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Renata Serra[*]

Using the experience of cotton sector reform in four major African cotton producing countries, this paper examines ways in which local political, social and economic factors affect policy processes, and policy-makers’ incentives to improve agricultural sector performance. Countries’ ability to overcome challenges is due less to the adoption of a particular set of policies – more or less privatization, greater or lower competition – than to the nature and characteristics of the underlying policy process. If a country’s local realities can sustain coordination among actors, and structure their incentives in ways that are favorable to the good management of the sector, then outcomes are more likely to be positive – whether the country has adopted significant reform, as in Burkina Faso, or more limited change, as in Cameroon. There is no unique set of best factors; rather, there are clusters of factors that seem to work better under some political conditions than others.

1 Introduction

Under what conditions do African governments undertake policies favorable to agricultural sectors? Which political, economic and social factors underpin successful rural strategies? With agricultural sectors more widely recognized as drivers of economic growth and poverty reduction in African contexts (World Bank, 2008), donors’ and experts’ attention to these questions has increased. Yet, such issues remain among the least understood in the development policy field. In part, this is due to the lack of a sufficient number of successful cases of African countries undertaking an agricultural revolution, from which lessons could be derived.[1] Another reason, however, is the bias intrinsic in the existing literature.

The growing literature on the political economy of agriculture has identified several important correlates of the extent to which government policies protect, or alternatively tax, agricultural sectors. Among these are economic structural variables – such as a country’s GDP, the share of agriculture in GDP, the share of the rural over total population, and the capital intensity of

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1 Offsetting this lack to some extent, recent research has re-examined Asian successful development examples in a new perspective, to learn lessons that can be applicable to African contexts (Henley, 2012).

agriculture; the commodity characteristics, including price elasticity and whether it is imported or produced for export; and political institutions, such as type of political regime, electoral rules and forms of representation, and government ideology (De Gorter and Swinnen, 2002; Anderson, 2010; Bates and Block, 2011). However, this strand of literature, by taking countries or sectors as units of analysis in world-wide econometric regressions, tends to uncover only general patterns, and is less able to identify positive deviations. Moreover, it tends to draw rather pessimistic conclusions about the prospects for African agricultural sectors, since the above mentioned key variables in many African countries happen to be inimical to agricultural sectors: low levels of economic development, abundant and dispersed rural population, lack of political parties representing rural constituents, low price elasticity of many crops, predominance of cash crops in exports, and so on (Anderson and Masters, 2009).

A more relevant question is whether, within this overall unfavorable scenario, there may be conditions that could promote small but cumulative policy shifts, able to ultimately lead to substantial change; and what kind of external support would be desirable if such benign features could be identified. As it is, the mainstream literature cannot identify, or explain, cases where a government that is overall unfriendly to agriculture may decide to support a given agricultural sector; or why a commodity sector that is heavily penalized in some countries may be less so in others. In the belief that some of the positive policy experiences in African contexts may lie at these particular intersections, this research, and the wider Africa Power and Politics Programme to which it belongs, endeavors to identify and study these examples. It does so by zooming into individual cases studies and sectors, through in-depth fieldwork-based studies and a theoretical perspective that is attentive to how policy-makers' incentives are affected by country-specific, locally distinct realities that are often hidden behind the more visible and formal sphere of policy. The paper thus builds on recent studies arguing for the need to seek innovative approaches to institutional and governance failures in agricultural markets, which are flexible and adaptive to local circumstances (Jones, 2008; Kydd et al., 2004).

The examination of cotton sectors in Benin, Burkina Faso, Cameroon and Mali is opportune for two reasons. First of all, cotton sectors in Francophone countries of West and Central Africa (WCA) are widely acknowledged as one of the few success stories in African agriculture during the 1970s-1990s, not only because of the extraordinary four-fold production increase during that period, but also due to the accompanying profound technological and institutional transformations of the rural areas, including rapid increase in farmer mechanization, inter- linkages with cereal production and several other sectors, and successful institutional arrangements between cotton companies, banks and farmer groups (Bassett, 2001; Gabre-Madhin and Haggblade, 2004; OECD, 2006; Fok, 2009). If any favorable contexts exist for supportive agricultural sector policies in Africa, cotton in the four chosen countries, which are among the main producers in the region, is certainly one.

African cotton sectors have traversed several crises since the 1990s, prompted by increased northern countries' subsidies, adoption of genetically modified cotton by Asian and other competitors, competition from synthetic fibers, depreciation of the dollar, unfavorable rainfall, and reduced yields and competitiveness. Due to the difficulty of existing institutional arrangements to deal with such challenges, donors and international experts urged African governments to privatize state cotton companies, to allow competition and entry of new actors, and to liberalize prices. It is quite extraordinary that, despite the similar history and structure of their cotton sector, and common challenges, the reform trajectories adopted in the four countries have exhibited important differences in terms of timing, content and outcomes of policy interventions. Countries' distinct responses to both the crisis and donor reform pressures thus represent a fitting context for analyzing the determinants of policy changes at specific historical junctures. Within the cotton sector literature, few studies have dwelt upon the policy differences across WCA countries (Bourdet, 2004; Baffes, 2007; Tschirley et al., 2009), none really analyzing in depth their determinants. Most accounts tend to highlight the commonalities among Francophone countries, especially their institutional set-up and greater resistance to reform, thus obfuscating the important variations among them.

The paper attempts to address several questions: which combination of domestic political, social and economic factors underlies differences in policy interventions? How is consensus shaped, and what are the underlying power configurations? What is the impact of donor reform recommendations on stakeholder incentives, especially vis-à-vis the influence of country-specific, endogenous factors? Why have cotton sectors in some countries withstood recent challenges better than others?

In order to address these questions, intensive fieldwork was undertaken at several stages between 2009 and 2011 by the author as well by other researchers, according to a collaborative research method that combines direct visits with distant coordination of, and communication with, local teams.[2] Semi-structured interviews were conducted (according to a pre-established interview module) with the main cotton sector stakeholders in each country, such as representatives in relevant ministries (e.g. Agriculture and Rural Development); members of ad-hoc bodies charged with conducting cotton sector reforms; management personnel and executives in the cotton companies; representatives of national, regional, and village level cotton farmer associations; international and national NGOs; donors; experts and researchers. Individual country papers, fieldwork reports and notes, official documents, and other secondary documentation complete the data sources on which this paper is based.[3]

The paper's key arguments are structured as follows. After providing background information on the four cotton sectors (Section 2), Section 3 carefully characterizes policy trajectories in the four countries, identifying several dimensions along which differences arise both across countries and over time. Section 4 then identifies key stakeholders, their relationships and their incentives to support or not a given policy, as a function of nine identified political, social and economic realities. The main argument here is that, without understanding these underlying local realities, any analysis of actors' motives is destined to remain superficial, and to invoke a vague and unspecified lack of political will to explain seemingly poor and undesirable interventions.

The proposed framework recognizes that stakeholders' incentives are themselves endogenous, as they are affected by previous reforms, in particular institutional changes affecting the role of farmer organizations.[4] It is this endogeneity which leads policy trajectories to inevitably differ across countries and over time, even when the interest groups are nominally the same. This framework is thus applied to explain the variety of empirical realities observed in our countries, and in particular addressing the following questions: why have Benin and Burkina Faso introduced reforms to a greater extent than Cameroon and Mali, and why has Benin obtained the most dismal results? Why did Burkina Faso and Cameroon

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2 The author conducted the fieldwork in Mali, while coordinating from a distance fieldwork in the other three countries. All research teams met twice (in Mali and in Niger) for the purposes of coordination, research exchange and training – in addition to other smaller, country-based meetings.

3 The main reports can be found in the APPP: Cotton Sector Reform web-pages at http://www.institutions-africa.org/publications/research_stream/cotton-sector-reforms.

4 De Gorter and Swinnen (2002), among others, have also explicitly recognized the endogenous nature of stakeholder interests in agricultural economic models.

traverse a period of crisis in the last few years, and what prompted the underlying discontent among farmers? What made Mali's trajectory so different from that of Benin?

