



Governing Cotton Sectors

**An analysis of reforms in Benin,
Burkina Faso, Cameroon and Mali**

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**Based on a paper with Jonathan Kaminski
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The APPP Cotton Sector Reform Project

- Contribute to the analysis of reform processes in African countries
- Overcome limitations of “good governance agenda”
- Engage in debates on the implications of the Paris Declaration
 1. When and why do economic reforms respond to endogenous impulses rather than just external pressures?
 - Drivers of reforms: “Ownership vs. conditionality”
 2. Which country-specific local realities affect reform processes?
 3. Which lessons for improving donors’ engagement?

Methodological strengths

- Adopt a comparative research perspective
- Collect detailed field-evidence through African-based research teams
- Policy engagement – dialogue with stakeholders

Links with existing literature

1. Comparative analyses of agricultural reforms in Africa (Swinnen, et al. 2011; Tschirley et al, 2009; Poulton et al. 2004; Delpeuch and Leblois, 2011)
 - Extent of reforms depends on crop characteristics (cereal vs. cash crops) and market and institutional features (traditional vs. non-traditional cash crops)
 - Relationship between market structure and performance in cotton sectors

⇒ Need to look more in detail at structural factors behind different reform processes
2. Political economy of economic reforms (Rodrik 1996 and 2008, Adams 2000)
 - Reforms are implemented if they fit policy-makers' objectives (the latter are conditioned on prevailing power configurations and rules for rent distribution)
 - Second-best principles are applicable to economic reforms (institutional failures)

⇒ Need to incorporate “developmental objectives” (the special role of cotton for poverty reduction) and contextualize differences between first and second-best

Links with existing literature (cont'ed)

3. Endogenous institutions in development economics (Acemoglu et al. 2001; Platteau, 2000; Fafchamps, 2004)
 - Institutions are endogenously determined, emerging to fit the particular context
 - ⇒ **Need to refine the distinction between *feasibility* and *desirability*; feasibility may not mean sustainability: *'what's best supportive of developmental reforms'*?**

Cotton as case study

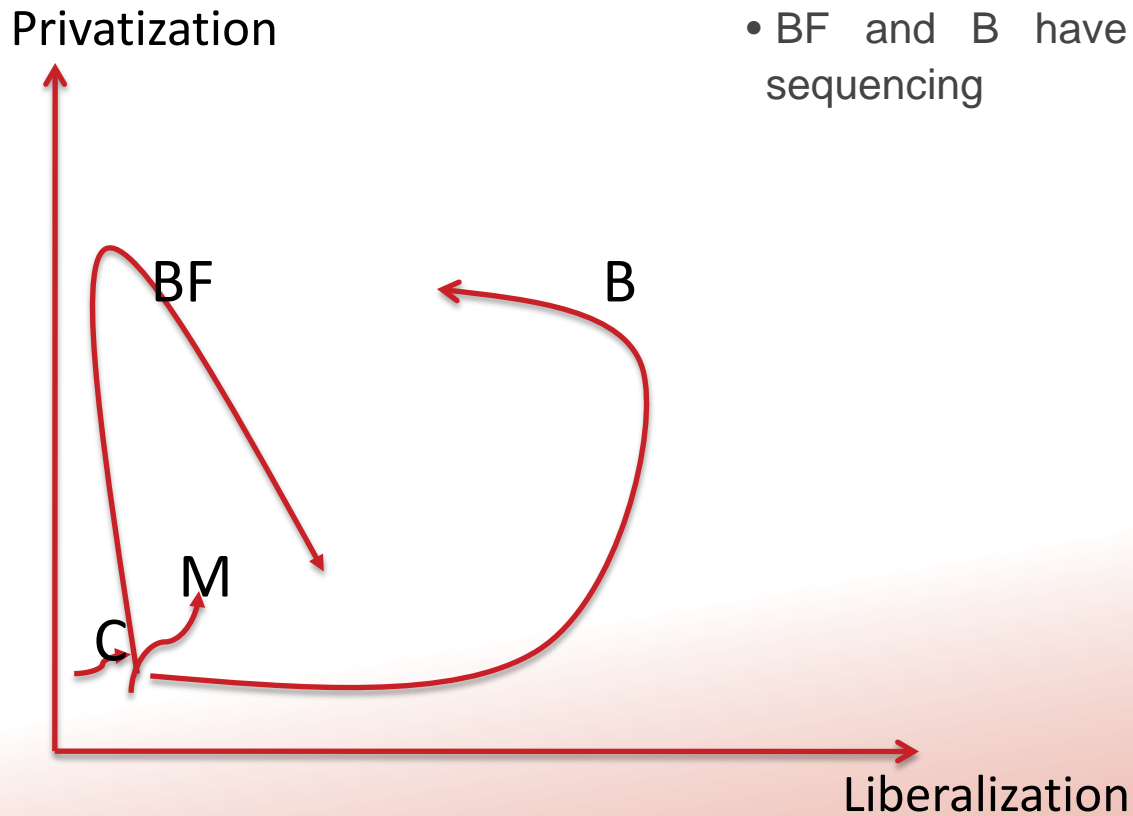
- Strategic economic sector in the selected countries
 - Main export and source for government revenues
 - Backward and forward linkages
 - Livelihood for millions small farmers
 - Positive linkages with cereal production and food security
- Source of economic rents and vehicle for rural development
 - Co-existence of self-serving and developmental motives of actors

