

Competitiveness Agreements of Regional Value Chains (VC): An Alternative to Deal with the Effects of Economic Restructuring in Colombia

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ABSTRACT

During the 1990s, the devastating outcomes of the economic restructuring on several regions and key sectors such as the agriculture and livestock prompted countries such as Colombia to undertake an aggressive program of value chain-based development policies and partnerships including its decentralization to the regions. The agreement on competitiveness of several value chains at the regional level became a proactive response at the meso-level to the new challenges that firms and nations faced in the context of globalization. The research aims to analyse the process effectiveness of the decentralized implementation of the Colombian national competitiveness policy during the period 1996-2010. The theoretical framework is based on institutional theory. The study expands and disaggregates Gereffi's Global Commodity Chain framework and applies some of its analytical categories (input output structure and governance amongst others) to the study of regional value chains.

1. INTRODUCTION

The economic liberalizing tendencies boosted by the economic conservative governments of British Prime Minister Margaret Thatcher and American President Ronald Reagan during the 1980s and condensed in what John Williamson (1993) called the 'Washington Consensus', were finally embraced by most Latin American countries, in particular by the liberal government of Cesar Gaviria in Colombia, at the onset of the 1990s. These policies included market reforms, price decontrol, privatization, deregulation, fiscal discipline, financial and trade liberalization, and foreign direct investment, amongst other reforms conducted towards the internationalization of the economy in a global context.

During the second half of the 1980s and at the beginning of the 1990s, national governments that participated in the Uruguayan round of the General Agreement on Tariffs and Trade (GATT) discussed and signed several measures amidst a large and complex trade negotiation on a myriad of goods and services targeting economic internationalization. Hence, national governments gave up part of their autonomy to carry out traditional industrial policy based on strong interventionist policies to promote, for example, infant industries. Instead, the World Trade Organization (WTO) system as a multilateral organization took a powerful stand in the coordination of the agreements that had come into effect since its formal establishment in 1995 as a result of the Uruguay round negotiations (1986-1994). In this context, 'international rules no longer leave space for industrial policy interventions' (Rodrik 2004: 37).

Liberalization and privatization reforms became hegemonic and the force of facts and new policy consensus left behind import substitution policies.

The implementation of market reforms and the neoliberal agenda brought several challenges to national firms including opportunities and threats among the different economic sectors, in particular the agricultural and industrial sectors. The key issue was the need for them to change their traditional ways of doing business. Because the artificial protection of their productive activity through market distortions introduced by government licenses and regulations, direct subsidies, largely to public enterprises, high tariffs, foreign exchange controls and so on were being lifted and they had to prepare to face stringent and aggressive foreign competition in the international markets. National producers were compelled to face the incursion of efficient competitors from abroad as well as to prepare to venture into other markets internationally or globally. To face this new environment, firms and regions had the challenge of becoming both productive and competitive. Likewise, the economy had to recover from the negative outcomes of the first round of adjustment policies and the economic restructuring processes. In fact, in 1999, the Colombian economy shrank for the first time in 50 years (-4.5%). This meant large unemployment rates, a catastrophic decline of the agro and livestock sector and economic distress. The role of the government was redefined, showing a clear tendency to move away from industrial policy and its large industrial projects, as was originally conceived, towards a more integral competitiveness policy following the advice of new development theories such as the competitive advantage of Porter (1990) and systemic competitiveness (Esser *et al*, 1996). The traditional sources of competitiveness based on static factors such as natural resource endowment and cheap labor had to be strengthened by factors that are more dynamic such as advanced human resources, knowledge and strong institutional development. There was a need to introduce systemic rationality to support innovation processes, collective learning and attempts to achieve productivity gains undertaken by the different economic units at the micro level, and systemic competitiveness to the economy as a whole. First, the competitiveness of a firm was not expected to be the result of individual endeavors. Instead, it was the result of joint efforts with suppliers, related industries and customers and coordination along the VC. Actions at the meso level were deemed necessary, given the need to provide a sound competitive environment (e.g. infrastructure, education and training, export policy, science and technology, environmental policy) to support the efforts at the micro level and at the aggregate level (provision of an adequate macroeconomic environment).

As Herzberg and Wright (2005, p. 37) point out,

At a time where trade liberalization has brought a renewed pressure for countries to dramatically improve their competitiveness, governments are compelled to work even closer with the private sector. When public authorities, entrepreneurs and subsequently, donors fine-tune their engagement with each other through credible public private dialogues, their coordinated actions can ensure a stronger impact of policies on investment, employment and growth.