Section 5 emphasizes how the proposed framework contributes to a better understanding of policy interventions, not just in cotton but also in other sectors. The main message is that countries' ability to overcome challenges is less due to the adoption of a particular set of policies (although this may also be important) than to the underlying political, social and economic factors that structure stakeholders' incentives and induce them to intervene in distinct ways.[5] Though policy-makers in different countries may share similar fundamental objectives (such as staying in power), historically rooted and country-specific modalities lead them to act differently.

Section 6 then derives some recommendations for donors, in particular highlighting how different policy trade-offs under democratic and authoritarian governments imply different forms of engagement; which contexts are more friendly to privatization and liberalization measures in productive sectors, and which ones are less so; and how the sequencing of policies should respond to the knowledge that local realities affecting stakeholders' incentives are often endogenous to the policy process.

2 Description of cotton sectors in selected countries

Cotton in Francophone Africa is a rare agricultural success story of a commodity whose production increased ten-fold in the fifty years since independence, and which has made the region as a whole the second or third largest exporter of raw cotton, after the US and Uzbekistan, during most of the 1990s and 2000s (ICAC, various years). Our four chosen countries are among the most important African producers, together accounting for over half of the production in the WCA region and about one third of total African cotton production (OECD, 2006). In Burkina Faso, Mali and Benin, cotton is the first or second source of exports, an important contributor to the country's GDP, and a crucial source of livelihood for a large proportion of rural families (Table 1). The economic effects of cotton for the overall economy are even greater taking into account that cotton generates multiplier effects in other sectors of the economy through the induced demand for inputs, farming equipment and credit.

Though cotton is less important in Cameroon when looking at the overall national level, it represents a chief economic sector in the two northern regions where this crop is grown, not only as the main cash crop for farmers, but also as source of political rents, due to the ability of northern elites to obtain from the central government independence in managing the sector. As a result, cotton in northern Cameroon plays a similar economic, political and social role as in the other three countries, making the comparison between them rather appropriate.

The cotton sectors in our four countries share similar characteristics and structures, which center on a parastatal ginning company holding extensive monopoly and monopsony powers, as sole buyer of seed cotton, provider of exclusive services to farmers (inputs, extension, research and development, quality grading), and sole seller of cotton lint to the international market. The cotton company often controls, directly or indirectly, other firms operating in the cotton value chain, including transport, seed processing, and exporting firms. This vertically integrated model is known as the *approche filière*, and had its historical roots in the late colonial ambition of the cotton French national company, *Compagnie Française pour le*

[5] This finding parallels the notion, now increasingly established in the development economics literature, that one needs to go beyond the identification of proximate policy determinants, and search for deeper causes of endogenous institutional change (Acemoglu, Johnson and Robinson, 2002; Rodrik, 2003).

Développement des Textiles (CFDT), to promote African cotton production to the advantage of the domestic industry. After independence, and despite nationalization of domestic cotton companies, the joint venture between African states and the capital (and expertise) of the French cotton company, through a model promoting R&D and tight business and trade relationships, emerged as a winning formula, which suited the interests of both parties and ushered in the extraordinary development of cotton in Francophone Africa (Fok, 2007). This system had clear advantages in terms of quality of inputs provided, high levels of farm mechanization, support for research and development, reputation for lint quality, and access to beneficial international contracts. Cotton production undertook an extraordinary expansion in WCA, especially in the 1970s and 1980s, thanks to significant increases in both land under cultivation and yields, spread of farmer mechanization and extension services, and successful research and development (Bassett, 2001; OECD, 2006).

Table 1: Key cotton production indicators across four countries

Seed Cotton Production (000 metric tons)				
	1990 – 1994	**1995 – 1999**	**2000 – 2005**	**2006 – 2011**
Benin	173,490	331,595	369,018	213,914
Burkina Faso	179,207	255,573	461,140	538,080
Cameroon	118,829	194,392	242,319	159,818
Mali	280,228	471,672	499,671	269,922
Share of cotton exports in total merchandise exports				
	1990 – 1994	**1995 – 1999**	**2000 – 2005**	**2006 – 2011**
Benin	23.6%	70.0%	54.1%	33.7%
Burkina Faso	--	60.1%	64.8%	53.4%
Cameroon	2.89%	5.3%	3.9%	2.2%
Mali	43.97%	68.1%	49.2%	26.8%
Share of cotton exports in GDP				
	1990 – 1994	**1995 – 1999**	**2000 – 2005**	**2006 – 2011**
Benin	--	13.5%	8.3%	6.2%
Burkina Faso	2.7%	5.9%	5.2%	5.6%
Cameroon	0.5%	0.9%	0.7%	0.4%
Mali	6.3%	13.6%	11.6%	6.1%
Population involved in Cotton Production				
	1990 – 1994	**1995 – 1999**	**2000 – 2005**	**2006 – 2011**
Benin	n/a	n/a	n/a	n/a
Burkina Faso	n/a	n/a	n/a	n/a
Cameroon	9.2%	13.2%	13.7%	9.4%
Mali	22.9%	28.1%	25.1%	16.5%

Source: Own calculations on data from state cotton companies, African Development Indicators Online, and UNCTAD merchandise trade statistics.

The WCA cotton sector systems showed the first signs of crisis in the mid-1980s as a result of declines in international cotton prices (acute in 1985-87), and to stagnation in yields, due to slower agricultural intensification, unfavorable rain patterns and soil erosion. Most parastatals also exhibited rising financial problems, as corruption among top executives and political interference led to a mismanagement of the reserves accumulated during previous high-price periods. Cotton companies found it increasingly difficult to break even when the price of cotton declined – especially in those countries where a more pronounced democratic transition gave rise to all sorts of financial claims from new interest groups, as in Mali (Bergamaschi, 2011) and Benin (Yerima and Affo, 2011). The 50% devaluation of the Franc CFA with respect to the French Franc in 1994 provided some respite to Francophone African cotton sectors,[6] boosting production and allowing companies' financial accounts to recover. However, the worsening $/€ exchange rate,[7] compounded by a further drop in international prices in the late 1990s, marked a period of utmost challenges for cotton sector management, and presented governments with difficult choices.

These and subsequent crises were associated with falls in cotton production, paralleled by declines in the population involved in cotton production and in the share of cotton exports in total exports (Table 1). Though this pattern is common to all countries, the economic role of cotton declined more rapidly in Benin and Mali from the mid-1990s to the mid-2000s. The changed position of the cotton sector in a country's economy (as reflected also in the contribution to GDP) is due to a complex set of causes, including the rising importance of other economic sectors, such as gold in Mali. Analysis of these other changes would go beyond the scope of this paper. It suffices to note here that this decline can be both a reflection and a cause of the greater inability of the state and other actors in these two countries to tackle the sector's internal and external challenges, as later analyzed.

As the deficits accumulated by cotton parastatals required repeated government budgetary support and calls for new aid funds, donors and international experts took the opportunity to point the finger at the unsustainability of the existing system based on a state monopoly; arguing for the need to reduce political interferences and rent-seeking, by removing policy distortions and allowing price signals to influence economic incentives directly (Baghdadli et al., 2007). Pressures to reform intensified even in those countries where the company's financial situation was sounder (Cameroon).

Despite this universal call, however, there are significant differences in reform paths, even among our countries where cotton challenges and institutional structures are relatively similar. It is the objective of this paper to analyze these differences and their underlying causes.

3 Tracing different national policy trajectories

In order to adequately characterize the distinct policy processes undertaken in the four cotton-producing countries, it is important to pay attention to the content of individual policies as well as to sequencing. Unlike in other literature, where the term 'liberalization' is often used to encompass various policy interventions associated with the Washington Consensus, the aim here is to distinguish between different reform dimensions. The first type of reform is market reform, in turn comprising at least two distinct dimensions: privatization and liberalization. Privatization implies the dismantling of state companies and the sale of majority control to private investors. Liberalization implies lowering barriers to entry, to allow companies to

6 The currency of both the West African Monetary Union (to which Benin, Burkina Faso and Mali belong), and of the Central African Monetary Union (which Cameroon is part of), is called Franc CFA (FCFA) and is pegged to the Euro (originally to the French Franc). The 1994 devaluation aimed to correct for years of de-facto overvaluation of the CFA currency, so to encourage exports from the region.