The four countries

- Benin, Burkina Faso, Cameroon and Mali share key characteristics:
 - Inherited the French *filière* system (integrated vertical model)
 - Overall considered as less prone to implement privatization and liberalization policies
 - Reform process more contested and difficult than in ESA
- However, they have followed different reform paths (timing, content, and sequencing)
 - What are their underlying structural differences?

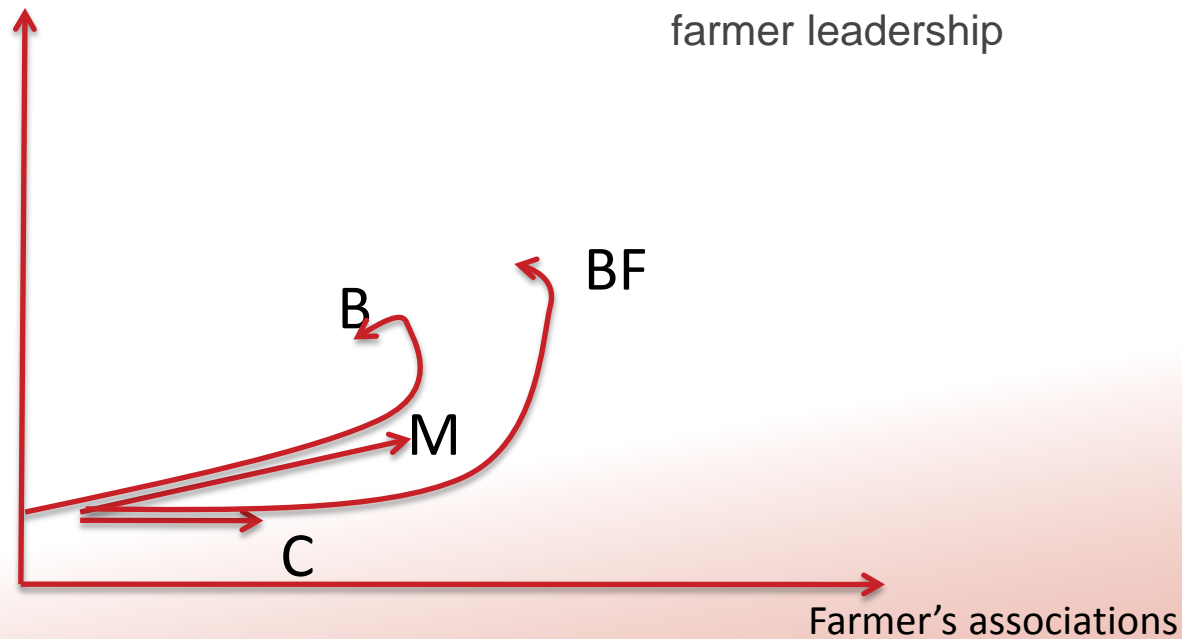
Trajectories in market reforms

- C and M have reformed the least
- BF and B have pursued different reform sequencing



