Firm-level Perspectives On State-business Relations In Africa: The Food-processing Industry in Kenya, Tanzania and Zambia

By

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Motivation

• Experiences from Asia and Latin-America inform us that ‘effective’ SBRs are crucial in structural transformation & development

• SBRs in sub-Saharan Africa have historically been perceived as collusive and rent seeking

• Numerous African countries have set in motion a process to establishing benign (developmental) SBRs-PPPs, PPDs, support to BAs, etc.

• Yet, SBRs have not led to structural transformation and inclusive economic development
Empirical SBR Literature in Africa

Mixed results, limited firm perspective, focus on formal SBRs and not sector specific SBRs

- Strong BAs influence government actions
- BAs in Africa tend to be inefficient
- Private sector has limited or no institutional strength
- Elites capture rents from private sector support
- SBRs may lead to structural transformation

There is no consensus on SBRs in Africa
Research Question

How local firms in the food-processing sector engage with governments in order to cope with changing institutional environments?

1. Access to policy (through formal channels, like Business Associations (BAs) or informally - individually)

2. Business environment (perception of regulation, usefulness of support programs)

3. Relationship between businesses and government?

4. Influence on policy development through formal and informal channels?
Analytical Framework

• SBRs - institutionalized, responsive and public interactions between the state and businesses (Sen, 2013)

• SBRs can be:
  • Collaborative or collusive (Schneider & Maxfield 1997)

  • Effective or ineffective (Saeed Qureshi and Te Velde, 2013)

  • Developmental’/’benign’ or only ‘predatory’/’malign’

Collaborative SBRs = effective provision of public goods + overcoming effects of market imperfections
Analytical Framework

Scott Taylor (2012):

Categories of SBRs in Africa
¬ Capable state and strong associations
¬ Self-styled developmental states
¬ Informal, ad-hoc approaches

Three main dimensions
¬ Access to policy making
¬ Formal and informal channels
¬ Drivers of sustained growth / Business environment
Methodology

• Literature review on SBRs and food processing

• Mapping exercises and surveys of 179 firms – (2013 -2014)

• Interviews with 41 managers of the selected companies – case studies

• Descriptive and qualitative analyses
FINDINGS
**Historical Perspective and BAs**

- African socialism (Tanzania) and mixed capitalism (Kenya + Zambia) after independence

- SBRs varied across the countries as a result of the political system
  - Suspicion, harassments, antagonism and oppression
  - Formal and informal interactions

- Most BAs have limited influence due to limited membership base, limited funding, personal interest
BAs and Relationship

1. Membership of Business Associations
   - 50% of the FP firms in Kenya and
   - 50% of the FP firms in Tanzania
   - 79% of the FP firms in Zambia

2. Relationship between government and businesses
   - ‘Good’/‘very good’
     (only 10% in Kenya, 38% in Tanzania and 29% in Zambia)

   Overall the relationship is not good
Case studies – Own Initiatives

**Kenya:** I went right to the top to my friend working at the state house
When we met at the Agricultural show Mr. President appreciated the ongoing work, after which I received an invitation to State House”

**Tanzania:** When I have a serious issue I can see the Prime Minister outright, I don’t need to go through BAs
Regulations Compliance

3. Compliance with Regulations in Food Processing Industry:
   Mixed - Not easy to comply with regulations.
   In Tanzania, over 70% - difficult to comply

4. Benefits from government policies and programs:
   Firms receive limited support from government (18-30% have received support)
Case studies on Interactions with state

Kenya: ‘We don’t win the tenders, we access them through tender dealers, the process is so complex’

Tanzania: ‘I received a technical support to develop within the value chain’
Influencing Policies via BAs

5. Perceived influence on government policy (through BAs and Individually):
   - Limited but varying influence
     - 43% - had influenced policies in Kenya
       - Tanzania - 18%
       - Zambia - 21%
Institutional Drivers and Challenges

Å The institutional drivers for the development and growth of companies (ranked from the top)
- Personal linkages (networking)
- National government bodies
- Functioning business associations
- Government regulations & enforcement
- Functioning social institutions.

Å Institutional challenges (ranked from the top)
- Inadequacy of infrastructure
- Corruption,
- Lack of competence among local government bodies
- Insufficient support schemes and programs
- Weak business associations
Discussion & Conclusion

- Access to government – formal and informal
  - Formal and informal relations continue to exist
  - Informal relations continue to provide (a few) businesses with a direct and influential channel to government
  - Limited formal channels of engaging with government
  - BAs are weak and have limited influence
3. Drivers of sustained growth / Business environment

Å Firms’ influence on government and policy is limited or non-existing

Å Majority of enterprises did not recognize any government support schemes and most of them had not received trade incentives

Å Unnecessary bureaucratic red tapes and rent seeking behavior

Å Lack of political will to take agreed actions
Conclusion

SBRs in the three countries appear to be both collaborative and collusive depending on circumstances

- At least 1/3 of firms relate with government positively
- The policy change has not been effective despite the need to improve the business environment and more interactions
- Inadequate support programs
- Competitiveness of the majority of enterprises was negatively affected by regulations

Thank you!!!!