7 Since trade in cotton lint, which is the commodity that our countries export, is denominated in US$, WCA actors' revenues, when converted into FCFA, are affected by the Euro/dollar exchange rate. With the dollars losing value against the euro for most years since 2000, cotton companies and farmers have consequently witnessed declining revenues.

compete in the market.[8] While privatization changes the ownership of firms, liberalization instead affects the number of firms allowed to operate in a given market segment. Privatization can occur without liberalization, as in Burkina Faso; whereas a more competitive and liberalized market can coexist with a public monopoly, which was the case in Benin during the 1990s.

Cotton sector reforms can involve not just market but also institutional reform, on the premise that, as liberalization allows several other actors to assume functions previously in the hand of a state monopoly, the need to increase actors' capacity and establish new rules of the game is likely to be greater. This is particularly the case for the vertically integrated cotton systems in West and Central Africa, which have typically ensured high levels of institutional coherency and market coordination (Poulton et al., 2004). Two main aspects of institutional reforms are applicable to our countries: the attribution of a legal status to cotton cooperatives, and the creation of a national producer association.

The legal recognition of village farmer groups, endowed with a written statute and democratic rules for electing their management committee, seeks to enable farmer groups to take-up critical economic functions, such as input ordering and distribution, seed cotton weighing and quality control. This measure usually includes the establishment of joint liability rules, whereby cooperative members are jointly responsible for their individual member's debts towards financial institutions. The second aspect of institutional reform involves the creation of a pyramidal structure of farmer representation, starting from village level groups to progressively higher geographical levels, culminating with one national producer association at the top, which then becomes the main actor representing cotton farmer interests in national and international settings.[9]

Taking into account this typology of cotton sector interventions, Table 2 characterizes key policy changes for each country, starting from the early 1990s, when cotton reform became an object of discussion in the structural adjustment program between the international financial institutions (IFIs) and the new government after political transition. Four moments or phases are identified for each country, mainly to represent visually how policies were sequenced. The countries are ordered from left to right, from the case that has departed the most from the original model (Benin) to the one that has reformed the least (Cameroon). One should be cautious, however, when trying to compare the extent of reforms across the four countries, since policy changes can occur in several dimensions, which are not easily comparable with one another, and actual changes on the ground may differ from the ones predicted by policy. Moreover, reversals do occur over time, due to weak commitment and imperfect implementation, as evident in the analysis below, and as already emphasized in the case of food markets (Jones, 2008).

Starting to examine the top section of Table 2 ('Timing'), Benin has witnessed the most pronounced changes, since it was the only country that broke the vertically integrated monopoly into distinct horizontal functions, allowing entry by different private operators. Though the liberalization of these distinct operations was to occur in phases, it was nonetheless quite radical, involving first the input distribution function, progressively transferred to private operators during 1993-99, and then the sale to new ginning companies

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8 Liberalization can also involve removing any form of controls on prices, with the aim to let market forces prevail. However, this dimension is not discussed in this paper, since none of the countries actually adopted it, preferring to adhere to a pan-territorial price policy, centrally agreed upon, even if determined by a different mix of political and market forces.

9 Institutional reforms also involve changes in the rent-distribution rules, such as new price-determination mechanisms or new mechanisms for quality grading/classification, which are not much discussed here.

of quotas for buying and processing seed cotton production (Phase 1). The privatization of the cotton parastatal only happened many years later, after several delays and controversies (Phase 2). Rules for awarding quotas and mediating between the multiple actors had changed continuously, creating a state of heightened institutional uncertainty. The government meanwhile introduced institutional reforms (Phase 3) by creating new organizational bodies for representing the new actors in the cotton value chain, attempting ex-post to increase coordination among them (Yerima and Affo, 2011). However, the formal rules of the game could not prevent a private operator from acquiring increasing shares in both the input and ginning sub-sectors, ultimately gaining majority control in the mid 2000s. This reversed a situation previously characterized by a state monopoly with one with a private quasi-monopoly (Phase 4). In the late 2000s, the government implemented overdue reform of village farmer groups, which had been marred in the previous years by governance failures and high debt levels; and instituted new legally binding professional associations, including a cotton national farmer association (CNPC), in the hope of limiting opportunistic behavior, reducing farmer disenchantment with cotton, and re-launching production.

Table 2: Comparison of cotton policy changes

	Benin	Burkina Faso	Mali	Cameroon
Timing				
Phase 1	Liberalization	Cotton groups; national producer association	Reform debate and opposition; delay tactics	Open reform debate
Phase 2	Privatization	Unconventional privatization of Sofitex	Minimal market reform	Privatization of Sodecoton failed
Phase 3	Some institutional reform	Zoning with three firms, no competition	Institutional reform	Market reform felt to be unnecessary; Cotton groups IR
Phase 4	Private quasi-monopoly; more IR	State re-acquires Sofitex control; price mechanism	Initiated zoning + attempt to privatize CMDT	Creation of a new national producer association
Market coordination				
Input supply	Input diversion, inefficiencies, quality problems	Mostly good; quality problems in late 2000s	Procurement costs too high but mostly timely delivery	Quite good
Credit recovery	Increasing farmer debts, free-riding	Good since 1996 farmer groups' reform	Low in 2004-08 due to farmer debts	Good except recent years
Payment delays	Frequent	Limited – few delays in recent years	Frequent in 2004-08, now better	Generally good except since 2010
Market coord.: Total score & trend	Unsatisfactory; Down since the late 1990s	Satisfactory; Down in 2006-09 then slight rebound	Almost satisfactory Down in the 2000s, better since 2009	Satisfactory; but recent problems

Burkina Faso represents a contrasting case to that of Benin, because it started with comprehensive institutional reform, consisting in the creation of formal village farmer groups in 1993-96 and then the creation of the national farmer association, the UNPCB (Phase 1). After farmer groups had acquired new skills and assumed new functions in the cotton value chain, the government then undertook the privatization of the cotton parastatal, SOFITEX, in 1999 (Phase 2). Being against the entry of a private (especially foreign) operator, the state instead ceded half of its shares to the UNPCB. As a result, the capital of SOFITEX became 35% to the state, 30% to the UNPCB, 27% to the former CFDT, then renamed DAGRIS, and 1% to local banks (and the rest to some national private actors). Only after the implementation of institutional reforms and a rather unconventional privatization process was liberalization made possible and other companies were allowed to enter the market – initially in the transport and input provision sectors, then in ginning (Phase 3). The liberalization scheme for the ginning sector, however, differed from the pure competition model, as each company in the market, rather than competing with others, was assigned a given cotton zone over which it would hold exclusive monopoly and monopsony rights (concession areas) – similar as in the state monopoly model except that each company has a small share of the entire national market. Furthermore, only two companies were allowed to enter (*Faso Coton* and *Socoma*), covering, together, about 15% of the seed cotton market, allowing SOFITEX to retain the lion share. The last phase of reform witnessed a reversal of the privatization process, occasioned by SOFITEX's serious liquidity problems in 2007, and the refusal of DAGRIS to participate in the recapitalization. Rather than looking for other investors, the State intervened with its own funds, and became once again majority shareholder (60%). New provisions have been recently adopted to improve the price determination mechanism, limit political interference and establish a more viable smoothing fund.

Mali's government refused to consider cotton sector reform throughout the 1990s, but then, pushed by donors and a precipitating cotton sector crisis, it created in 2001 a task-force for cotton sector restructuring, and formally committed to both privatizing the state company CMDT and liberalizing the market. Nonetheless, opposition to reform remaining strong both within the government and the public, the government continued with its 'promise and delay' strategy (Phase 1). Only limited market reforms were adopted in the early 2000s, such as the privatization of the oilseed processing and manufacturing company (*Huicoma*), and the divestiture of several non-cotton functions from the CMDT, which led to the firing of several employees and extension agents (Phase 2).[10] Mali was more successful at introducing institutional reform (Phase 3). Between 2003 and 2007, it transformed more than 7,000 producer groups into formal cooperatives, and established a national producer association (UN-SCPC) to take up important roles, although critics argued that capacity building did not match the transferred functions. After having overcome some internal opposition to the CMDT privatization, the government took few steps towards implementing it, while committing to a local monopoly scheme so as to limit the potential negative effects of full liberalization (Phase 4). The CMDT was thus divided into four subsidiaries each operating in a different cotton zone, and their shares offered for sale through a tender process. Though six companies, including one Malian private consortium, participated in the pre-offer stage, only one offer (from a Chinese company) was deemed acceptable in late 2010. Despite the time elapsed, the process has not been completed and has stalled to this date, due to several reasons, including favorable conditions in the international cotton market and the impending 2012 general elections.