In this line of thought on governance, the policy for the agricultural and livestock sector by the Ministry of Agriculture and Rural Development has evolved into a VC perspective for about two decades and in this framework the competitiveness agreements (CAs) of VCs became a wide ranging response by the national government of Colombia, in particular since the mid-1990s.

The signing and development of competitiveness agreements (CAs) of VCs among different countries in Latin America, and in particular in Colombia, represents an actual change of policy emphasis in two different and interrelated aspects. First, the policy embodies a change

from a supply orientation to a demand driven one. In the past, ‘the state administration carried out, with a supply vision and in a centralized way, the management of the policy through direct financial support to those firms and sectors that met the established requirements in the incentives laws’ (Vazquez Barquero 2005, p. 45). ‘The new development policy has a “demand” vision and emphasizes on endowing territories and productive systems with the services that firms require to solve their competitive problems instead of facilitating direct funds to the firms’. Second, the change in policy orientation is also reflected in a move from a traditional sector orientation to an agro-industrial VC, which is a more comprehensive approach. It includes not only the particular agricultural sector but also involves the whole range of activities and actors as well as the economic and technical relations that are established among them in the process required to bring an agro product from the inputs sourcing and production through its processing, distribution and supply to the final consumer. The multi-stakeholder partnerships for agro industrial VC development involve public and private sector coordination of activities and exchanges through regional councils for competitiveness. In this scenario, the identification of needs at the micro and meso-level by the agricultural producers, their associations as well as by other producers engaged in processing and transforming downstream the VC, constitute an important input for policy design, in particular for the Ministries of Agricultural and Rural Development and the related sectoral agencies. The commitments acquired by the government through its participation in CAs of agro-industrial value chains (VC) embody the new demand-oriented approach of the sectoral policies. The resulting policy design is genuinely demand inspired, based on first-hand knowledge of the needs of agricultural producers, which means direct feedback from the intended beneficiaries. Then, industrial policy becomes an ‘interactive process of strategic cooperation between public and private sectors which, on the one hand, serves the elicit information of business opportunities and constraints and on the other hand, generates policy initiatives in response’ (Rodrik 2004, p. 38).

The notion of sectoral CAs was introduced in Colombia in 1994 in the national development plan, and then in 1996, the first agreements were signed. In the same year, an influential study by IICA (Herrera and Bourgeois 1996) put forward an instrument for agricultural and policy design and implementation in Latin America and the Caribbean called the CADIAC approach (Chains and Dialogue for Action. Participatory Approach for the Development of Competitiveness of Agrifood Systems), which became an influential policy framework during the government of President Andres Pastrana (1998-2002) with the technical support of IICA, in the context of the Program of Agricultural Supply (PROAGRO), which included the signing of CAs for the regional nuclei of value chains. The CADIAC approach deems the organization of the chain as a key strategy to achieve competitiveness gains. It means, the generation of spaces for discussion and formal and ongoing dialogues between different stakeholders in representation of the private and public sector. Such spaces might be expected to facilitate the definition of policies and specific actions for competitiveness strengthening as well as a propitious room for stakeholder coordination (Hernandez and Herrera, 2005).

This paper is divided into five main parts starting with an introduction. The second part presents the theoretical framework. The third, discusses the background to the VC-based competitiveness policies in Colombia. The fourth part elaborates in detail about the competitiveness agreements (CAs) as a key feature of the national policy for productivity and competitiveness in Colombia. Finally, the fifth part presents concluding remarks. 5

2. THEORETICAL FRAMEWORK

2.1 *New Competition and Competitiveness Strategy*

This section presents a brief review of the change in thinking and approaches towards the study of industrial competitiveness and the contributions of Best (1990), Esser *et al.* (1996), Meyer-Stamer (1998) and Porter (1990, 1998, 2003), paying special attention to the elements that contribute to the theoretical framing of the current study. First, competitiveness is a widely known concept, though there is no clear consensus about its meaning in spite of the fact that it has paramount implications for the fate of entrepreneurs, especially in developing countries and for the livelihood of its inhabitants. ‘Competitiveness remains a concept that is not well understood, despite widespread acceptance of its importance’ (Porter, 2003, p. 25). The new business environment and the major economic restructuring processes taking place in both developed and developing countries are condensed largely from a theoretical standpoint in the concept of *new competition*. The latter constitutes an important advance in the understanding of what is happening at the regional level as a response to the major events taking place globally. Best’s theory gives a supreme role to the entrepreneurial firm whose definition has theoretical influence of Schumpeterian concepts of entrepreneurship and competition, and the Penrosian concepts of experience, teamwork and growth of the firm (1990, p. 276). To be competitive, countries and firms have to congregate several actors around competitiveness goals with the vital participation of government, the sector institutions and firms, not by mean of a traditional industrial policy but through schemes that involve strategic alliances along with what Best calls the ‘production commodity chain’ supported and enhanced by the proactive role of government.