Trajectories in institutional reforms

Inter-professional
coordination



- Curves are quite 'flat': limited effectiveness of IP Associations; continued politicization of cotton sectors
- Reversals in B and BF due to loss of credibility of farmer leadership

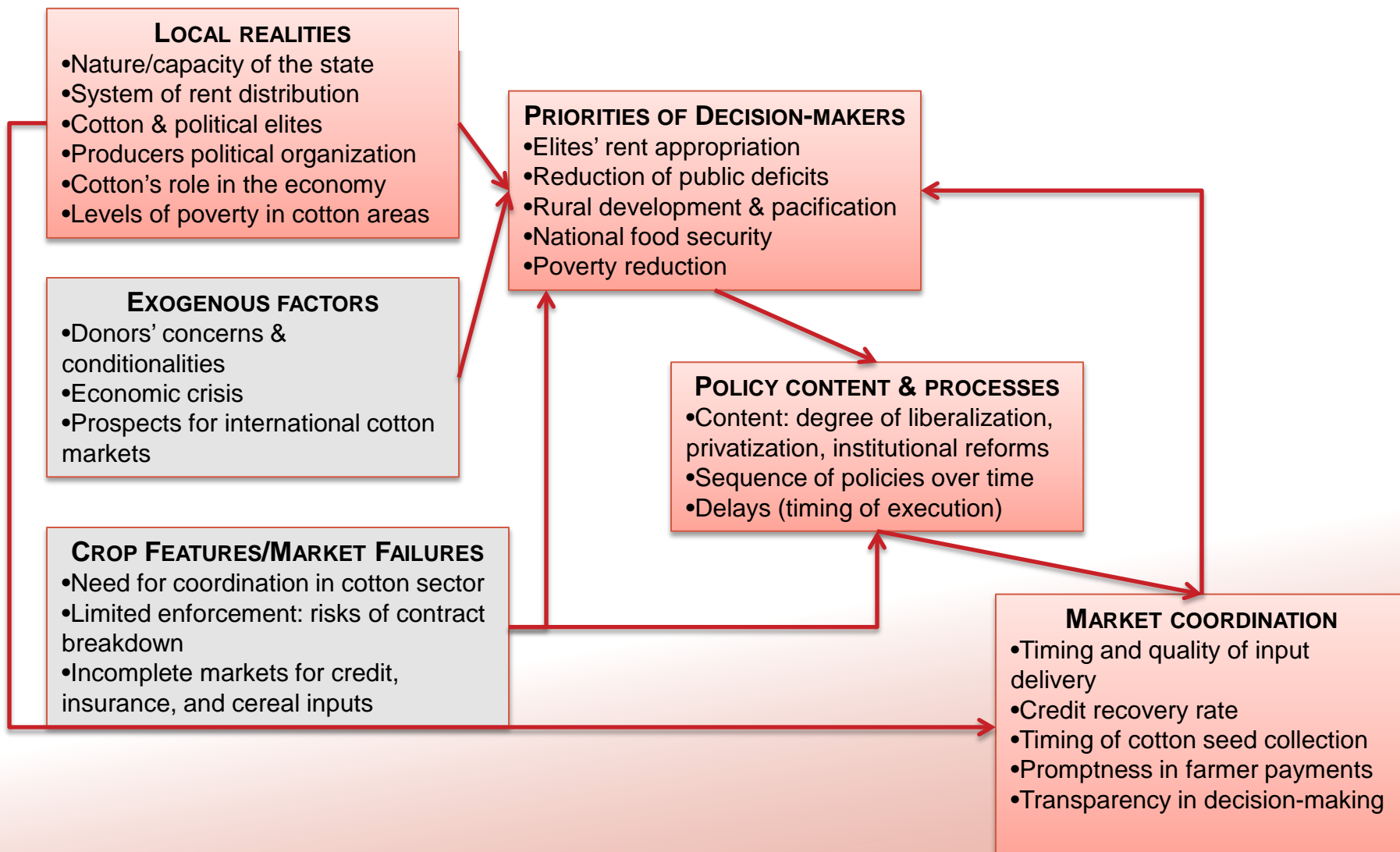
Reform processes and outcomes in a timeline