Cameroon has implemented the least reform, certainly due to the fact that its cotton sector performance has been quite satisfactory throughout, and that the state parastatal is generally considered quite solvent, thanks to effective institutional arrangements between the company and producer groups. While privatization was put on the table by international financial

[10] Moreover, a new price determination mechanism was introduced during 2005-08, linking producer prices to international prices, but due to the high controversy generated, it was subsequently modified.

institutions in 1994, as part of the structural adjustment program, the political incentive to act was limited (Phase 1). The government attempted to privatize the SODECOTON parastatal in 1997, but this project failed due to the corruption in the system and the lack of agreement between national and regional political elites (Phase 2). In the end, market reform amounted to a minor share of the cotton company being sold to a consortium of northern influential individuals (generating strong discontent among parastatal executives and local officials), and to the limited transfers of input provision function to producer groups (Phase 3). Because of increasing challenges in cotton sector management, the government has recently implemented institutional reforms of village producer groups, and created in 2010 a new national producer association, the CNPC (Phase 4). Though privatization has been delayed, it is not to be completely excluded, and the CNPC is trying to find resources to be in the position to purchase 20% share in the cotton company, if the sale ever goes through (Folefack, Kaminski and Enam, 2011).

Before addressing the question of which underlying local realities are responsible for the observed differences in policy content and timing across the countries, we examine how these cotton sectors have fared over the observed period. Whereas an analysis of the reasons for differential cotton sector performance in the four countries is beyond the scope of this paper, no examination of policy processes, and their primary causes, can ignore what happens to outcomes.

Performance in cotton sectors can be measured along multiple dimensions (Tschirley et al., 2009). The one considered here focuses on the concept of market coordination, which stems from the ability of institutional arrangements in productive sectors to reduce free-riding behavior and increase coordination among actors, so to enhance complementarity towards a common objective (Kirsten et al., 2009). Since cotton sectors are prone to free-riding, and face greater risks of contractual break-down and market failures, reduced market coordination can produce negative effects, such as lower provision of key club goods[11] like credit, timely delivery of a large quantity of inputs, continuous research and extension, and stringent quality control (Poulton et al., 2004). While introducing market and institutional reforms can be justified in the name of other exigencies, what emerges from the literature is that any type of reform should be carried out in ways that do not undermine the effectiveness and quality of market operations along the cotton value chain, as this would jeopardize long-term gains for actors.[12]

The bottom portion of Table 3 reports qualitative measures for market coordination, on the basis of evidence gathered during interviews with key cotton stakeholders and corroborated by the country teams.[13] Three key dimensions are examined: quality and timing of input delivery, recovery of farmer credit repayments, and timing of payments to farmer for seed cotton sales. The final row reports a summary score for market coordination, based on the above as well as other dimensions, such as quality control, seed cotton weighing and transporting procedures. It gives a brief description of trends over time, indicating whether there has been improvement or deterioration during the reform period.

[11] The terminology of club goods seems more appropriate than public goods, since the enjoyment of benefits from such provision is limited to the multiple actors operating along the cotton value chain (including producers and their families).

[12] Evidence from countries that considerably liberalized their cotton sectors, such as Tanzania and Uganda in the mid-late 1990s, shows that after a possible initial positive effect, these systems had to deal with pervasive and deleterious collapses of systems for delivering input and credit to farmers (Poulton et al, 2004).

[13] Because of the efforts put into including and comparing a number of different sources and opinions, this procedure has reduced the subjective character intrinsic in indicators based on expert evaluations, thus yielding what should be fairly objective measures in the table.

All four countries faced difficulties in the provision of market coordination, especially in the mid-2000s, as external and internal challenges to these cotton sectors deepened. Nonetheless, market coordination has been overall more satisfactory in Cameroon and Burkina Faso – even when considering the more recent troubles. Benin has instead experienced major problems with input imports and distribution, and side-selling of seed cotton (opportunistic behavior), which became more acute when a politically manipulated process for attributing cotton zones increased the number of ginneries, leading to excess ginning capacity (Yerima and Affo, 2011). Mali witnessed the worst market coordination during 2004-08 where delays and inefficiencies were pervasive, yet performance has improved along a few key dimensions since the 2008/09 cotton season (thus before the recent price spike), thanks to a conscious effort by the government and other actors (Serra, 2012).

Altogether, the data in Table 3 show that reform across countries looks very different. Despite similarities in their cotton sector structures and in the challenges they were confronted with, including pressure from donors, our four countries instead embarked on their own distinct trajectories, dictated by different priorities and constraints; and experienced different sets of problems and outcomes. This evidence suggests the existence of important influences on reform from domestic factors and policy processes, whose analysis is undertaken next.

4 What determines policy processes?

Why did Benin, unlike other countries, implement early and pronounced liberalization measures and why was its reform path so fraught with problems? Why did Burkina Faso manage to conduct a rather consistent heterodox reform process, and what may be the reasons for the more recent setbacks? Why did Mali and Cameroon resist undertaking reform for a while, and which factors are responsible for their subsequent divergent paths? These questions remain largely unanswered in the literatures on agricultural sector reforms, because of their prevalent focus on identifying proximate causal associations between country (or commodity) characteristics and market outcomes, without paying sufficient attention to the role of underlying and endogenous causes affecting policy implementation.

4.1 Local realities

The core of this paper analyzes how implementation and outcomes of policies depend on incentives facing policy-makers and other stakeholders in the cotton sector, with incentives in turn depending on several underlying political, social and economic variables that are country- and time-specific. Without understanding these underlying local realities, the analysis of actors' motives is likely to remain superficial, and to invoke a vague and unspecified lack of political will to explain seemingly poor and undesirable interventions.

The first step is to identify who the relevant actors are in the cottons sector context. Through interviews, meetings, and review of local press and unpublished documents, fieldwork for this project aimed precisely to ascertain the main stakeholders, their positions regarding key aspects of the reform debate, their mutual relationships, and their assessments of each other's role in the policy process. The following broad categories of actors emerged as relevant in all four countries: the government and other politicians (political elites),[14] the

[14] Opposition parties are not regarded here having separate interests from the government, since political parties in Francophone countries do not seem to have distinct political platforms or divergent interests; whether in opposition or in government, they all aim to acquire a share of state revenues, and increase

bureaucrats in the cotton company and other elites directly dependent on cotton rents (cotton elites), leaders of farmer organizations, the mass of producers organized in village-based cooperatives, and two donors, the World Bank and the French Development Agency (French acronym, AFD). Although other actors are also active in the sector, from credit companies to experts in research institutes and international NGOs, their influence on policy-making is more limited. While much literature on agricultural reform conveniently assumes that the government is the only policy-maker, and other interest groups influence policy decisions by lobbying or otherwise exercising pressures on the government (De Gorter and Swinnen, 2002), this distinction gets somehow blurred here, as the focus is not just on formal policy adoption but on policy implementation and processes (Grindle, 1991). We thus look at ways in which other actors besides the government can influence how institutional arrangements work in practice, a fact particularly relevant in these cotton sectors, where it is expected that multiple actors contribute to market operations at different points in the value chain.

The ways in which main cotton stakeholders relate to one another are profoundly affected by the distinct political, social and economic realities present in each country, which structure their incentives and constraints. The adoption and implementation of policies thus depend not just on the characteristics of the stakeholders, but also on the political and social landscape in which they act, and which affects their ability, and motivations, to influence policy processes. Moreover, as these political, social and economic factors vary over time, new incentives and constraints may emerge, leading actors to switch their stances, and possibly prompting policy change.

