competences lead to conflicting agendas, inconsistencies in rules and norms and high coordination and transaction costs. Institutional and human resources are distracted from actual implementation due to these proliferations and fragmentations. Policy formulation, moreover, has to be mediated by processes of discussion and negotiation. Policies and programs are guided more by political circumstantial considerations than by evidences and rational deliberation. Social learning and capacity accumulation are the main victims of this lack of institutionalization of evaluation practices.

Moreover, the sheer number of agencies and programs put forward insurmountable problems to ministries, being expression of weak state and feeble administrative capacity. The Ministries of Agriculture should be, in this scenario, the core integrating mechanism, with political and budgetary resources to introduce coherence in policies and in their implementation and capabilities for strategic planning and programming, monitoring and evaluation.

***Policy implementation:*** Policies are not only the declaration of purpose and the definition of means and instruments. Policies are consequences and impacts, and these are the results of implementation activities. The intervention of a plurality of actors in different phases of the policy process, with mobilization of political resources to influence on public decisions and actions, together with weaknesses in state and administrative capabilities, introduce uncertainties with respect to the effective outputs and results of policies. Policy implementation requires continuous inquiry, assessment and adjustments. In most developing countries there are generalized management and implementation deficits, particularly in those situations and problems that demand a more active and intelligent state apparatus with policies more integrated and selective and with more attention to the increasing heterogeneity of production systems, non sector articulation, markets, entrepreneurial capabilities and social organization of farmers, for example. Moreover, more specific policies related to increases in production, productivity and competitiveness that require concert and agreements with different public and private actors, to environmental protection and to the reduction of rural poverty, impose greater demands for more efficiency and effectiveness on public organizations management and implementation capabilities.

### ***The public sector***

Four aspects are particularly relevant for public sector effectiveness: a) structural differentiation and fragmentation, b) financial resources, c) professional human resources and d) information and knowledge availability and management.

***Structural differentiation:*** A more internally differentiated public sector with more levels of government involved as a consequence of different schemes of decentralization, more active and technically able producer associations, more articulated value chains, national and international NGOs, the conditionalities imposed by donors and international financial organizations, make the policy making and implementation processes more complex and uncertain, demanding greater capabilities for all participants and, in particular, for the Ministries of Agriculture (Cabral and Scoones, 2006). The Ministries of Agriculture have changed their traditional structures. New organizational arrangements were established, with different degrees of operative discretion and more complex mandates, responding to new conceptions of public service: partnerships with the public sector, outsourcing of services and activities, innovative ways of financing and advances in managerial deregulation. In spite of these innovations, the proliferation of public or quasi-public organizations in many occasions led to the fragmentation of the public sector, with differences in organizational cultures that explain inefficiencies, confusion, lack of cooperation, interagency distrust and loss of capabilities for integrated policy implementation and enforcement.

**Funding:** Traditionally, the Ministries of Agriculture and their organizations were financed with resources of the national budget. The existence of specialized funding mechanisms is increasingly frequent, with resources coming from donors, civil society and producers' organizations in different arrangements of co-financing or international financial institutions. This multiplicity of sources is particularly important in the case of programs and projects, which have clear objectives and activities, clear targets and different administrative procedures. This new scenario is positive in terms of allowing the creation of spaces for innovation, resulting in greater transparency and stability in governmental actions. However, in many cases, the separation of the project execution units in charge of administering these resources, were isolated from the rest of the services of the ministries. This inhibits the dissemination of norms, ways and procedures, and restricts the social learning to those directly involved in execution. In others, the duplication and lack of coordination within the ministries can mean that resources are not always used most efficiently. The net result is that in spite of this plurality of sources of resources, particular needs remain under-funding, revealing weaknesses or limitations in priority setting and programming.