From a theoretical perspective, the new industrial policy and in particular the competitiveness policy became even more systematic after the publication of the influential book by Michael Porter, *The Competitive Advantage of Nations* (1990). Porter, from the business administration and strategy perspective, argued that competitiveness is created, but not derived, from static comparative advantages as was traditionally accepted. ‘Productivity and innovation, not low wages, low taxes, or a devaluated currency, are the definition of competitiveness’ (1998, p. 263). Competitiveness is regarded as the efficiency with which a nation uses its economic resources. It is ‘rooted in a nation’s microeconomic fundamentals, manifested in the sophistication of its companies and the quality of its microeconomic business environment’ (Porter, 2003, p. 41). In this definition, competitiveness is treated as synonymous of productivity. Innovation is a key component that influences the construction of a nation’s competitiveness and supports the effort of its industry to upgrade (1998, p. 155). Porter states that ‘companies in a nation must upgrade their ways of competing if successful economic development is to occur. A nation’s companies must shift from competing on comparative advantages (low cost labour or natural resources) to competing on competitive advantage arising from unique products and processes’ (2003, p. 25).

Porter (1990) pays paramount attention to the microeconomic business environment and in its analysis introduces a chief analytical tool, ‘the diamond of competitiveness’. The four mutually interdependent components of it shape the environment in which local firms ought to compete and that fosters or prevents the creation of the competitive advantage. They are context for firm strategy and rivalry; the context, in which firms are created, organized and managed as well as the nature of domestic rivalry (1990, p. 108). Second, demand conditions, the sophistication of home demand and the pressure from local buyers to upgrade products and services sharpen the ability of enterprises to compete internationally. Third, related and supporting industries; this component refers to the availability and quality of local suppliers and related industries, and the state of development of clusters. Finally, factor endowment; in

this category, Porter highlights that ‘a nation’s firms gain competitive advantage if they possess low-cost or uniquely high-quality factors of particular types that are significant to competition in a particular industry’ (1990, p. 75). In sum, the competitive advantage of a firm depends not only on static but also largely on dynamic advantages. Since competition goes beyond prices, productivity improvements and innovation become key factors in Porter’s framework.

This point of view is complemented by other scholars who consider that competitiveness is the result of efforts carried out systemically at four levels: 1. Micro-level of the firm and inter-firm networks; 2. Meso-level of specific policies and institutions; 3. Macro-level of generic economic conditions; and 4. Meta-level of slow variables like socio-cultural structures, the basic order and orientation of the economy, and the capacity of societal actors to formulate strategies. Systemic competitiveness as a concept addresses a broader spectrum than individual firms do; it applies to nations, regions, industrial sectors or subsectors (Esser *et al.*, 1996; Meyer-Stamer, 1998, p. 3). In this line of thought, ‘industrial competitiveness comes about neither spontaneously via a change in the macro framework nor merely via entrepreneurship at the microlevel. It is, rather, the outcome of a pattern of complex and dynamic interaction between governments, firms, intermediary institutions, and the organizational capacity of a society’ (Esser *et al.*, 1996, p. 27).

This research focuses mainly on the meso-level. It refers to specific policies (meso-policies, i.e., export finance) and institutions (meso-institutions, i.e., technology institutes and training centers) to create a competitive advantage. This level relates to particular targeted policies (technology, environmental, export, import, education and training, regional infrastructure, finance, industrial structural policy) to shape industries and their environment with the aim of strengthening the competitiveness of industries (idem, p. 28). Meyer-Stamer states that this context is precisely the ‘world of local and regional industrial competitiveness initiatives to strengthen the firms’ environment’ (1998, p. 3). Another important point in relation to the meso-level is that the institutions that perform at the meso-level are not necessarily governmental, that is NGOs, business associations, firms and private-public sector partnerships like the national or regional council for competitiveness, for several value chains in Colombia. There is also an increasing trend prompted by the pressures on the local regional firms by the international competition to formulate meso-level policies at regional levels. These policies cannot be confused with traditional industrial policy, on the contrary (idem, p. 16):

mesopolicies to create systemic competitiveness are about stimulating competition and supporting firms to make the best of a highly competitive environment.