This framework thus differs from predominant interest group models in the political economy of reform literature, in which actors have predetermined interests, and policy change is explained in terms of external factors affecting the balance of powers between actors (Adams, 2000). While in such models, to give an example, parastatal bureaucrats are always averse to privatization, which is assumed to hurt them, and privatization reform can only be conceived in terms of shift of political weight towards pro-privatization interest groups, we argue that bureaucrats can favor or not favor privatization according to the political and socio-economic context. They supported it in Burkina Faso, when their alliance with the political elites was strong enough to guarantee them a share of the cotton rents even after policy change, but they opposed it for a while in Benin (hence the delay before and during implementation) because the government could not give them sufficient guarantee or a valid fall-back option. Because of the different contexts underlying privatization reform, the latter produced divergent outcomes in the two countries (Table 2).

In order to arrive at a manageable number of key underlying socio-economic and political realities out of a larger pool, a double identification criterion is applied. The retained ‘local realities’ are those that, first, have emerged repeatedly during fieldwork as fundamental variables in affecting incentives of relevant stakeholders and the context for policy-making, and second, have exhibited variation across our sample. The resulting set includes nine factors, some of which have been extensively used in the comparative analysis of economic reform, such as party competition and sector size (Swinnen, 2010), while others are less common (Table 3).

their power (Bleck and van de Walle, 2011). As formalized in the politics of consensus (*politique du consensus*) in Mali, most politicians are co-opted by the government (Bergamaschi, 2011). This is so regardless of the nature of regime.

Table 3: Main local realities

	Benin Orthodox reform but not sufficient IR	**Burkina Faso** IR, then unorthodox reform	**Mali** IR but limited market reform	**Cameroon** Limited reform
STRUCTURAL VARIABLES				
1. Party competition	Yes	No	Yes	No
2. Cotton position in the economy	Key export sector, but declining in time	Still high despite decline; main food basket	Sharp decline but key to rural food security	Low nationally but key in the North
POWER RELATIONSHIPS BETWEEN INTEREST GROUPS				
3. Relationship between political & cotton elites	Weak and shifting alliances	Strong through party and ethnic identity	Similar identities but weak alliances	Close political ties, separate ethnicities
4. Relationships between cotton elites and farmer organizations	Geographical distance, weak identification historically	Different ethnic identities but interest convergence	Tight (high cultural capital) but under strains	Hierarchical relationships, different ethnic identities
5. Relationships between farmer leaders and base	Co-opted leaders, weak farmer basis	Co-opted leaders but vocal farmers	Strong farmer basis, divided leaders	Farmers belong to subordinate ethnic groups
6. Farmer unions' political weight	In practice ineffective	Limited	High historically	Low
ROLE OF EXTERNAL FACTORS				
7. Role of CFDT (control shares)	Limited (CFDT out in the 1970s)	High until 2007 (33%)	High to nil (60% to 0%)	34% shareholder
8. Donors role; AFD-World Bank	WB pressed for reform, AFD not a critical actor	Pressure from IFI, AFD and WB disagreed	Pressure from IFI, AFD and WB disagreed	Not too much pressure from donors
9. Economic crisis or other threat	High economic crisis in the early 1990s	Severe in the 1990s	Financial difficulties, no major crisis	No severe economic crisis

Sources: APPP fieldwork notes and reports.

The first set of local realities concerns two political and economic structural variables. *Party competition* indicates the extent to which the electoral system and current practices allow an alternation of parties in power. A government that faces a real possibility to be voted out during elections is more responsive to domestic pressures, and less likely to pass controversial reform that hinders the interests of key constituencies. The *position of cotton in the economy* is captured not only by the share of cotton over total exports, but the extent to which cotton zones are also the main food basket and the degree to which food security appears to be a government priority.

The second set has to do with how geographical, social or historical factors affect the power relationships between the main stakeholders, respectively between: political and cotton elites, cotton elites and farmer unions, farmer leaders and their basis, farmers and political elites. In the first three cases, we examine whether the two sides share an ethnic or geographic identity, a long-standing political alliance, or in general whether their interests are mutually inter-dependent due to a shared history and adherence to common value systems. As we shall see, these factors affect stakeholders' incentives to support or not reforms that negatively impact the other party in a relation. In the case of the relationship between the mass of farmers and political elites, the relevant aspect is the extent to which the former represents a noticeable political constituency, which can mobilize through union activism and put political pressures on governments, either through electoral channels, or through forms of protests and cotton boycotts.

The last group of variables acknowledges the importance of external factors. The *role of CFDT* captures the extent to which the former French cotton state company CFDT (whose name changed into DAGRIS, and then into Geocoton after it was privatized in 2008) has been an important player in the country's state cotton company, contributing or not to the establishment of a strong cotton sector. *Donors' role and relationship between AFD and World Bank* considers the extent to which donors have put pressure on governments to adopt recommended reform, as well as the extent of disagreement between the two main cotton sector donors – since the latter can create more room for governments to pursue a different policy course. Finally, the existence of a severe *economic crisis or other threat* to the country determine the degree to which governments may feel compelled to introduce some reform and comply with international financial institutions' (IFIs') requirements.

4.2 Explaining countries' reform trajectories

This section demonstrates how the nine local realities mentioned above have influenced stakeholders' incentives, their support for given policies, and ultimately the reform process followed in each country. In order to facilitate comparisons, the column headings in Table 3 summarize succinctly, below the name of each country, the different policy trajectories presented in Table 2. Each country case is analyzed in turn, referring to the local realities that apply by the acronym LR, followed by the number with which the local reality is listed in the table.

Benin

The distinctive features in Benin are the early onset of market reform, when compared to the other three countries; the implementation of liberalization measures before privatization; a very delayed and controversial liberalization; a sharp deterioration in the key services along the value chains, especially increasing problems with input distribution and quality, a lowering in credit recovery rates, and overall heightened uncertainty. A high degree of animosity between stakeholders, accusing each other of bringing down the sector to fulfill private interests, has been a further obstacle to improvement (Yérima and Affo, 2011). These features can be explained by relying on several local realities.

In the early 1990s, Benin presented several conditions favorable to the implementation of Washington Consensus reforms. At the moment of the 1991 democratic transition, the country was in a severe economic crisis (LR9), due to the unwise and disruptive economic policies under former dictatorial rule. The newly elected democratic government took office with the promise to restore the country's economy and the first president (Nicéphore Soglo) built his platform around his credentials as expert economist and competent manager, given his previous tenure at the World Bank. His professional links with the latter paved the way for the country's acceptance of World Bank recommendations (LR8). Moreover, the French development agency did not oppose the restructuring of the cotton sector (LR8), likely because the CFDT had actually ceased to play a role in the cotton parastatal long before, following cotton sector nationalization by the socialist government in the 1970s (LR7). While Soglo initiated reforms quite decisively, he did not have the opportunity to continue them as he lost re-elections to a second term, arguably because his technocratic approach led to his political isolation, and failed him when he needed to play more effectively the political game and build sufficient support around him.

The subsequent two terms by Mathieu Kérékou (the former dictator who regained power through democratic elections) witnessed a different course for cotton sector reforms. Although the new government committed to the previously initiated process of liberalization, political interferences continued to permeate management of the sector. The private actors who entered the market pursued a logic of opportunistic and shifting alliances with political elites, in order to obtain favors and lucrative contracts (LR3). Ironically, Kérékou bent to the exigencies of competitive electoral politics. In order to be elected to a second term (LR1), his economic measures (notably in the cotton sector) hardly adhered to a coherent plan, responding to short-term goals of appeasing party supporters. For instance, while his government allowed entry to a second-generation of ginners, it was then pressured by first-generation ginners to accord them higher shares of seed cotton. This and similar other choices introduced unfair competition rules, and sent confusing signals to market operators, leading to lower performance in the sector.

Another distinctive feature in the Benin's cotton sector, less tangible but no less important, is the weakness of the ties and cultural capital between actors in the value chains, in particular between farmers and cotton bureaucrats (LR4). This emerges especially when one compares the Benin case with the historically strong sentiment of interlocking destinies and mutual cooperation (even if not always mutual trust) between farmers and the CMDT in Mali. This difference may be explained by the development in post-colonial Benin of distinct cotton systems operating in the three main regions, North, Center and South; as well as by the already mentioned early withdrawal of the CFDT (LR7), which, despite its other ills, did play a cementing role in other countries, promoting institutional innovations and close cooperation between farmers and extension agents (Fok, 2007).