**Professional human resources:** A distinctive feature of the new ministries is the presence of many different professions such as economists, institutional analysts, sociologists, social workers, information technologists, working with the traditional professions directly related to agricultural production. These professionals, in particular economists, are strongly represented as expert advisers in the policy formulation process, in planning and evaluation activities and as participants in the dialogues with farmer organizations and with other governmental organizations. But also the new agriculture requires professional managers with knowledge, skills and motivation to innovate and to respond to the new challenges of more close relationships with the private sector and social organizations. Political leaders should give these professionals an objective function that values growth, fairness and transparency (Evans, Rueschemeyer and Skocpol, 1985). Traditionally, Ministries of Agriculture were laggards in adopting new organizational models and technologies. Public bureaucrats were well prepared for dealing with an agriculture based on commodities, homogeneous markets and policies with a well defined sectorial scope.. A well trained and professional public service is required in an organizational environment that is more complex, with more reliance on networks and alliances and with more demands for coordination with multiple actors..

**Information and knowledge:** Policy formulation demands more information and knowledge. Policy changes are responses to social and political evaluations of parts of the reality as problematic. They have to be fed by diagnostic inquiries and assessment. Attributes of this process are: the complex and multidimensional character of the problems, multiplicity of policy objectives, uncertain causal relationships, problematic technologies for public interventions and diversity of policy instruments, different character of participating actors, specificity of situations in which the implementation is going to take place, etc.. In consequence, more technical knowledge should be mobilized, more convenient and valid information is needed and analytical capabilities play a fundamental role in identifying and evaluating policy alternatives, processes and outcomes. Information and knowledge are essential for adaptation and social learning. Moreover, this knowledge confront the tension between the immediate and concrete action for local rural development with more macro, general, sometimes abstract, nature of strategic decisions and policy frameworks.

## ***The private sector***

Agricultural and rural development is the consequence of the strategies and behaviors of private sector agents, constrained by institutions and public policies. These agents are agricultural and non agricultural entrepreneurs (disregarding their assets and size), farmer organizations, commodity chains and clusters and civil society organizations.

***Entrepreneurship:*** The new agriculture requires more than the management of a production unit. The farmer is placed in the center of a very complex system of relationships and interdependencies. New forms of organization of production had developed, with the appearance of new actors. The possibilities of agricultural development, as well as the microeconomic success of farmers depend on the availability of entrepreneurial and managerial capacities. This is a condition for innovation, for the success of associative initiatives and for integration on new and more complex markets. The public policies should attend the development of these capabilities with specific policies, implemented through concerted efforts with producer organizations.

***Farmer organizations:*** In many countries, producer organizations were created and developed as an instrument for collective action directed to influence public policies (Martinez Nogueira, 2003). The exclusive orientation should be enriched in the context of the new agriculture and the new role for the public sector. The traditional pattern of relationship with the public sector was a consequence of several factors: heterogeneous composition, organization by products or regions and non inclusion of agro-industrial activities. The complexity of the agricultural agenda requires a reformulation of modes and ways of organizing interests, coordinating action and generating reciprocal support (Trejos et. al. 2004). Producer organizations must be part of the policy dialogue with the public sector and with organizations that represent different but convergent interests. They should participate in policy implementation and build technical capabilities for satisfying a broader scope of needs of their members: technical assistance, market development, information and access, training, quality services and certification, negotiations with other actors of value chains, etc.

***Commodity value chains and clusters:*** Public policies and agencies, as well as local organizations, should foster interaction between enterprises and institutions and capacity-building for innovation and adaptation to continuous market changes. Small and medium size enterprises, as well as large corporations, may associate in dynamic, flexible arrangements directed to supply products and services to internal and external markets, entailing synergies. Development of territories and *agribusinesses* should include a large number of actors (producers, suppliers, processors, logistic, distribution channels, etc.) in public-private partnerships (CEPAL, 2005).

***Civil society organizations:*** From the nineties, civil society organizations were given an important complementary role with state and market. These organizations are not only channels for cooperative behavior but they also play an important role in sustaining identities and communities, giving voice and representing marginalized rural groups, articulating demands and implementing grass roots initiatives. However, different actors of the civil society are driven by different motivations and have different concepts, skills, techniques,

experiences and resources. Some civil society organizations have a special capacity for experiment with models of action and social intervention, opening opportunities for complementariness in agreed upon frameworks for division of labor and co-operation. Different interests, backgrounds and experiences may enrich policy processes through participation, partnerships and joint programs.