Country	Time 1	Time 2	Time 3	Time 4	Mtk coord 2009/10
Benin	Liberalization	Privatization	Institutional reform (IR)	De-facto mon + IR	Unsatisfactory
Burkina Faso	Institutional reform	Unconventional Privatization	Zoning	State majority control	Satisfactory
Mali	Reject	Delay	Inst. reform	Zoning + start privatization	Almost satisfactory
Cameroon	Open debate	Delay	Reject	Institutional reform	Satisfactory

Market coordination: multi-dimensional indicator, obtained by averaging the scores for:

- timing and quality of input delivery;
- credit recovery rate;
- timing of cotton-seed collection;
- efficacy of weighing and grading procedures;
- promptness in payment to farmers
- quality of cotton seed and fiber

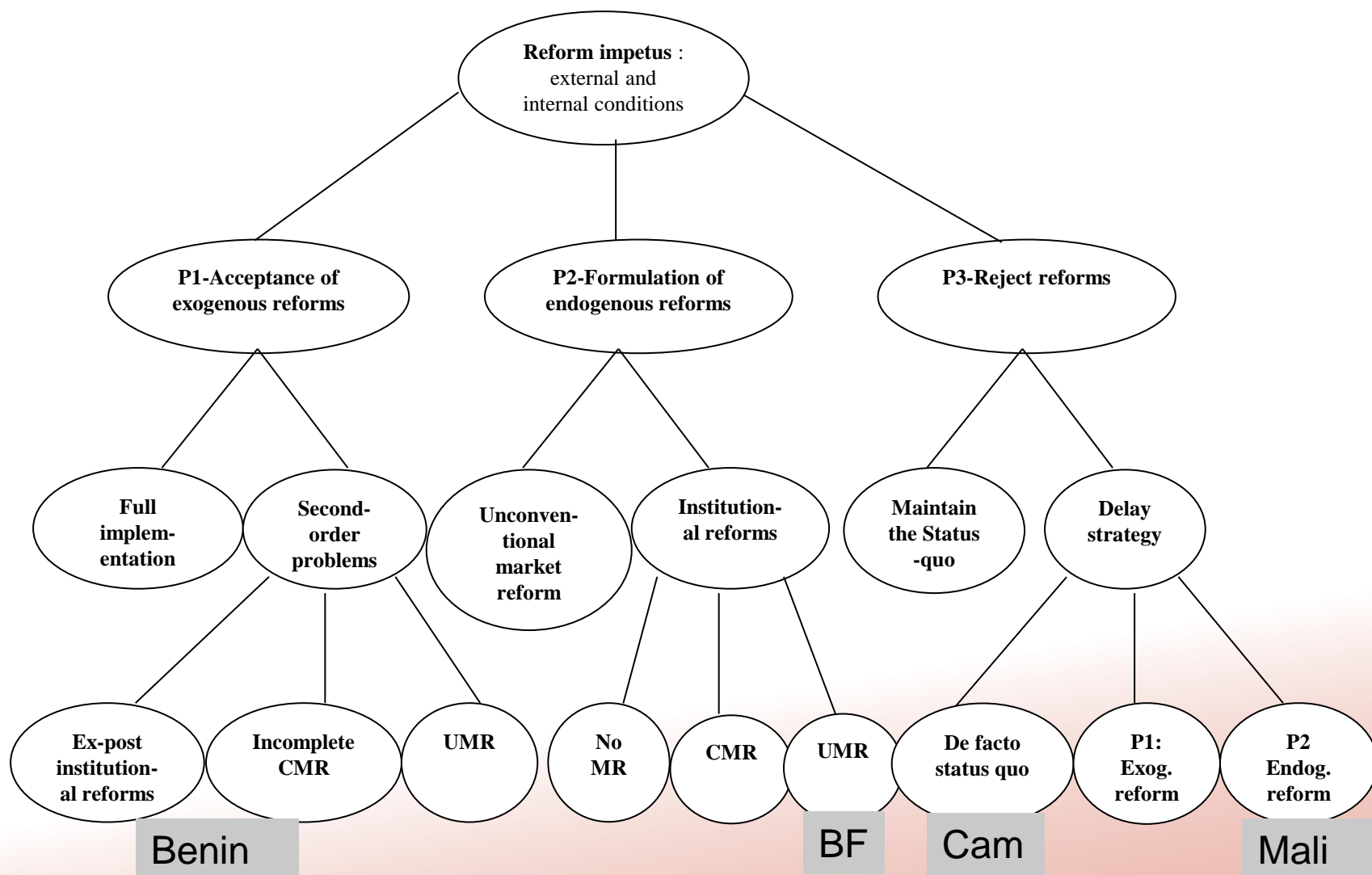
RELATIONSHIPS BETWEEN MAIN VARIABLES



“Local realities”: Country-specific political and socio-economic features

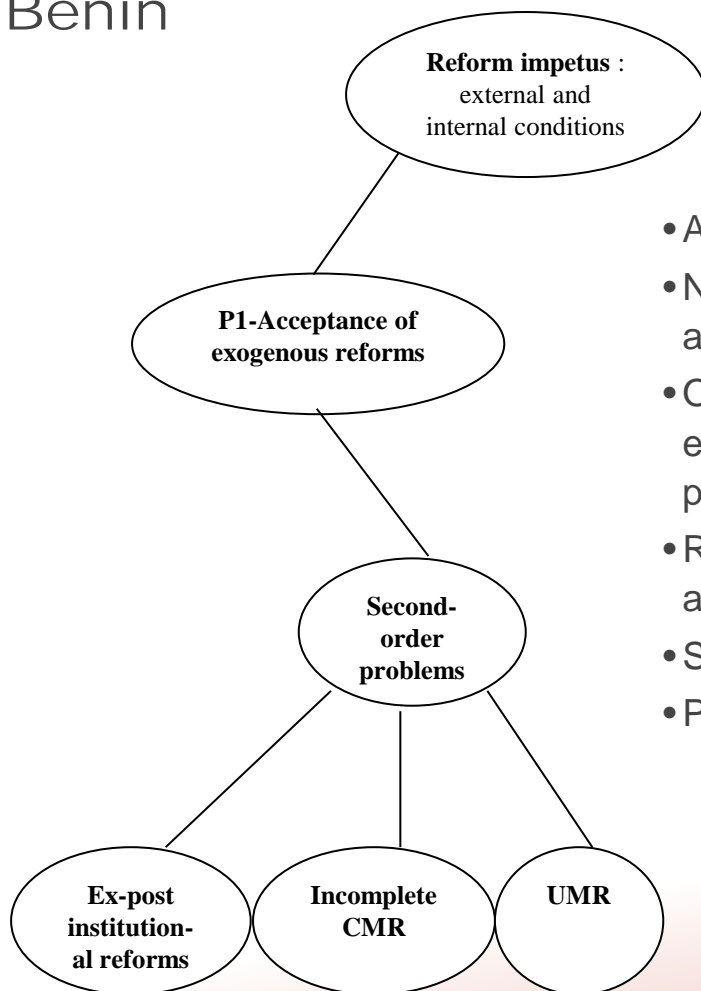
	Benin	Burkina F.	Mali	Cameroon
Competitive Democracy	YES	NO	YES	NO
State autonomy	Limited, pressure from powerful economic actors	Significant, lack of credible opposition	Limited, pressure from donors & opposition	Significant, lack of credible opposition
Other economic sectors	Services (port)	Limited, but gold exports are rising	Gold	Tropical crops in the South, livestock and maize in the North
Role of cotton	Important but less so for food security	Key for food security	Key for food security & rural development	Not critical nationally
Cotton rents	Diffuse	State: centralized	Diffuse under ‘consensual’ policy management	Kept at the regional level
Government elites & Cotton elites/ bureaucrats	Overlapping ethnic/regional identities	Partly overlapping	Ethnicity not important; CMDT bureaucrats very powerful	Separate ethnic and regional identities
Political weight of farmer union	Medium; disperse representation	Relatively important	High; threats of boycotts is high	Low

A tree structure of alternative reform paths



MR: market reform; CMR: conventional market reforms (privatization and liberalization); UMR: unconventional market reforms (privatization with shares only to producer associations; selective liberalization and zoning).