Whether it is for this or other reasons, the political weight of cotton farmer unions in Benin has been low (LR6), with cotton unions for instance playing a limited role in the country's democratic transition, again unlike Mali (Bingen, 1998). This modality of social contract being absent, cotton market liberalization, especially when implemented in an incoherent manner, is destined to lead to further dispersion of functions and actors, and to lower market coordination. Given the centrifugal forces at play, it is not a surprise to register the inability, or unwillingness, of farmer leaders to represent rural interests (LR5).

These historical legacies were compounded by insufficient attention to institutional reforms that could strengthen the capacity of actors. The institutional fragility in turn created the conditions for the emergence of a quasi-private monopoly, in a formally liberalized market. Relying on his close ties with Kérékou's successor, President Boni Yayi, the entrepreneur Patrice Talon acquired a dominant position in several cotton sub-sectors, from input importation to ginning, by progressively acquiring shares in the former parastatal and other companies. The exceptional leverage of Talon is showed by the fact that, despite the fact that one of his companies was involved in a huge scandal concerning delivery of faulty inputs (which caused sharp drops in cotton production), the government did not sanction him.

In conclusion, the rise in the political influence of domestic entrepreneurs paradoxically led to a disorderly politicization of economic rents, rather than to their reduction, and to the further weakening of key stakeholders, such as farmer unions. The subsequent conflict among stakeholders has made it more difficult to find solutions to overcome the problems afflicting the cotton sector, especially since the early 2000s.

Burkina Faso

The distinctive aspects of the reform in Burkina Faso were the implementation of institutional reforms before market reforms, the entry of producer associations as shareholders into the cotton company, and the adoption of the local monopoly scheme *in lieu* of a liberalized market. This unconventional type of reform was due to several factors.[15]

Cotton has been the main source of rents for the state (LR2), gold mining having developed only recently. When the economic crisis severely hit the country in the early 1990s, and it was clear that there were no other sources of financing than the IFIs (LR9), the government committed to do something about the sector, to avert the worst. However, several conditions enabled the government to be able to carve an independently chosen reform path, rather than following standard liberalization recommendations.

First, the state was able to retain tight control over cotton rents and use them to secure support from urban elites and parastatal bureaucrats, with whom government elites share a predominant Mossi ethnic identity as well as a common political alliance through membership in the governing party, CDP (LR3). Due to these close political alliances, the state could show efforts towards inclusiveness of other stakeholders and consensus building, while in fact managing to steer the reform process from above.

Furthermore, the historically subordinate position of the Bobo and Bwaba ethnicities (the backbone of the population in the main cotton areas) to the Mossi, from where political and cotton elites are drawn, underpinned the ability of cotton parastatals top bureaucrats to retain control of the rural areas and ensure compliance (LR4). This implies that, even with farmer organizations being given more space and leverage, they were not regarded as constituting a threat to the Mossi bureaucrats (LR4) or to the state (LR6). Thus, the government opened dialogue with producer associations, and carried out institutional reforms that reinforced their capacities, enabled them to assume new roles, and allowed better management of cotton operations.

The unconventional privatization of the parastatal, which saw the transfer of 30% of the shares to the national producer association, was the culmination of this process and perfectly in line with prevailing local realities. It gave an outlet for farmers' discontent, thus defusing potential threats from their organizations (LR6), and helped secure continued 'control' of SOFITEX by the state (LR3). In a similar vein, the adoption of the local monopoly model, which limited the extent of competition in ginning, helped secure broad national consensus around reforms, while preserving the bulk of the rents for SOFITEX – since the new private operators were only allocated 15% of the national market. Furthermore, the disagreement between the AFD and the World Bank over content and direction of reforms was the external element, which gave the government greater leverage for pushing its own reform proposal (LR8).

[15] This section draws on Kaminski and Serra (2011).

In conclusion, while institutional reforms helped increase market coordination and managerial efficiency, unconventional market reform (partial privatization and zoning) enhanced political feasibility, by securing private rents for the ruling elites. The recent reversal in SOFITEX's privatization course (with the state re-acquiring majority control) and the inability of rural leaders to adequately represent farmers' interests (LR5) have partly backlashed, leading to more farmers abandoning cotton and waging threats of various kind. How to meet farmer demands for greater accountability from above and for more equitable sharing of the benefits, and costs, remain the main challenges ahead, as later discussed.

Mali

Mali's reform process has been characterized by uncertainties and delays, as well as a selective implementation of interventions favoring institutional reform, especially at the level of producer associations, but limiting the extent of market reform.[16] The delays can be explained not only by a weak state and limited institutional capacity, but also by a generalized aversion among Malian stakeholders to standard liberalization and privatization measures, due to the position of cotton as the country's success story and thus an element of national pride, its traditional role as main generator of political rents and source of livelihoods for millions rural people, and the political power of the CMDT company (LR2). Multilateral donors' pressure for reform during the 1990s and early 2000s (LR8) increased the degree of dissent and conflict among stakeholders, and since the government was unwilling to implement unpopular measures, especially before general elections (LR1), the reform process followed for many years a seemingly erratic path with promised, but delayed, interventions. This has led to a protracted situation of uncertainty and lower market performance, as noted by a decline in market coordination especially during the late 1990s, and again the middle 2000s.

Institutional reforms, not representing any threat to established powers but instead responding to the need for the government to appear to be responsive to farmer concerns (after an organized cotton boycott by some farmer unions led to a sharp decline in cotton planting in 1999) (LR6), were instead speedily implemented – according to some observers too speedily in fact, without paying attention to capacity building. Furthermore, through the creation of a new umbrella organization for farmer representation, the National Union of Cotton Producers (UN-SCPC), the government selected the most friendly farmer leaders, marginalizing the radical ones. A rapprochement between the government and these new farmer organizations also strengthened the front which opposed liberalization of the ginning sub-sector, and the adoption of the local monopoly model. The AFD's hesitant position with respect to the full liberalization model – partly as result of the strong role of the CFDT in the extraordinary expansion of Malian cotton during the previous decades – was another important element of influence (LR8).

Since the CMDT privatization was voted into law in 2008, the government has started the procedures for identifying buyers of majority shares in the new four companies into which the original CMDT was divided. Though several foreign experts and donors believe this is only a posture, and the government is not really intending to privatize, some changes in underlying local realities might have made privatization more acceptable to the eyes of many Malian stakeholders, and also more politically feasible. The increasing deterioration of management practices within the CMDT, which evidently hurt not only producers' welfare but also government's revenues, and the series of highly publicized cases of wrongdoing by top company officials, have diminished the CMDT's former public standing and left more room for the government to distance itself from the company's destiny. In other words, the tight

16 This section draws on Serra (2012).

interdependence of interests between politicians and cotton bureaucrats that preserved the former equilibrium weakened somewhat (LR3).[17] Likewise, some producer organizations became much more critical of the CMDT and its corrupt system, which had led not only to the 2000 cotton boycott, but also to the progressive abandonment of cotton production by many farmers –further eroding the special relationship between farmers and the CMDT (LR4). The institutional reform implemented during the 2000s helped also cement the constituency for this type of change, with the UN-SCPC leadership critical of the CMDT and closer to government positions.

Over time the notion of the CMDT privatization, previously an anathema, started to appear as a possible solution, though only as part of a well-defined local monopoly model overseen by the state. This gave the state the possibility to show it was following IFIs conditions (LR8), without giving up too much of the Malian cotton system – thus privatization under the current terms could be considered as one way of avoiding more profound market liberalization measures. This renewed timid domestic consensus has partly allowed a recovery in production levels as well as of key market coordination indicators, since 2009. However, so long as perceived ambiguity and uncertainty remain about the final steps of the reform, the cotton sector will remain vulnerable to external and domestic perturbations.

Cameroon

Cameroon has introduced the least changes to its cotton system, which continues to be dominated by the state controlled company SODECOTON (with minority shares of 30% and 11% held, respectively, by DAGRIS and SMIC, a group of local investors from the northern regions). The reasons for the limited reform and the failure of the privatization plan, adopted by the government under IFI pressure in 1994 during full structural adjustment and then re-proposed in 2003, are to be found in several local realities listed in Table 4.

