Mobilizing Policy Support for Agriculture in Africa

The Role of Political Economy and Governance

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Four Policy Axes for Supporting Agriculture

1. Create broader enabling environment
   - Build human capital, strengthen regulatory systems, manage the macroeconomy, and minimize arbitrary trade distortions

2. Scale up productive and equitable investments in agriculture
   - Budget and allocate funding to interventions with high returns and that can minimize gaps between leading and lagging regions

3. Address implementation bottlenecks
   - Identify skills gaps, incentive deficits, and institutional blockages in the agrifood system architecture

4. Enhance value-addition through selective interventions
   - Consider new opportunities for agro-processing, including growth corridors, agro-based clusters, industrial parks, and agribusiness incubators

- Political economy and governance issues permeate each of these areas
Enabling Environment: Price Distortions

- Democratization since the 1990s credited with relative rates of assistance that favor agriculture over non-agriculture (Bates and Block 2013)

- Yet, trade distortions pronounced in many democracies, particularly for politically-important grain crops
  - 82% of export bans between 1988-2017 occurred since 2000 (Schulz 2020)

- Well-organized interest groups lobby for preferred policy
  - Zambia’s maize export restrictions due to balancing interests of powerful millers, vocal farmers unions, and urban poor
  - Nigeria’s rice import bans driven by powerful agri-business actors

- Distortions not bad on their own but need to be strategic rather than arbitrary and volatile
  - This requires strong state capacity and resistance to being hijacked by the loudest lobby groups, i.e. “embedded autonomy”
Scaling up Productive & Equitable Investments

- Politicians like attribution for policies with high visibility and short-term benefits
  - Skews budgets towards input subsidies or agro-based factories and towards politically sensitive grain crops
  - Presidential initiatives divorced from national agriculture investment plans or medium-term expenditure frameworks

- Incentives for longer-term ag investment tend to be higher where...
  - Elites have ag background (Benin, Kenya)
  - Higher share of commercial farmers (southern Africa)
  - Food insecurity is a threat to regime legitimacy (Ethiopia, Rwanda)

President Buhari’s Fertilizer Initiative

President Nana Akufo-Addos’ One District One Factory Initiative
Implementation Bottlenecks: Need for Incentives & Coordination

- **Principal-agent problems can undermine incentives**
  - Political interference in bureaucracy and in NARS research agendas (e.g. Uganda’s Operation Wealth Creation)
  - NARS staff often on civil servant pay-scales that vary from university scientists

- **Horizontal and vertical fragmentation of agri-food system responsibilities**
  - Ag R&D may be under Ministry of Science & Innovation
  - Agricultural services may be decentralized to Ministry of Local Government
  - Agro-based clusters can span overlapping administrative jurisdictions
  - Requires whole-of-government engagement beyond agricultural ministries
Enhance Agriculture Value-Added

- Successful agro-industrialization requires moving from enabling to **strategic** environments
  - Requires high state capacity to address coordination failures and self-discovery externalities
  - Depends on growth coalitions between business and states

- **Agro-industry in Africa** priority when it benefits ruling party coalition *(Kjær 2015; Whitfield et al. 2015)*
  - Uganda: dairy industry vs. fish processing
  - Mozambique: sugar industry vs. fish processing

- Initiatives need to avoid exacerbating societal divisions, especially in formerly fragile states
  - Environmental concerns over land and water use
  - Employment benefits targeted to certain communities

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**Different combinations of business-state relations**

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<tr>
<th>Capture</th>
<th>Growth</th>
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<td>State policy hijacked by business</td>
<td>State and business actively cooperate to increase investment and key public goods</td>
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<tr>
<th>Collusive</th>
<th>Predatory</th>
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<td>State and business engage in pervasive rent seeking</td>
<td>State suppresses business due to low trust</td>
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Source: Adapted from Leftwich et al. (2008)
Conclusions and Recommendations

- **Create constituencies for reform**
  - Improve citizens’ ability to access and track budgets for agriculture
  - Consider viability of export levies earmarked for ag R&D
  - Strengthen extant smallholder producer organizations

- **Strengthening public sector management and oversight**
  - Support parliamentary ag committees, audit institutions
  - Build capacity for budgeting and M&E in agrifood ministries

- **Recognize trade-offs between agricultural objectives, as well as with other development objectives**
  - Agro-industry historically has involved policy distortions
  - Govts have committed 15% of budgets to health, 15% for education
  - 17 signatories to AU’s Charter on Decentralization

- **Differences in economic circumstances, political incentives, and state capacities are meaningful**
  - Suggests need for realism about setting continental targets
References