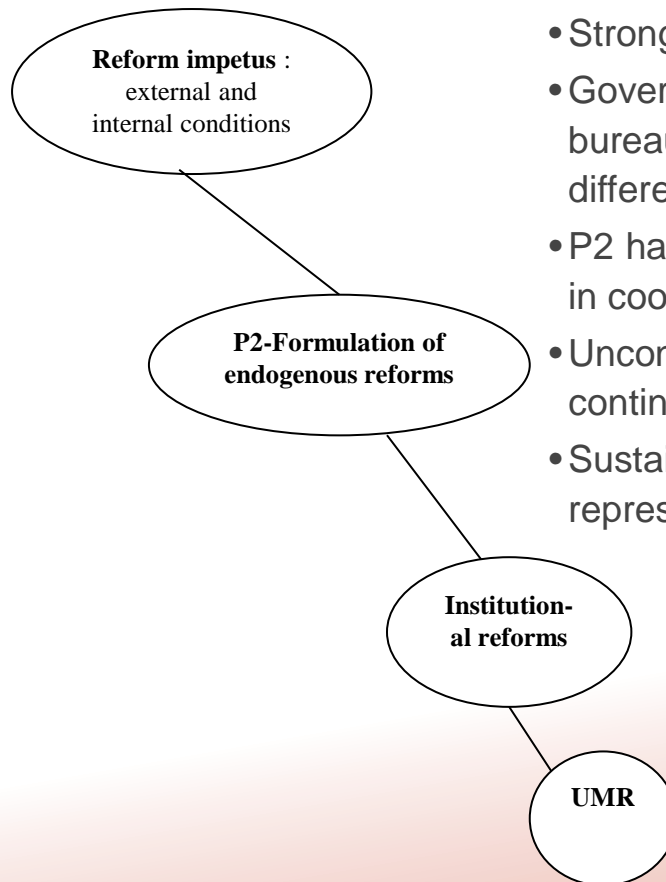
Benin



- Ambitions and prestige of President Nicéphore Soglo
- Northern cotton zones have limited weight demographically and economically
- Overlapping between elites: with liberalization domestic entrepreneurs use personal connections to secure monopoly positions in exchange for political and financial support
- Rent distribution becomes more diffuse: state loses control and becomes weaker
- Short-term horizon of policy makers
- Privatization does not diminish political interference

