

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

By

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Paper presented during the stakeholders meeting held in Nairobi on 7th December 2017

Nairobi Safari Club

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 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

“ 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.

“ 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

Discussion and Conclusion

3. Drivers of sustained growth / Business environment

- “ Firms’ influence on government and policy is limited or non-existing
- “ Majority of enterprises did not recognize any government support schemes and most of them had not received trade incentives
- “ Unnecessary bureaucratic red tapes and rent seeking behavior
- “ 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

Article Published

Goodluck Charles, Søren Jeppesen, Paul Kamau and Peter Kragelund. **2016**. *'Firm-Level Perspectives on State-Business Relations in Africa: The Food processing Sector in Kenya, Tanzania and Zambia'*. [Forum for Development Studies 44:1 page 109-131.](#)

“ Available at:

[http://www.tandfonline.com/doi/full/10.1080/08039410.2016.1252425.](http://www.tandfonline.com/doi/full/10.1080/08039410.2016.1252425)

Thank you!!!!