#### **4 The role of the Ministries of Agriculture in the new governance**

In this section the role of the Ministries of Agriculture is analyzed. After a brief description of the actual situation, some areas for focusing organizational reforms are identified: a) vision and strategy, b) policy and managerial capacities, and c) public-private partnerships.

##### ***Public sector reorientation***

***The situation:*** Policy reforms left Ministries of Agriculture with a very limited scope of responsibilities: mainly regulatory agencies with research and development of agricultural technology and sanitary services. New forms of private participation were devised, with an increasing separation among policy formulation, financing, producing and delivering services. Even with this radical restructuring, the original matrix of design of the ministries persisted. The old patterns of organization inspired on the bureaucratic model, with a top-down style for organizational management, centralization in decision making, sector - based delimitation of competencies and lack of meaningful mechanisms for social participation were not substituted by new formats and practices. The ministries could not assume a leading role in the political economy of policy processes, without constituencies that supported a more influential or active role, being assaulted by old actors and interests. A new policy community born out of the increasing complexity of agricultural and rural issues took shape, but frequently their demands were directed not to these ministries, but to the more powerful Ministries of Finance (Piñeiro et.al, 1999, Cabral and Scoones, 2006, Trejos et.al, 2004).

The structural changes were not supportive of new behaviors, with modifications that reinforced ritualistic orientations. The organizational transformation remained, therefore, as an expectation or as a symbolic remainder of reform purposes. Programs of “institutional strengthening” concentrated on financing new or more inputs for public action (Martinez Nogueira, 2003). The components of projects financed by donors or international financial organizations adopted a very restrictive notion, without adequate assessments of capabilities, contexts and policy demands. The “remnant state” was a patchwork of old practices, pieces of new public management, incoherent in its regulatory framework, with few analytical capabilities and scarce resources for having incidence on policies on key areas for agricultural development (health, sanitation, education, technical training, transports, communications, irrigation) and without participation on the debate on strategic national decisions and fiscal and monetary policies.

***Organizational innovations:*** Even this negative evaluation of the role and capabilities of Ministries of Agriculture, some progresses have been made:

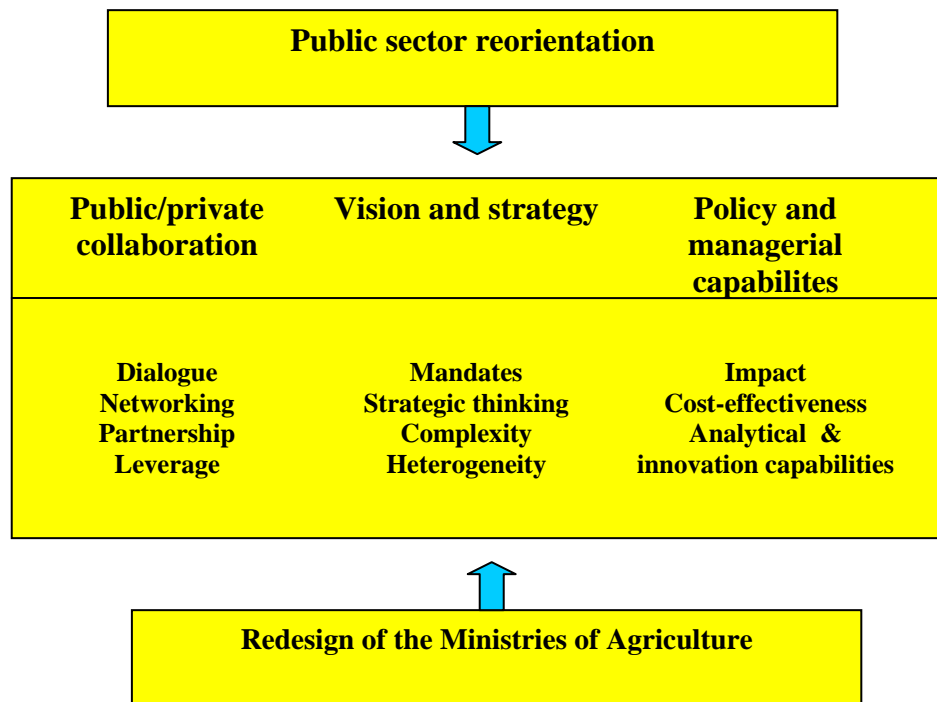
- organizations and programs with more specific focus, clearer mandates and more operational autonomy, such as export promotion and financial agencies for supporting new ventures and innovation projects,
- competitive mechanisms for financing activities related to production of club goods (technical assistance, certification, etc.),
- organizational schemes for agricultural research, technology transfer, sanitary control and quality assurance, export promotion and development of financial and insurance markets,
- networks with research centers and universities for knowledge development and diffusion
- collaborative arrangements with civil society organizations and producer associations which are now regular participants in policy processes and service delivery.