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Burkina Faso

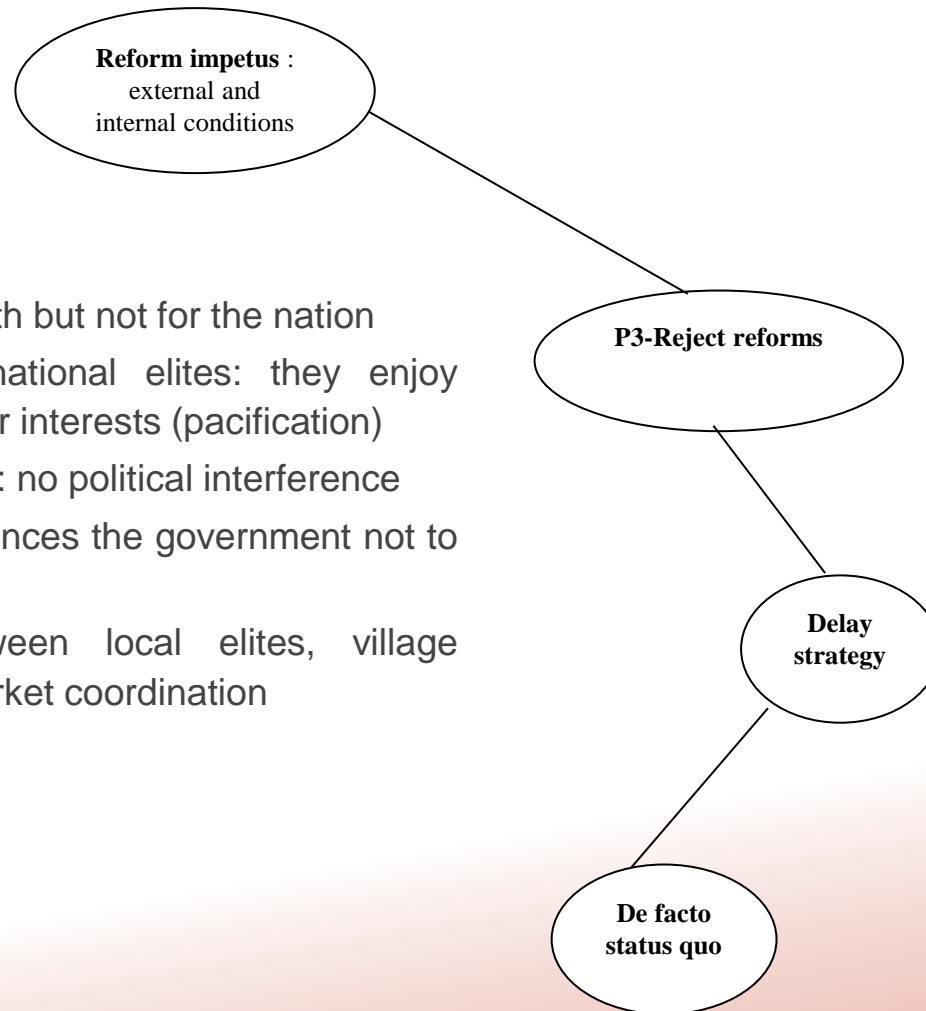


- Strong government reactive to donors' demands
- Government centralizes rents: same ethnic group as bureaucrats and ability to control rural elites (ethically different but w/o political power)
- P2 has greater benefits than P1: prior IR lead to increase in coordination and value chain surplus generation
- Unconventional privatization allows the government to continue enjoy rents: political feasibility of reforms
- Sustainability is threatened by weaknesses in farmer representation and leadership

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Cameroon

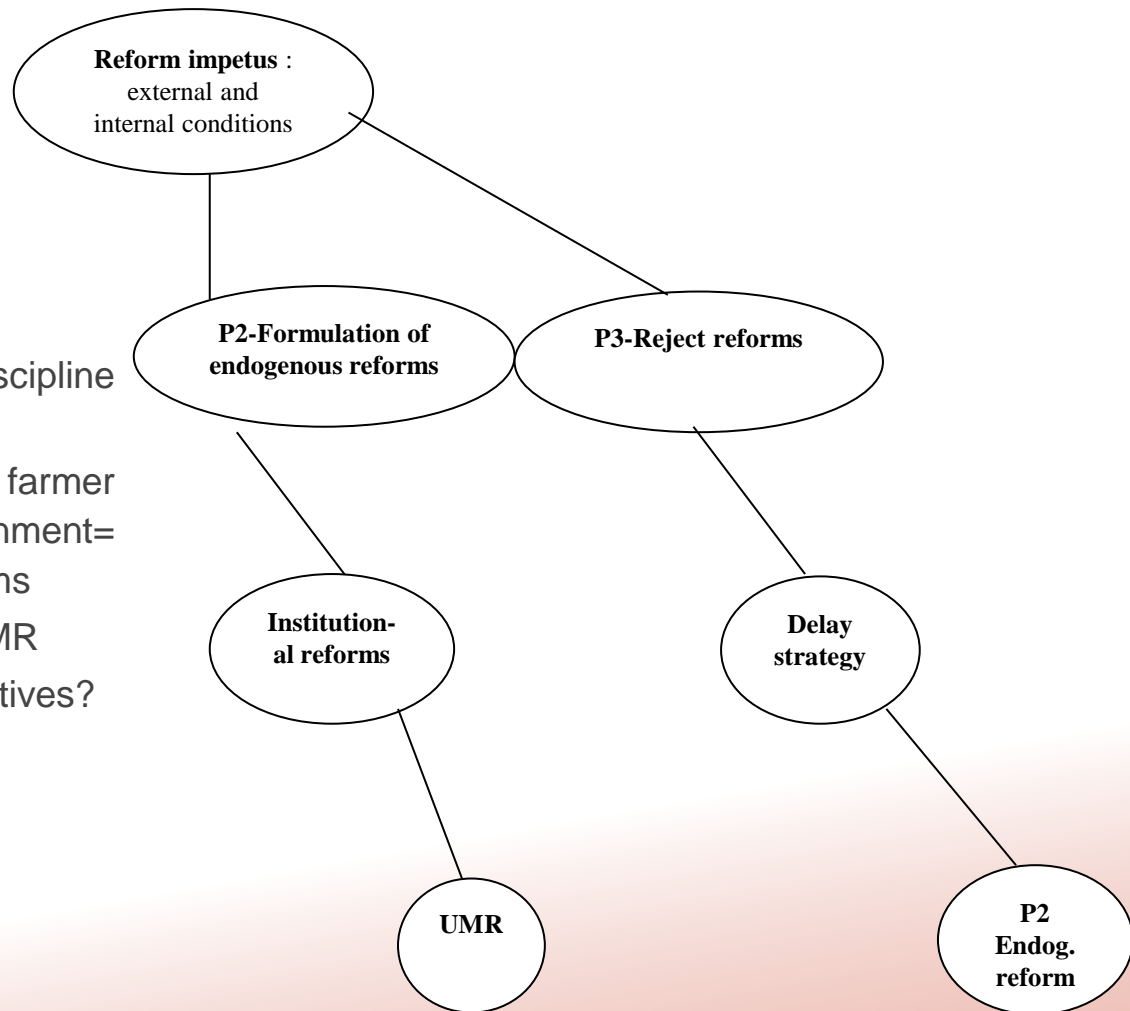
- Cotton is key resource in the North but not for the nation
- Regional elites distinct from national elites: they enjoy autonomy, and recognition of their interests (pacification)
- Cotton rents are managed locally: no political interference
- SODECOTON (first mover) convinces the government not to introduce drastic reforms
- Hierarchical relationships between local elites, village leaders and peasants ensure market coordination