Finally, Meyer-Stamer contends that global commodity chains ‘adds a missing dimension to the systemic competitiveness concept. In the latter, world market integration and competitive pressure is taken for granted, and the focus is mainly on the producing firms. It is, however, essential to understand both features thoroughly to understand why competitiveness emerges, or why it does not’ (idem, p. 22). As pointed out in this research, the different elements that shape the theoretical framework are interrelated and the attention to commodity chains is a common feature in all approaches from Porter to Meyer-Stamer. The systemic competitiveness framework fits the requirements of the current research, in the sense that it depicts the synergy between the state and other members of society to create the conditions for successful industrial development intentionally, which is the case of the regional agreements on competitiveness. All of these factors are at play in these multi-stakeholder development partnerships of value chains carried out at the national and regional level. Their aim is the promotion of the agricultural sector, further integration of the links of the chains,

achievement of higher productivity, penetration and consolidation of national and international markets and the overall increase of industrial competitiveness of the country.

2.2 Multi-stakeholder Development Partnerships at the Level of Value Chain (Competitiveness Agreements of Value Chains)

Van Westen (2002, p. 58) contends that an appropriate way of promoting local economic development is a ‘moderate political embedding of the economy, where the state, in partnership with the private sector and civil society organizations can create a framework conducive to growth’. The value chain based development policies contribute to the above endeavor, in fact, the VC framework is increasingly being used as an analytical tool for policy design and delivery (Humphrey and Navas-Aleman, 2010; Kaplinsky and Morris, 2008, p. 294). In this context, the promotion of governments, business and NGO partnerships for VC development has become a central component of the competitiveness policies in Colombia as well as in other Latin American countries. According to Humphrey and Navas-Aleman, Rather than aiming at broad-based solutions for market development, value chain analysis works more directly on the linkages between agents in the market in order to reduce the costs of inter-firm coordination, maximize flows of knowledge along the value chain to overcome deficiencies in information about markets and technologies, increase the potential for value-adding strategies based on intangible attributes, and create trust so that people feel safe to make investments for the future (2010, p. 99).

The public/private partnerships for development do not constitute a new, recently introduced policy device in development literature. On the contrary, these partnerships are considered a key feature of local-regional development policies, in particular since the beginning of the 1990s, amidst the decentralization and economic restructuring processes. Nevertheless, the public/private partnerships for VC development have been less documented, leading to a literature vacuum on this subject. However, there is growing awareness about their policy potential to promote the improvement of the livelihoods of rural small holders and micro and small industrial entrepreneurs through participatory approaches (Meyer-Stamer, 2004; Morris, 2001; Ruben *et al*, 2007; van Wijk *et al*, 2009).

A competitiveness agreement involves collective action in the form of schemes of private-public partnerships whose main goals in the case of agro-commodities are the promotion of the agricultural sector, a better integration of the links and improvements in productivity to foster the national and international competitiveness of the local-regional production and the overall socioeconomic development of the region. All the competitiveness agreements have at least three main components: a strategic diagnosis agreed by main VC stakeholders, a collective vision for the VC and a plan of action to reach the vision (matrix of commitments). The main subjects regularly discussed and included in the different regional agreements on competitiveness for VCs in Colombia are the following: human resource development, technological development and transfer, information systems, international markets, organization of producers and production costs.

The discussion and signing of a CA is not free from contradictions, though the actual conditions make it necessary to reach consensus about key common issues that favor cooperation, though competition amongst firms is not excluded. It is important to point out that each stakeholder (firms, producer associations, governments, NGOs) has independent development intervention goals as well as strengths and weaknesses to meet the competitiveness challenges posed by globalization at the regional or sub-national level. For instance (Helmsing *et al*, 2008),

The private sector has an interest in building networks of contracts with groups of small producers, and is able to implement quality standards and provide key inputs and to organize

supply chain logistics. However, companies often are (understandably) reluctant to accept the high upfront costs of supplier development programs for previously excluded small producers and often tend to avoid high risks of supplier failure by engaging with larger and experienced producers.

Thus, greater needs for cooperation and coordination in their development interventions arise. Likewise, a great deal of commitment and imagination by the local-regional governments is necessary to make these public-private partnerships functional.