***Legal and technological innovations:*** In some countries the redesign of the Ministries took place in a radical manner. In others, some legal and technological innovations were introduced in an incremental way. Many of these innovations responded to already conventional ideas in the fields of institutional engineering, public policy analysis and public management. In general, the chapters of the reform programs dealt with:

- capacity strengthening for leading a more complex sector with broader scope of competencies, with presence, dialogue and incidence in the decision processes related to macroeconomic and financial policies,
- revision of the organizational mandate to accommodate the necessary intervention of the Ministries in policies and actions related to rural development, systemic innovation, competitiveness and commodity chains development,
- flexibility in resource disposition and management, with creation of specific instruments for financing innovative projects, organizational development of farmers associations and for strengthening the linkages among academic, professional and service organizations with policy formulation and implementation units,
- mechanisms for social participation, coordination and collaboration among public and private organizations, .
- structural simplification through a reduction of the excessive differentiation among organizations with functional specialization, reducing coordination and transactions costs.

### ***Ministries of Agriculture redesign***

In spite of these positive developments, some areas need significant innovations and strengthening



**Figure 2.** Public sector reorientation and Ministries of Agriculture redesign

***Vision and strategy***

**Mandate:** The new agriculture requires a different mandate for the Ministries of Agriculture. The organization of the public sector follows a traditional delimitation of sectors. The definitions of the scope of action of public sector agencies are, in consequence, limited for dealing with the more complex and diverse issues of agricultural and rural development. A public sector organization more oriented to problem resolution, with Ministries of Agriculture able to overcome institutional inertia and obsolete attribution of formal competencies, is needed. These ministries should, therefore, reinforce their normative and coordination roles, with emphasis on promoting and channeling interdisciplinary and multi-institutional contributions. In matters such as food security, value-chain articulation, rural development, social and territorial integration, international negotiations, etc., these Ministries should have a well defined participation and capacity for sharing authority in policy and investment decisions.

**Strategic thinking:** The most advanced countries allocate important financial and human resources to strategic thinking and planning. The identification and evaluation of future alternative scenarios, systematic capacities appraisal and definition of operational goals consistent with long range objectives, are tasks that are defined in most developing countries public sectors, with no clear competences. This absence or weakness has negative effects on investment climate and entrepreneurial decisions, as well as on the possibility of building long

lasting consensus among social and political leaders and organizations on agricultural and rural policies (Martinez Nogueira, 1997). Strategic orientation is also a necessary condition for integrating private sector and social organizations into the public policy process and for establishing long-term and open-ended relationships based on trust and mutuality.

