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 (University of Jerusalem)
July 2011
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

   - 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

   - 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

- 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

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

**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
- Nature/capacity of the state
- System of rent distribution
- Cotton & political elites
- Producers political organization
- Cotton’s role in the economy
- Levels of poverty in cotton areas

EXOGENOUS FACTORS
- Donors’ concerns & conditionalities
- Economic crisis
- Prospects for international cotton markets

CROP FEATURES/MARKET FAILURES
- Need for coordination in cotton sector
- Limited enforcement: risks of contract breakdown
- Incomplete markets for credit, insurance, and cereal inputs

PRIORITIES OF DECISION-MAKERS
- Elites’ rent appropriation
- Reduction of public deficits
- Rural development & pacification
- National food security
- Poverty reduction

POLICY CONTENT & PROCESSES
- Content: degree of liberalization, privatization, institutional reforms
- Sequence of policies over time
- Delays (timing of execution)

MARKET COORDINATION
- Timing and quality of input delivery
- Credit recovery rate
- Timing of cotton seed collection
- Promptness in farmer payments
- Transparency in decision-making

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

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

Reform impetus: external and internal conditions

- P1-Acceptance of exogenous reforms
- P2-Formulation of endogenous reforms
- P3-Reject reforms

Second-order problems

- Full implementation
- Second-order problems
- Unconventional market reform
- Institutional reforms
- Maintain the Status quo
- Delay strategy

Ex-post institutional reforms

- Incomplete CMR
- UMR
- No MR
- CMR
- De facto status quo
- P1: Exog. reform
- P2 Endog. reform

Benin, Mali, Cam, BF

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

Reform impetus: 
external and 
internal conditions

P1-Acceptance of exogenous reforms

Second-order problems

Ex-post institutional reforms
Incomplete CMR
UMR

- 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

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).
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

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).
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

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).
Mali

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

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).
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 ⇒ 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
The Africa Power and Politics Programme is a consortium research programme funded by the UK Department for International Development (DFID) and Irish Aid for the benefit of developing countries.

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