A regional council of competitiveness carries out the coordination of these partnerships for the VC. It is a modern and flexible instrument designed to deal with relevant issues related to the CAs. It includes members in representation of the different links of the VC such as leading entrepreneurs, business interest associations, producers' associations, universities, sectoral research centers, members of the national and/or regional governments amongst others. The councils do not generate bureaucratic structures, though they provide an optimal space for cooperation among different stakeholders of the VCs and for the coordination of the CAs.

In sum, the VC competitiveness agreements work under the logic of public-private partnerships for VC development. According to Walzer and Jacobs (1998), 'Partnerships are in a continual state of flux and adapt to changing local needs. They often begin with loose and informal networking by private and public agencies but then are transformed into more structured organizations, incorporating resource commitments by the participants'. In general, CAs facilitate this transition from loose informal networks to more structured partnerships through the Regional Councils for Competitiveness, which are in charge of the CA's coordination, and it has kept them structured as non-bureaucratic organizations. The problem in such organizations is the risk of becoming a mere agreement of wills without accountability or resources, along with deficient monitoring and supervisory structures, hence there can be limitations to enforce compliance, and in many cases, there can be lack of commitment by the stakeholders included in the CA, given their diverse interests. Thus, the success of these participatory devices depends on the good will and mobilization capacity of those who signed it, and it depends on whether the CA addresses the real needs of those concerned.

3. BACKGROUND TO THE VALUE CHAIN-BASED COMPETITIVENESS POLICIES IN COLOMBIA

During the last two decades, the Colombian government has been adapting its institutions with the purpose of facing the challenges posed by productive internationalization and globalization. A set of policies to promote improvements in the competitive environment characterized by structural reforms were carried out during the 1990s. At the onset of the decade, Colombia undertook a short stabilization program and a series of structural reforms (trade liberalization, labor, fiscal, monetary and financial, and privatization) in order to internationalize its economy and break with its past inward development model. This process was deepened and further institutionalized with the Constitutional reform in 1991, and the advent of an unequivocal outward-oriented strategy with a hasty reduction and elimination of tariffs and restrictions to exports. Also, throughout the second half of the 1990s, complementary measures were undertaken to promote the competitiveness of the productive sector. The reform process of the commercial policy severely affected the agro and livestock productive system in Colombia. Its exposure to international competition occurred in adverse conditions given the disadvantages in both costs and productivity in relation to many products in the international markets, and in particular its inability to compete with the large subsidies allocated by the developed countries to their agricultural products (Bejarano, 1998).

The reforms of the 1990s and the economic opening set the scenario for redefinition of the government's role in the economy. The recommendations of the multilateral organizations in relation to the expected role of the government, according to Bejarano (1998, p. 188) included: the provision of economic security through institutions and stable policies, the elimination of price distortions generated by public policies (i.e. taxes, subsidies and transferences) to create the conditions for markets to function properly, keeping competitive exchange rates and avoiding currency appreciation, investments in infrastructure, technology and human resource development and finally the design of a competitiveness policy according to international commitments by the government. In this scenario the latter gradually abandoned direct interventions in the markets for agricultural and livestock products. Subsequent national governments, to compensate for the reduction of the state, defined a strategy that privileged a greater participation of the private sector in the design and management of policies and hence a sharing of responsibility of the outcomes. In this scheme, the government presented a shift in its relations with the productive sector from dealing with particular links as it traditionally did during the import substitution industrialization model (ISI) towards dealing instead with the members of the VC.

The marketing boards (e.g. IDEMA) and other institutions through which the government traditionally regulated the markets were dismantled or liquidated. Meanwhile, the para-fiscal funds administered by the business interest associations of production have gained momentum, while other instruments for sectoral policies have been developed. Most of them represent direct incentives, compensations and subsidies. Increasingly the support services are demand driven and they target strategic alliances, collectives and VCs more than individual producers or individual sectors and in several cases require co-funding. This process has been accompanied by a systematic institutional development to leverage the productivity and competitiveness policy and the national system of science and technology through new legislation, the creation of new ministries, and the fusion of a few of them. Likewise, there has been a surge of new instruments that promote and organize the participation of civil society in partnerships with the government for the diagnosis of competitiveness problems, the design of a vision, the search for solutions to problems and co management of development policies. The national and regional councils for competitiveness and the CARCE are examples of this trend in Colombia.