**Complexity:** The increased complexity of agriculture and rural development should be introduced in policy dialogues and institutional designs. Two elements are important: a) the new broader concept of agriculture, including agricultural and food production and processing, inputs, services and equipment provision, distribution chains, etc., and b) the growing complexity of interdependencies and the expanded demands of this new agriculture. The limitations of the sector - based policy making are obvious in the new context. A more horizontal public sector, directed towards problem resolution and able to develop inter and multidisciplinary frameworks is needed to respond to the challenges of competitiveness, sustainability and poverty reduction. Also, more diverse and complex universe of farmers and farm associations, value chains increasingly articulated, national and foreign actors with more direct relationships and interdependencies and new modalities of transactions demand new capabilities and coherence, not only in the Ministries and their organizations, but in the whole state apparatus as well.

**Heterogeneity:** Old Ministries of Agriculture were based, in most cases, upon the assumption of homogeneity of products, system of production, producers and markets. The present scenario is one of heterogeneity: differentiated products, diversity of social and technological conditions of production, asymmetries in resources and opportunities among rural populations, regions and locations, negotiations in multiple institutional arenas, value-chains with diverse actors, potentials and vulnerabilities, etc. Selective policies and a more active and intelligent public sector demand this greater attention to heterogeneity.

### ***Policy and managerial capabilities***

**Impact:** Traditional state apparatus is governed by procedures and routines. A flexible, innovative public sector should be guided by goals and impacts. It demands management by results, planning, programming and evaluation, as well as incentive systems to redirect bureaucratic behaviors. These impacts refer to the organizational mandate and strategies. They must be evaluated regular and systematically. Also, the object of the evaluation should be the long-term impact on society or the community at large. An indirect approach to impact orientations is to change budgetary practices linking funding to performance, with a longer frame of reference, allowing stability and continuity in policy implementation.

**Cost-effectiveness:** Ministries of Agriculture should update their staffing regimes, compensation policies and employment conditions, with incentives for more efficient services in order to keep their qualified personnel. Improved budgetary process and performance indicators could also contribute to better cost-effectiveness. Different forms of contracting out or outsourcing are means for achieving cost reductions, efficiency gains and quality improvements in public services. These mechanisms are used for provision of public services under contract by private professionals, NGOs or businesses, often using competitive tenders. Some examples are contracting out technical support activities in the form of consulting,

inspection and certification in sanitary and quality services, technical assistance to farmers, etc.

**Analytical, operational and innovation capabilities:** The new scenario requires policy processes fed by the best knowledge available in the society. The ministries must reinforce their analytical capabilities for identifying, demanding, producing and making use of that knowledge, stimulating the creation and consolidation of academic and professional networks that could enrich policy dialogues and enlighten public and private actors. The complexities and heterogeneities of an agriculture understood in a broad sense, as well as the participation in international negotiations and the demands of anticipating trends and behaviors of foreign markets, corporations, global social actors, etc., make prospective exercises and knowledge disposition and management strategic tools for the effectiveness of policies. Also, Ministries were frequently prisoners of institutional inertias. In the new scenario, they should be flexible, creating an environment propitious to innovation and continuous change, up to date in terms of organizational and managerial technologies and supportive of experimental behaviors. In fact, Ministries are part of innovation systems, with a strategic role to play in identifying, facilitating and stimulating institutional and production related innovations.

### ***Public – private collaboration***

**Dialogue:** The dichotomy public–private is problematic and confusing. Privatization of public services became widespread in the 1980s with the crystallization of a neoliberal consensus that sought to reduce the role of the State, changing the delivery of some services from the public sector to the private sector. This was seen as a means to increase value for money, innovation, and responsiveness. This conviction has been revised: a new emphasis on collaboration and partnership is the expression of a more sophisticated understanding of the development process, with a public sector more open to society and a market more dependent on the quality of institutions and able to respond to incentives. New spaces for policy dialogues, farmers participation, intervention in policy implementation and control and evaluation has been incorporated in organizational designs of Ministries of Agriculture.