The most notable features of the country's cotton sector system are its substantial managerial autonomy from the state and the development of a competent and performing bureaucracy. This circumstance is in turn attributable to two facts: though cotton is not a key economic resource nationally (only 2-4% of the country's exports according to the year), it is nevertheless the main cash crop in the two northern regions (LR2); and the political elites from the North, mainly constituted by *Islamo-Peuhls* (Muslim Fulani) groups, have managed to develop with the central government a mutually beneficial arrangement, whereby they support the party in power in exchange for significant autonomy, including the management and distribution of rents from the cotton sector (LR3) (Folefack et al., 2011). This independence is clearly facilitated by the fact that the cotton regions are isolated and remote from the capital, which allowed SODECOTON bureaucrats, most of whom are drawn from the same *Islamo-Peuhl* elites (LR3), to limit external interference in management and to turn the company into one of the best performing parastatals in the WCA region (Gergely, 2009). Rural order and compliance are ensured by the undisputed authority of traditional leaders in village communities, and by their dominance over ethnic groups of Christian or indigenous beliefs (referred to by the generic term of Kirdi, e.g. unfaithful), to which the majority of farmers belong. Such rigid social hierarchy is one of the elements at the basis of the effective institutional arrangements between cotton company and farmer groups (LR4).

[17] The reality is more complex, because although some government officials became convinced of the necessity to weaken the tight alliance between politics and cotton, privatization could become a reality only upon the government's offer of a very generous package for voluntary retirement and the promise not to lay-off employees. In other words, the alliance between political and cotton elites changed its nature rather than broke down altogether (Serra, 2012).

Because of past good performance, SODECOTON, even while encountering some financial difficulties in the 1990s and 2000s, managed to successfully diffuse government proposals to introduce market reforms. Despite the fact that members of the government, especially in the Ministry of Finance, would like to introduce sweeping privatization and liberalization reform (Gergely, 2009), elements both within and outside the government fear that such reforms, especially if not well carried out, could produce negative consequences such as the collapse of the cotton system, and, with it, of the accompanying economic and social order in the northern regions. After all, cotton has successfully contained over the decades further migration of rural people to the South.

The government has implemented limited institutional reforms, which have not upset the prevailing power configurations. However, increasing social unrest among Kirdi farmers and the spike in cotton price in neighboring Nigeria led many farmers to smuggle cotton across the border during the 2010/11 season (Folefack et al., 2011). The increase in opportunistic behavior amidst a state of generalized rural dissatisfaction with the current situation, suggests that coercive traditional norms may not always be effective in ensuring sustainable market coordination and that those norms may be now evolving (Kaminski et al., 2011). Ultimately, more profound reform – for instance giving farmers more power and control within the cotton value chain – may be needed to preserve the economic viability of the sector.

5 Policy implications and lessons

The main purpose of this paper is to understand which underlying local realities are most likely to affect incentives of politicians and other stakeholders in agricultural sectors, and how these affect, in turn, whether policies improve agricultural sector performance (via market coordination). The analysis in the previous section seems to suggest that there is no unique set of best factors; rather, there are clusters of factors that seem to work better under some political conditions than others (context-dependence). This implies that it is futile to examine the effect of any one cause in isolation, keeping others constant. Moreover, processes are complex and subject to reversals.

One difference between the countries that reformed the most (Benin and Burkina Faso) and those that reformed the least (Mali and Cameroon) is that, in the former two, the cotton sector's share in total export revenues, despite a different pace of decline, remained still quite high (LR1), and the economic crisis was more acute (LR9). These two factors are actually connected, since the economic crisis was most severe in countries lacking alternative sources of government revenues, as they were unable to withstand declining international cotton prices. However, the similarities between the two countries stop here, since the intensity of reform, while responding to an objective sense of urgency, does not seem to guarantee better outcomes for the cotton sector. This is evident from the fact that the highest market coordination is found in Burkina Faso and Cameroon.

What then are the main commonalities between these two best performing countries? One element seems to be the degree of party competition (and type of regime). This could be explained by the argument that parties in governments facing no genuine political challenge at election times feel less compelled to promise interventions that they cannot maintain, just to appease constituencies. In addition, they have ahead a longer time horizon, within which they could assure continuity and coherence of policy. There is certainly bite to this argument, as the power stability of Presidents Campaoré's and Biya's governments (respectively in Burkina Faso and Cameroon) have possibly led to more predictability in relationships with other cotton stakeholders, facilitating a greater coherence of policy interventions and efficient management.

Nonetheless, the analysis from previous sections shows that, behind the national political parties' games, other local realities are at play, affecting the power relationships and tacit agreements between multiple cotton stakeholders (LR3 to LR6). Ultimately, the types of actors' coalitions are what affect which policies are undertaken, in which sequence, and with which effects on market coordination. In Burkina Faso and Northern Cameroon, longstanding hierarchical relationships between ethnic and regional groups explain the basis of power of ruling elites, the Mossi and the *Islamo-Peuhls* respectively, and their ability to control rural areas, through alliances with local traditional leaders. In turn, stable agreements for sharing power and economic rents (pre-existing in Cameroon and reinforced by the mid-1990s institutional reform in Burkina Faso) led to enhanced incentives for parastatal bureaucrats to perform well and for political elites to preserve profitability along the value chain.

In other words, the presence or lack of competitive politics may be regarded rather as a manifestation, or at most a concurrent cause, of underlying and historically rooted political economy factors, which are ultimately responsible for policy processes and outcomes. While predominant analyses of agricultural reform tend to regard formal aspects of government (type of regime and electoral systems) as key variables for explaining policy differences, our framework is instead able to explain policy change by looking into how variations in local realities affect incentives for stakeholders, while keeping party electoral system constant. For instance, the reversal in the SOFITEX privatization process and the deterioration in market performance in both Burkina Faso and Cameroon in the late 2000s can be explained by the break-up of pre-existing alliances: between bureaucrats and politicians in Burkina Faso (following withdrawal of then French-company DAGRIS and reduced scope for rent sharing due to declining cotton prices), and between traditional leaders and farmers in Cameroon (due to pressure on land, migration and change in local social norms). Similarly, governments subject to electoral challenges can also show some signs of better performance, as in Mali since 2009, thanks to a greater distancing of the government from the ills committed by CMDT top bureaucrats, and a closer alliance with rural leaders.

In Benin, the problem has been not just the high level of party competition per se, but a dysfunctional context of political alliances between urban and rural elites, which lowered incentives for cotton stakeholders to play their part of the game in enhancing sector management and performance. This situation has been amplified by the lack of a historically strong social and connective system in the rural cotton world, and low levels of trust both within cotton cooperatives and between farmers and other stakeholders. When the vertically integrated system was dismantled, therefore, following market liberalization in the 1990s, there were fewer checks on opportunistic behavior; among other things, farmers' strategic debt defaults escalated, worsening market coordination and reducing incentives to plant cotton.[18] Rural social underlying features are thus as important as electoral political features.

The relationship between the government and farmer movements is another key element for explaining policy processes and outcomes in cotton sectors, where the role of producer organizations in fulfilling critical economic functions, and helping preserve market coordination, is quite crucial. It is tempting to postulate that demands from powerful farmer unions highjack policy, stalling needed change, especially in more democratic countries. The evidence from our four case studies, however, suggests a more nuanced interpretation. Mali's reform impasse for over a decade was more due to reform opposition by CMDT bureaucrats and cotton elites, than by farmer unions. It was only when the government decided to

[18] Recent institutional reforms of cotton groups in Benin hope to be able to restore mutual accountability between farmers and their cooperatives by introducing stringent mechanisms for credit monitoring and repayment.

distance itself from the fate of the CMDT company that privatization became politically more acceptable. Moreover, many farmer leaders, although arguably mainly those in the newly instituted UN-SCPC and thus closer to the government, became over time less averse to privatization, backed up by many farmers in cotton villages who were more concerned with low quality of inputs, extension and payment services (Serra, 2012).