In short, given the impact of the economic opening and of the entire range of market reforms on production and employment and particularly on economic sectors and regions that were most exposed to international competition, the national government was prompted to accompany the first wave of structural reforms that encompassed its economic restructuring with the development of a national policy for productivity and competitiveness. The creation of a conducive environment that served as a competitive platform for the internationalization of firms was of paramount importance. In this background, the policy of VC (productive chains) gained momentum and defined the new competitive strategy of the national government. The VC received a policy meaning and reflected the attempt of the government to approach the different stakeholders of the Colombian economy at the sector and regional level in a systemic way. We focused largely on the national and regional scope. This research adapts the framework of Gereffi et al. (1994) to the analysis of meso-level policies in order to understand the Colombian policy of CAs though focused on the sectoral and regional components of the VC

In spite of the changes of national governments from 1990 to 2010, emphasis on the competitiveness issues is present in all of them and although the relevance of some programs and instruments might change from one administration to the other, the VC approach has remained a focal point in the competitiveness policy at all levels from national to sectoral and

regional. In sum, the instruments of sectoral policy are increasingly bound or linked to the VC activity and organizations. These tools have leveraged the endeavor of MADR with the promotion of agricultural and livestock sectoral CAs, and the Ministry of Development (later the MCIT) with the industrial and services' VCs. The roles played by the agencies that are part of the organic structure of the ministries in charge of sectoral policies have been very important in supporting the work with VCs at the sectoral and regional level. The DNP has also fulfilled a key function in the implementation of competitiveness policies such as in the case of the 'Internal Agenda'.

4 COMPETITIVENESS AGREEMENTS (CAs)

It is important to recall that since the 1990s, regional administrations have confronted both a great increase in their functions and an imbalance between such commitments and their own resources, plus those transferred from the central level. Because of this, they have been increasingly searching for other local-regional stakeholders' support (hoping to pool resources and efforts) to face the challenges posed by the decentralization process and, above all, to promote local economic development amidst globalization.

The need for promoting VC development at the regional level requires the participation of several actors. It is neither a matter of traditional industrial policy nor an exclusive private sector concern. 'Rather than focusing the discussion on joint action by the private sector only, the question is also raised how the public and private sector can work together towards more effective local institutional arrangements' (Baud, 2002, p. 4). The regional CA is a policy device that promotes the undertaking of public/private partnerships and cooperation schemes among several VC actors at sector and regional levels. The coordination of the CA is done by the VC regional councils for competitiveness, which embody a modality of public/private partnership to promote VC development. The partnerships are a key element in managing local development initiatives through joint efforts, horizontal cooperation, shared leadership, multiple and complementary capabilities and collective learning.

The CAs of value chains (VCs) embody a new management approach of the government in regards to the support policies of the private sector, and is one of the most outstanding instruments of the new institutional arrangement developed in Colombia during the last two decades. The scheme draws several stakeholders (business, agricultural and livestock producers, their associations, universities, the government, etc.) to work in different sorts of partnerships with the purpose of creating synergies in the private and collective action domains at the national and regional levels. These efforts are aimed at improving the productivity of firms and farms and their overall competitive position amidst the process of internationalization of the Colombian economy. According to Herzberg and Wright (2005, p. 4),

Competitiveness partnerships can both clarify the incentives and build the capacity of governments to implement reforms. Dialogue with entrepreneurs not only helps to reveal to governments the likely microeconomic foundations for growth, it creates a sense of local ownership which makes policies more likely to succeed in practice, ideally building a sustainable and self-reinforcing constituency for reform.

This section is divided into two parts beginning with a description of the instruments for this policy (the CAs and the councils for competitiveness) and followed by the value chain organizations.

4.1 CAs and the Councils for Competitiveness

‘A Competitiveness Agreement is a formal framework for dialogue and public-private concerted action created in order to reach consensus policy and actions aimed at strengthening chain competitiveness’ (Herrera and Hernandez, 2005, p. 19). A CA is a consensus document signed by the main stakeholders involved in the elaboration of a diagnosis, a vision and a plan of action with strategic projects for the improvement of the competitiveness of a VC, mainly in the following aspects: markets, technology, quality, human capital, information, entrepreneurial development, environment and information (MADR-IICA, 1999, p. 9). The main objective of the CA is the improvement of productivity and competitiveness of the VCs in order to strengthen the national production, achieve a better integration of the links of the VC and the expansion of external markets.

During the period 1995-1998, IICA and MADR signed several technical cooperation agreements. In this context, they developed a conceptual framework of the subject, conducted several studies for the VCs and were in charge of the coordination of the national CAs. Then, the strategic role performed by IICA in the competitiveness policy continued in the context of the CAs signed in the PROAGRO.