**Networks:** The structural complexities of the public sectors, the need for integrating policies and the multiple and diverse contributions that are required for consolidating competitiveness and for the dissemination of the benefits of development demand special skills and competences in horizontal multi-organizational systems. With blurring distinctions between public and private organizations, public policy implementation is a system of interlaced webs of tension in which control is loose, power diffused and centers of decision plural (Cleveland, H., 1972). This requires network management and supporting and strengthening interactions and relationships of cooperation and collaboration. Networks are the building block of innovation systems as mechanisms for dialogue and connectivity among organizations. They allow the identification of complementarities and the possibility of sharing resources, increasing the effectiveness of policy instruments and actions (Nohria E. and Eccles, RG, 1987)

**Partnerships:** Public-private partnerships combine the resources of government with those of private agents (businesses or civil society organizations) in order to deliver societal

goals. The potential capacities of partnerships come from their participative and multi-stakeholder nature. A partnership is based on the premise that all key stakeholders in a development issue should be mobilized to develop and implement actions to address the issue. Its participative character means they can build greater commitment and enhance the chances of creating a legitimate and sustainable solution. The multi-stakeholder aspect allows for exchange of resources, combination of their competencies, and coordination of activity in a new way. Partnerships include contracting out, co-production of services, franchising, collaboration in project implementation, hybrid organizations (Ferlie et.al, 1996, Koppell, 2003) and a large number of ad-hoc arrangements to conquer and defend markets, participate in international negotiations, reinforce value-chains and promote innovations. It covers a variety of instruments through which governments involve producers, social organizations and firms in the completion of public policy goals. Ministries of Agriculture made greater use of private actors to design, manage and deliver public policy during the last part of the twentieth century as a consequence of the implementation of prescriptions of New Public Management and market approaches. This wave has undergone some changes, stressing now the interdependencies and mutuality of public and private interests and organizations. But partnerships are also the source of particular challenges. Bringing together organizations with diverse goals, values and perspectives means there is plenty of ground for misunderstandings and conflicts. There is an important accumulated learning on partnerships. Structural flexibility, resilience, ability to make and sustain own rules and to adapt goals are conditions for success, as well as values and capacities of partners. Therefore, partnerships require building structures, skills, and processes.

***Leverage:*** Governments may use legal and financial resources to create conditions conducive to sector, social, territorial and market development. Through these resources, governments encourage and persuade private sector decision makers to align with public policy goals. Financial incentives and different types of exceptional regimes together with contractual conditionalities (targets of employment generation, exports, new markets, production, productivity gains, etc.) may have an impact on localization decisions, private development of social and physical infrastructure or product or process innovations.

## **5 Public Sector Reforms**

In this final section, public sector reforms are discussed. Reform is not a coherent set of concepts and tools. It embraces a range of actions having in common the purpose to increase equity and quality of policies and service provision. Reforms of particular interest are mainly those of reallocation of resources to reach the poor, improvement in the performance of public functions by means of public-private partnerships and changes in sector governance to increase efficiency and responsiveness

### ***The general trend***

The old isomorphism of Ministries of Agriculture has been abandoned. Reform efforts in many countries, especially in Latin America, have changed areas of responsibility, modes and levels of intervention and structural dimensions of these Ministries. This process of differentiation among countries is indication of the operation of political and institutional

forces and constraints that demand creativity and adaptation. However, this general trend should be supported:

- Higher hierarchical ministerial level to agriculture in countries with no Ministry. In the case of rural development, the functions related to rural areas and social territorial developments are dispersed, with confusion of competencies and instruments. Topics such as infrastructure, irrigation and environmental management should be incorporated in the rural agenda of the Ministries of Agriculture, with participation in their specific policy processes.
- More thematic responsibilities, incorporating competencies on agro-industrial processes with attention to the significance of products and process for agricultural growth with a pro-poor orientation.
- A more specific focus of the Ministries, with more emphasis on its normative character. Service provision should be assigned to organizations with a high degree of discretion for implementing policies and achieving their goals. This autonomy demands budgetary reforms, performance indicators and impact evaluation systems.
- Decentralization for attending heterogeneity and complexity, but governed by clear policy mandates, contingent financing and a systematic effort to build capabilities at provincial and local levels.