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Mali

- Weak state and limited capacity
- Key role of cotton nationally
- ⇒ CMTD allowed to dictate rule
- Diffuse rents: state unable to discipline CMTD executives when needed
- Fall of prestige of CMTD + new farmer associations close to the government = possibility of some (limited) reforms
- Need for consensus: IR before MR
- Emergence of 'development' motives?



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Key points in the analysis

Local realities affect reform processes by influencing:

1. The weight of endogenous impulses (Benin vs. BF)
2. Who are the key actors and who moves first (B&BF vs. M&C)
3. The goals of decision-makers (shifting in Mali over time)
4. Returns associated with alternative strategies (UP in BF vs B)
5. The information set of actors and their time horizon (Benin)

Main Results from the analysis

- Power configurations and rules for rent distribution are important
 - Centralized rents (BF&C) vs. diffuse rents (B & M): elites less vulnerable to domestic pressures \Rightarrow less wavering and more long-term horizon
- Ethnic/geographical links between politicians, bureaucrats and rural leaders: separation (BF and C) leads to greater discipline/less conflict
- Endogenous reform processes more likely to start with IR than MR
- In terms of MR, privatization may face less stakeholder opposition than full liberalization (Burkina Faso, Mali)
- Low government accountability (in both more and less democratic states) can lead to reform reversals, even if reforms were product of national consensus (B and BF)

Some implications for donors

- Prior institutional reforms (which strengthen stakeholders capacity and give new roles to producer associations) are essential for market reform to be acceptable and have better developmental outcomes
- Privatizing a parastatal where government has limited capacity and the system of rent distribution is *diffuse* may not lead to expected results (M and B vs BF)
- Liberalization when cotton is key for food security is unlikely to be acceptable (M and BF)
- Limits of endogenous reform processes:
 - Reform feasibility (=policies that work along rather than against local realities) is a necessary but not sufficient for developmental outcomes ⇒
Need to anticipate bottlenecks and plan ahead

FINAL LESSONS:

Local realities determine what are the best policies for each country: need to search for best-fit policies rather than apply first-best

Ownership is a process not an outcome



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