A council or committee for competitiveness of a VC is a modern and flexible instrument designed to deal with relevant issues related to the CAs. It includes members in representation of the different links of the VC such as leading entrepreneurs, business interest associations, producer associations, universities, sectoral research centers, technology development centers, inputs and technology suppliers, members of the national and/or regional governments amongst others. The councils do not generate bureaucratic structures, though they provide an optimal space for cooperation among different stakeholders of the VCs and in particular for the coordination of the CAs. The organization of the competitiveness councils includes the work with subcommittees for specific topics, which enhances the scope of action and effectiveness of the councils. According to Herzberg and Wright (2005, p. 16), ‘relatively informal mechanisms can be good for tackling specific problems but lack sustainability, whereas more formal structures may have greater longevity but less dynamism’. The regional councils for competitiveness were created under the first scheme discussed by Herzberg and Wright, though they are moving towards the second structure as far as the process of consolidation of the value chain policy advances. Law 811 of 2003 further enhances the institutional structure of the regional councils by introducing the figure of ‘chain organizations’.

In general, the national councils for competitiveness are created by the MADR administrative resolution. These councils have the support of the MADR as well as of large firms and business interest associations for their functioning. They are considered policy advisory organizations to the MADR in the case of agroindustrial VCs. In practice, these councils have two main types of stakeholders, technical and political. First, those who perform the technical work at the interior of the council. Second, the high-ranking authorities, including ministries, presidents of larger companies and national business interest associations, which are in charge of the policymaking process.

The situation of the regional councils is different; they can be assimilated into technical committees because they do not have the governance to generate national or regional policies. However, they can influence the policymaking process indirectly through the members that participate in the council and through the national competitiveness councils. The regional councils plan, organize, prepare, agree, propose, monitor, facilitate exchanges of information, coordinate and support the development of activities. About one third of these councils have remained working since their creation. In contrast, other VCs’ regional competitiveness

councils have been dismantled after a certain period of functioning because of the loss of interest of part of their members as well as the lack of funding of their technical secretariat amongst other reasons. As Herzberg and Wright (2005, p. 31) point out, ‘competitiveness partnerships may become ineffective after a promising start, descending into a talk shop from which little substantive action results. Participants may become disillusioned with wasting time and energy, with negative effects on the credibility of public policy’.

The technical secretariat of a competitiveness council is an agency or a person that the different stakeholders of the VC respect and recognize for his/her experience and integral knowledge about different aspects of the VC. Likewise, he/she should be perceived as a neutral party in the context of the CA, as a facilitator-integrator of processes in the VC as well as a leader and the key administrative person in the council. According to MADR-IICA (1999, p. 8), the technical secretariat has the following functions: to convoke the meetings, write the minutes, formulate projects included in the plan of action, manage or coordinate and follow up on these projects, all while monitoring the VC’s competitiveness. In addition, if there is a technical contract with MADR-IICA, the technical secretariat has to write periodical reports about the performance of the VC and development of the CA.

4.2 Value Chain Organizations

Law 811 of 2003 created the VC organizations in the agricultural, livestock, forestry, aquaculture and fishery sectors in Colombia. It became the most important piece of legislation developed to foster and to endow the VC movement in Colombia with legal backing from organizations such as the national councils for competitiveness that coordinate CAs designed to promote improvements in the productivity and competitiveness of the productive units along the VC. This legislation took the VC organizations to an institutional level. It defined the minimum legal formalities to be observed in the commercial agreements signed in a VC organization and in this sense, there was an attempt to go beyond the mere agreements on wills and assure through verification and monitoring that the commitments of the public and private sector must be kept. Likewise, the financing of the VC organization’s operational costs, also received the backing of the legislation, in the sense that it could be secured with contributions of its members. The VC organizations registered in MADR would have priority in access to incentives of governmental sectoral instruments. Finally, the VC organizations obtained the status of policy advisors to the national government in regards to the products related to the VC.

Law 811 of 2003 filled a perceived vacuum and provided an institutional framework for the VCs, and the VCs’ organizations that worked to promote their productivity and competitiveness. It regulated the relationship among the private and public sector, the sources of funding, and the requirements to be acknowledged and registered in the MADR. The law itself is a clear sign of the awareness amongst private and public stakeholders about the potential of the VC organizations for the promotion and construction of the country’s economic development. The work with VCs has reached a vital milestone in its process of consolidation though its maturity will not be obtained until the VC regional organizations are strengthened since the law gave priority to the national organizations, and the regional ones are still searching for resources and a more explicit legal framework for their activity. As Espinal (2005) points out, the VC organizations have become social management models. Their key objective is to make the management of the state entirely more efficient, from which the civil society is an integral part.