### ***Rural development***

Rural development is a complex concept and a difficult task. It involves grassroots organizations, local governments, participation of a diverse set of national and regional public agencies, private firms and diverse cooperative and collaborative arrangements. It is a productive, economic, social, cultural and political endeavor. It needs behavioral changes and convergence of many actors, rules and norms definitions and the mobilization of resources. It is a long term objective not only related to agriculture, but to urban-rural interfaces and interdependencies. It is a social and territorially based phenomenon. Even when rural development is not a policy issue related only to poverty alleviation and pro-poor development, policies for promoting it have a distributive impact and constitute a fundamental instrument for equity and social integration. Then, rural development is not a sectorial problem.

Ministries of Agriculture are only partly responsible for rural development. Its sectorial mandate is short with respect to many policy dimensions and decisions that have to be taken into consideration. In many countries this limitation gave origin to different institutional innovations, such as the creation of high level councils to integrate policies, specific units at ministerial level with preeminent role for delivering services to rural populations, coordinating mechanisms at the operative level and even specific public agencies with a variety of instruments but mainly related to agricultural production and other income generating activities or related to the creation, maintenance or improvement of assets for the rural poor.

In order to be effective contributors to rural development, Ministries of Agriculture should have broader responsibilities. Local development plans and programs should be formulated with active participation and even leadership of these Ministries. National

frameworks for rural development have to govern specific territorial efforts and initiatives, with special funds for financing projects for community economic and social development, with components related to the creation and consolidation of local boards for coordinating actors and implementing initiatives.

This participation of the Ministries of Agriculture in rural development actions with a territorial focus needs, obviously, a decentralized organization. During the nineties, decentralization meant the transfer of functions and responsibilities to subordinate levels of government. The expectation was that this transfer would produce greater responsiveness, more efficiency and greater participation, empowerment and social control. The process has often been hasty and poorly prepared, without adequate attention to the financial, legal and regulatory details at the sector level and with little preparation or capacity-building in state and local governments. The actual impact of decentralization on service provision, in general and more specifically for the poor, varies among and within countries. The central Ministries may influence pro-poor efforts at provincial and local levels. They have important roles: they manage resources for financing projects, develop ways to subsidize poor districts, develop policies and assess standards. Apart from these basic functions, they can advance reforms through contingent funding, information, networking and clearing-house activities.

### *Agricultural research and sanitary services*

The development and diffusion of new technologies are perhaps the most important sources of long-term growth in low-income agrarian societies. However, the extended consensus on the role of the state meant decreasing budgets for research and development. At the same time, official assistance efforts broke significantly away from the long-term trend, while private flows rose significantly, even when concentrating mostly on a limited number of emerging countries. .

Agricultural research systems confront new demands from production and processing, food quality and security (Janseen y Braunschweig 2003) in a transition to be part of national innovation systems (Albuquerque y Salles-Filho, 1998). New areas have to be developed to incorporate the enabling technologies to their agendas. These systems are more complex than decades before, when the main protagonists were the national research organizations. Associative arrangements and partnerships are not only possible, but necessary, with participation of universities, ONGs and private firms. .

Innovative research partnership for sustainable agriculture could be one area where joint ventures for the benefit of resource-poor farmers could become a true reality. The fact, that in today's world, some of the most dynamic and powerful research capacities are placed in the private sector makes transnational corporations and independent research institutions potential candidates for such partnerships, at the same time that they decide the reorganization of the portfolio of public funded research.. There is evidence that many agricultural corporations and private research institution—while focusing their research on areas where a competitive return on investment can be anticipated—are willing to provide research support. It is possible and necessary, in these cases, to build partnerships based on a win-win-relationship,

Collaboration and coordination among national research services, NGOs and private sector can lead to the production of some essential collective goods and services still not provided by individual actors, and a more efficient use of resources in addressing a number of issues of local importance. Partnerships can combine the power of government to create a supporting environment, NARS capabilities, access to cutting-edge research through CGIAR centers and the resources of the private sector.