On the other hand, lower political power by farmer unions does not spare less democratic countries from backlashes from disgruntled cotton producers. In both Burkina Faso and Cameroon, farmers have resorted to street protests, lower cotton planting, and various forms of opportunistic behavior (non-payment of debts and side-selling). Although governments may appear to be able to ignore farmer political pressures (e.g. demands for higher cotton prices in 2011/12), they will ultimately have to deal with the diminished market coordination resulting from less performing farmer groups. There are signs that such governments are already prepared to do so, as attested by recent institutional reform in Cameroon, and the adoption of a more effective cotton price smoothing fund in Burkina Faso.[19]

The aforementioned examples may clarify why variables such as the 'degree of democracy' and the 'type of electoral systems' do not appear to have a consistent statistical relationship with agricultural policies, across existing econometric studies (Swinnen, 2010). In terms of policy implications, the message is that no type of political regime, by itself, may be superior to others in terms of favoring better agricultural policies, and that other factors are likely to be important. Each form of regime faces a trade-off and consequent policy dilemma, though in a different guise (Table 4).

Table 4: Trade-offs for two types of governments

	Party competition high	**Party competition low**
Government autonomy	CON: Government unable to go on its own for fear of protests (Mali)	PRO: Policies attain long-term coherence thanks to stable political alliances (BF & Cam)
Representation of farmer interests	PRO: Farmer groups have outlets for voicing dissent	CON: Farmers frustrated disrupt cotton market operations (BF & Cam, 2010-11)
MAIN CHALLENGE	Invest in long and costly consensus-building exercises	Find ways, even within authoritarian countries, to meet farmers' needs and raise accountability within farmer organizations

Governments subject to intense party competition have to deal with the problem of multiple pressures from below, and are more prone to hesitant and incoherent policies. However, greater political space can represent an outlet for farmer dissent, leading to political compromise between farmer movements and governments and orderly market arrangements. On the other hand, while governments emanating from political parties that monopolize elections can preserve existing alliances and a greater coherence to their policy interventions, they provide more limited space for dissent through formal political channels. This may

[19] A smoothing fund protects farmers from yearly variability of international prices, according farmers a payment for cotton that is closer to the period price average and more constant over time. Since farmers are risk averse, this mechanism, if well managed, is usually to their advantage.

frustrate producer organizations, leading them to opportunistic behavior or more disruptive forms of protests, which are damaging for market coordination.

Two general implications also derive from the analysis. First, no individual policy intervention appears superior to others, and attention should be paid to specific and context-dependent policy processes. Donors and experts need thus to look at a *whole array* of connected political, social and economic factors when deciding the type of interventions and external support that countries may need. While no feature alone is more desirable, each country represents a context and challenge on its own.

The second implication is that local realities are endogenous to policy processes. In particular, farmer groups' empowerment and political role may increase following institutional reform, facilitating the undertaking of crucial cotton tasks and even providing support to privatization or other market reform. Thus, in the selection and support of policy interventions that are adapt to the local context, and are politically feasible, sequencing should be given important consideration, and institutional reform should precede market reform.

6 Conclusions

The example of cotton sector reform in Benin, Burkina Faso, Cameroon and Mali offers a pertinent case for demonstrating the importance of contextual political economy analysis. It confirms that the degree to which governments may support or not a cotton sector policy is a function of structural and country-specific factors, such as the form of government (the extent to which there is electoral competition among parties and possible alternation in power), the extent to which cotton is key for national (or regional) food security, the depth of the economic crisis, and the attitude and relationship between donors. Even more importantly, the evidence and framework proposed in this paper establish that the concerns and motives of other interest groups (cotton elites, rural leaders, and farmers) have profound influences on policy processes, and the latter depend on the political, social and historical factors underlying stakeholders' mutual relationships. Thus, similarly positioned actors may not support the same policies, but actually behave differently according to the particular context in which they operate. For instance, while all farmer organizations in the four countries were generally opposed to the introduction of open competition in the cotton sector, some were more favorable to the privatization of the parastatal company. Producer organizations with greater institutional capacity, as in Burkina Faso, Mali and possibly now Cameroon after institutional reform, showed willingness to participate in privatization schemes that allowed them to buy shares, and in this way have a greater part in cotton sector governance.

If the costs and benefits of a given policy to any interest group are likely to depend on the particular power configurations and on several socio-economic and political realities, the support of any interest group for a given policy intervention is likely to differ across countries and may shift over time. It should be no surprise therefore to observe important variation even among contexts, such as cotton sectors in WCA, which appear, at first, quite similar. This also implies that the conditions for successful interventions in the cotton sectors will be contingent on the local realities underlying policy processes, variable across countries. We are certainly far from the notion that one type of policy intervention, such as the 'competitive approach' proposed by Baghdadli et al. (2007), is desirable across all contexts.

A number of implications for policy-makers and donors may be derived, some of which qualify in important ways previous results from the literature.

- Governments free from electoral exigencies are less subject to the need for constant political re-negotiations and find it easier to adopt longer-term horizons (as in Burkina Faso and Cameroon). This may possibly lead them to better anticipate the interests and reactions by other stakeholders, and thus increase policy coherence.

  - However, these countries are also those where problems of downward accountability in cotton governance institutions are more exacerbated. To the extent that successful cotton sector reforms require a greater involvement of farmer groups, inability to reach down to farmer needs can lead to rural dissatisfaction, and in turn, to lower levels of production, and overall deteriorating sector performance. Both Burkina Faso and Cameroon have recently witnessed episodes where farmers have complained, protested, smuggled seed cotton across borders or abandoned production altogether, negatively affecting state revenues, among others. Such governments face the challenge of how to respond to these pressures from below in ways that restore confidence in cotton production.

- The share of the agricultural sector in total export and government revenues may signal whether countries are more impelled to intervene when this sector faces a crisis, explaining why Benin and Burkina Faso intervened sooner than Mali (whose rising gold sector provided greater respite to the government).[20]

  - However, stakeholders' incentives to actually and successfully promote agricultural sectors, rather than to merely react to external policy impulses, depend on a complex set of historically-rooted and country-specific factors that affect their power relationships and motivations. Strong alliances between politicians and rural elites, based on ethnicity or same party membership, and enduring norms of cooperation in rural villages underpinned the greater market coordination found in Burkina Faso and Cameroon.[21]

- Privatization of parastatals can be politically sustainable, if sufficient measures are put in place to preserve the interests of bureaucrats, such as assurance of continued autonomy due to sale to domestic investors or producer association (Burkina Faso) or offer of generous packages and alternative options (Mali). (Again, it is the underlying social contract between groups of actors that leverages feasible and enduring political agreements.)

  - However, there seems to be lower margins for political support of liberalization measures in WCA, especially where cotton represents not just a productive sector, but also a social system which is a bearer of cultural local values, as in Mali and Northern Cameroon. This is true regardless of the declining share of cotton as export revenue source.

Ultimately, it is not just the particular content of policies – more or less privatization, or greater or lower competition – that make agricultural interventions more successful, but the nature and characteristics of the underlying policy process. If the local realities beneath policy processes can sustain coordination among actors, and structure their incentives in ways that

[20] As mentioned earlier, Cameroon did not face a severe crisis to its cotton sector, unlike the other three countries.

[21] Furthermore, institutional reforms seem to have produced better outcomes where there is some 'ethnic fractionalization', which has somehow facilitated 'ethnic specialization', and led to easier adoption. I thank Jonathan Kaminiski for suggesting this point.

are favorable to the good management of the sector, then outcomes are more likely to be positive – regardless of whether the country has adopted significant reform, as in Burkina Faso, or more limited change, as in Cameroon.

If the content of policies may be less important, sequencing may well be crucial, because any given intervention affects subsequent stakeholders' positions and incentives. The reason for Benin's declining cotton sector performance during and after reform may be thus less due to the implementation of liberalization and privatization *per se*,[22] than to the order in which these measures were undertaken. The Burkina Faso example tells us, for instance, that the implementation of prior institutional reform increases the economic functions of farmer groups, and leads to overall better operations along the value chain – moreover, it also modified the nature of subsequent interventions, by bending actors' incentives towards the unorthodox privatization model and easing its consensus-building process.

If policy changes may be endogenous to the policy process, through feedback effects, these can only be anticipated through a careful understanding of how local realities affect actors' incentives. Though donors and external experts may find this conclusion too exacting in terms of their limited time and resources, it remains essential for understanding chances for policy switches.

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[22] The content of policies in agricultural sectors also clearly matters, as argued in a companion paper. The point advanced here, however, is that policy processes may matter even more.

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