5 CONCLUDING REMARKS

The competitiveness policy in Colombia has prominent features to underline the policy learning process; the continuity with change in the policy; the multi-layer nature of the policy; and the recognition that the decentralized participation and implementation are necessary. The national agreements are central to satisfy the leading firms while the regional agreements are crucial for the inclusion of agriculturalists.

There has been a policy learning process in the context of the national policy for competitiveness and productivity. The schemes developed to promote public-private sector partnerships and collective action among key stakeholders of the different VCs in the country have promoted improvements in information flow and coordination in several ways that is, between the regions and the nation, amongst private stakeholders, between private, public and academic sectors and between public institutions. In regards to the public-private sector relationships, the different devices to foster competitiveness developed by the national government have provided scenarios to test the idea that cooperation is better than conflict especially in situations of severe economic crisis such as that of the end of the 1990s. In line with Herzberg and Wright (2005, p. 8), ‘competitiveness partnerships can build trust and understanding simply by bringing people together on a regular basis and allowing them to get to know each other’.

There has been an increasing awareness about the most important economic characteristics of the regions. In this sense, the main agro-entrepreneurial nuclei have been identified and studied, as well as the clusters, VCs and networks that operate in the regions. The information flow between the local, regional and national governments have increased and become instrumental for policy interventions of a different nature. A new institutional arrangement in the regions has emerged, where the interaction between the private and public sector is more fluid. That is, universities, regional development centers, productivity centers, training institutions, CARCE and VC organizations participate in different cooperation schemes with the purpose of promoting regional development. Finally, it is important to point out that there have been regional differences in regards to the entire process of decentralization of the competitiveness policy. Some regions have appropriated these policies and instruments, and in general have taken more advantage and benefited more than others have.

The multilayer nature of the competitiveness policy constitutes one of its main features. For example, the VCs’ regional agreements on competitiveness are more than a scheme of horizontal relationships among key actors of the VC. They are generally envisioned as the regional nuclei of the national CAs (sector level) and are part of the national competitiveness policy. In this sense, the agreement and implementation of these schemes require coordination between different levels: national and deconcentrated sectoral policy agencies (for example ICA, SENA); between national (sectoral) and regional VC councils for competitiveness; between national, regional and local governments: and between the national agro-producer associations (e.g. Fedecacao), business interest associations and their regional chapters, among others. Finally, this coordination incorporates the partnerships established between regional NGOs and the national government and international donors. Horizontal networking needs to be complemented with vertical networking in order to access national institutions and resources (Helmsing 2002). The coordination among decentralized agencies at the local level implies a higher coordination between both regional and national levels, in regards to those agencies. Eventually, the performance of central agencies such as the Colombian Agricultural Institute (ICA) improves, given better coordination with their local branches, which at the same time are enhanced by their interaction in partnerships with other local actors. In this background, chances for small producers to be reached by government policies

and resources have increased. In addition, this situation has been reinforced by the systemic efficiency, gradually introduced by the firms that lead the VC, which has the potential to improve the VC governors' competitiveness as well as the small producers' socioeconomic conditions.

There has been continuity with change in the competitiveness policy. For example, a group of institutions and instruments had a permanent presence during the period of study in the competitiveness policies of the different governments. They have been able to adapt to the institutional changes originated in the policy for competitiveness and productivity while meeting the different requirements and priorities of those administrations, for example FINAGRO and the ICR (Rural Capitalization Incentive), BANCOLDEX and PROEXPORT. These institutions were created during the government of President Gaviria (1990-1994) and have been instrumental in the sectoral policy ever since.

As some stakeholders directly related to the implementation of VC policies point out, there is a prominent policy bias in the support for low competitiveness sectors, with the objective to compensate their competitive disadvantages and market distortions (Espinal, 2005, p. 48). The economic opening has affected agricultural producers in crops such as cotton, rice, sugar and animal feed (e.g. sorghum), which have had to face stiff competition from international markets. However, these sectoral policies have targeted them in one way or another. Likewise, the micro, small and medium-scale industry in garments and other labor-intensive sectors, which in a first wave of the economic opening were severely damaged, fall in the above category. However, these policies have also benefited prominent sectors with prospects to export flowers, tropical fruits, textiles and leather and, have promoted the increasing export diversification including other nontraditional exports. Finally, employment generation and food security are goals of the government's sectoral policies, which in many instances have higher priority than efficiency considerations.

ACKNOWLEDGEMENTS

This paper is based on Blandon (2012).

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