Examples of public private collaboration among public and private organizations in developed countries could inspire new arrangements for development. In USA, joint ventures between universities and private firms are stimulated by public policies through project financing. Australia has a well developed system of research based on collaboration among farmer organizations, public institutions, universities and private firms. In UK, changes in the institutional framework stimulated the role of universities and the decentralization of research. In Latin America, during the nineties the agricultural research institutes suffered a process of capacity deterioration but, simultaneously, they were forced to change organizational models and processes. They established partnerships with private firms and made a more intensive use of regional networks and competitive funds. Countries like Brazil put into operation networks for innovation and technological forecasting with special financial mechanisms for agribusiness demanded research and technological intelligence. (RIPA, 2006). At the regional level, the cooperative programs for agricultural research (PROCIS) are arrangements for collaboration among national research systems. FORAGRO, established by the InterAmerican Development Bank contributes to financing multinational projects.

The same reasoning applies to sanitary and quality services. These are more affected by globalization and regionalism and the need to generate internal and external markets for new products. New and more complex rules and standards require more professional capabilities, a better integration with research services and partnerships with the private sector. Outsourcing, contractual arrangements and regional integration of strategies and services should be part of capacity building strategies.

### ***Environment and natural resources***

There are not too many successful initiatives for processing policies related to environmental degradation and natural resources management. The horizontal character of the thematic (it is not the competence of a specific set of institutions and organizations) makes it particularly difficult for the Ministries of Agriculture to design policies without the participation of farmers, sub-national levels of government and other public organizations. Schemes for integration of area boards for managing these issues and oriented by national policies and supported by central resources are needed. The reconciliation of local and private logics with long term public interests is a problem of institutional engineering. Its resolution is outside the mandates and capabilities of the present Ministries of Agriculture. The high transaction and coordination costs of policy and administrative interventions recommend to design new integrated mechanisms, with private participation for policy making and implementation as well as for resource management.

## 6 Conclusion

The general conclusion of this paper is that confronting the new agenda for agriculture and rural development demands a more complex approach for defining the role of the public sector. The definition of this role not only involves political and technical dimensions. First, it must have coherence with the overall institutional framework (rules, norms and patterns of behavior). Second, it has to leave behind the old dichotomy between state and market, making use of the diverse possibilities of joint action and partnerships with the private sector and social organizations.

Distinguishing different categories of issues for policy, organizational and managerial reforms draw attention to the varied paths through which these reforms might be revised, tailored to countries' specific institutions and politics. Clearer mandates and policies, organizational strategic orientations, better allocation of resources, more capacity building and data and information on actual performance can alter the climate of technical and political publics and public opinion encouraging institutional changes with pro-poor reforms. Inputs broadly directed to improving performance should have specific components targeted to services for the poorest groups and areas to be effective. Participative programs may need substantial political and technical support from ministerial services specially directed to that purpose.

New roles for public agencies demand extensive and intensive organizational and managerial redirections. The public sector should contribute to creation and consolidation of social capacities, strengthening the linkages with the private sector and promoting local articulations. This is not only a task reserved to the Ministries of Agriculture; instead, these Ministries should have an active and relevant role in designing, planning and implementing policies directed to agricultural and non-agricultural development with particular impact on the rural-poor. This task requires regulative, normative, cognitive and behavioral changes.

One of these changes is to stimulate and consolidate public-private partnerships. The consolidation of these partnerships takes a long time. They need rule consensus, mutual knowledge and trust, convergence of interest, trial and error experiences and equilibrium in the distribution of costs and benefits. They demand participation, commitment and availability of resources, as well as accountability and transparency. . They generate risks and should overcome systemic barriers associated with the lack of an enabling environment

Institutional reforms are the result of the mobilization of social, political and technical resources. It is not a one shot operation, but a continuous process. The public sector is a strategic target to start processes of institutional reform. Within it, the Ministries of Agriculture play a significant role. In spite of their traditional weaknesses, there is no other place for reorienting policy and implementation. But they need social support, public sector collaboration and civil society participation.

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