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Firm-level perspectives on State-Business Relations in Africa: The food-processing sector in Kenya, Tanzania and Zambia

Abstract
Experiences from developed and emerging economies inform us that close state-business relations are crucial for economic development and structural transformation. Based on the positive experiences from other parts of the world, most African governments have begun processes to establish collaborative State Business Relations (SBRs). Amongst other initiatives, these processes include amendments to existing laws to facilitate public-private interaction, direct support to existing business associations, and support for and establishment of public-private dialogue fora. This paper draws on an analysis of survey data from 210 local firms, complemented with qualitative data from interviews with 41 firms, a number of 20 key informants and a range of secondary sources on the food processing sectors of Kenya, Tanzania and Zambia. The paper shows that businesses in these countries have limited policy influence, find policies and programs to be inadequate when targeting the needs and requirements of local businesses and that business associations in these countries are poorly organised. In spite of initiatives taken by the states and other actors, including an increase in the number of formal relations between state and businesses, it is difficult to conclude whether SBRs are collaborative or collusive. The paper contributes to the existing SBR literature by adding a firm-level perspective and by enhancing our knowledge on the usefulness of key theoretical approaches to these issues in an African context.
I. Introduction

In spite of the neo-liberal emphasis on the private sector as a panacea for development, the experience of low rates of economic growth, limited development and continued poverty have shown that governments still have a role to play to bring about sustainable economic development. As global development agendas have come to highlight the importance of ‘public-private partnerships’ numerous examples and forms of collaboration between the public and the private sector have materialised. Experiences gained from developed and emerging economies inform us that collaborative State-Business Relations (SBRs) are crucial for stimulating economic development and structural transformation, that is, the transformation that takes place when an economy diversifies away from dependence on a few primary resources to relying on value addition related to resource extraction, manufacturing or (high-value) services (Whitfield et al., 2015). SBRs are defined as a set of institutionalised, responsive and public interactions between the state and businesses (Sen 2013) and promote a more efficient allocation of scarce resources and a more competent and prioritised removal of key obstacles to growth, than when the two sides engage in harmful collusion.

Throughout sub-Saharan Africa (henceforth: African) governments have set processes in motion to establishing collaborative SBRs. Most often these initiatives have been (strongly) encouraged and/or supported by International Financial Institutions and bilateral donor agencies. Initiatives include amendments of existing laws to facilitate public-private interaction. So far, however, these initiatives have not led to structural transformation and (inclusive) economic development in Africa (Te Velde and Leftwich 2010).

In other words, what we see is paradoxical: on the one hand, researchers, policy makers and development practitioners call for a structural transformation of economies in order to go beyond resource-led aggregate economic growth and instead kick-start ‘sustained growth’. On the other hand, a key factor1 underlying structural transformation in Asia and Latin America is either missing or has not produced the expected outcome in the African context, namely the collaborative relationship between state and (local) businesses.

The lack of systematic changes in production structures and related shifts in living standards for

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1 It should be noted that collaborative SBRs did not do it alone. As demonstrated by Whitfield et al. (2015) collaborative SBRs were only one part of a broader set of trends that made Asian economies structurally transform.
the majority of the population in Africa has led to a revival in heterodox economic explanations of growth. Hand in hand with these explanations, the interest in various aspects of SBR in Africa has revived. The lion’s share of this literature has analysed SBR from a state perspective, addressing how collaborative SBRs may lead to overall economic growth (Qureshi and Te Velde 2013), why state elites engage in industrial policies (Whitfield et al. 2015), and to what extent existing governance structures in Africa are compatible with industrial policies (Altenburg 2011; Kelsall 2013). A smaller, yet important, body of literature takes a private sector perspective and analyses how and to what extent business associations (BAs) help companies overcome obstacles to growth (Hampwaye and Jeppesen 2014).

Most contributions to SBRs emphasise the key roles of formal channels between the state and the private sector and the importance of BAs in facilitating the dialogue. However, as Taylor (2012b) concisely puts it, in an African context the reality is that businesses also influence policy development even without formal organisations. Although important, ad-hoc approaches and informal channels of SBRs have not received adequate scholarly attention.

Theoretically, collaborative SBRs rest on a shared vision/project between state agencies and the private sector, which in turn rests on ‘strong’ BAs able to influence policies and offering relevant services/incentives to their members, that policies and incentive structures have to be transparent, and the technical capacity of both state and private sector entities.

This paper seeks to further our understanding of how firms in the food-processing sector 2 in Kenya, Tanzania and Zambia engage with governments in order to cope with changing institutional environments. In so doing, it adds to the existing body of SBR literature in three important ways: First, it adds a distinct firm-level perspective to the growing body of work on SBRs in Africa. Second we analyse both formal and informal channels for SBRs. Finally, we provide new empirical data on African countries to a field which has mostly investigated (South-East) Asian and to some extent Latin-American contexts.

The food-processing sector constitutes a substantial part of the manufacturing sector in Africa,

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2 Food-processing in this paper denotes the transformation of raw ingredients into food (or one form of food into another form of food). It is a subset of the agro-processing industry, i.e. the subcategory of manufacturing that processes raw materials and intermediate products originating in the agricultural sector (including forestry and fisheries). A number of subcategories of food-processing exist termed as sub-sectors, e.g. the grain milling sub-sector, and the edible oils sub-sector.
which is perceived of great importance for structural transformation (Lin 2012). Its plethora of multiplier effects creates dynamic linkages that may spur growth in related industries including packaging, production of food industry equipment, specialised storage and transportation (Charles and Rwehikiza 2014). Evidently, the food-processing sector’s contribution to the economies, ranges from an estimated 60% of manufacturing output in Zambia (Sutton and Longmead, 2013), to 40% in Kenya (KNBS 2015), and 34% in Tanzania (Sutton and Olomi 2012).

The paper is divided into six sections. Following this introduction, section two provides a review of the literature on SBRs with a particular focus on Africa and singles out an analytical framework that guides the subsequent empirical analysis. Section three offers a description of the research methodology and section four provides an overview of the historical developments of SBR in the three countries. Section five presents the findings on how the interviewed firms perceive the current role of SBRs in the food-processing sector and analyses why this is the case based on the analytical framework. Section six concludes and suggests research and policy implications.

2. State-Business Relations and Development: An Analytical Framework

Sustained economic growth depends directly on inputs such as skills and capital formation as well as the efficiency with which factors of production are put together, but the nature of the relations between government entities and actors in the private sector is a crucial factor behind efficient skills development, capital formation and, ultimately, higher productivity and incomes. These relations are normally referred to as SBRs. SBRs are defined as a set of institutionalised, responsive and public interactions between the state and businesses (Sen 2013). Stated differently, SBRs are made up of a range of linkages and interfaces between government entities (ministries, individual persons and political parties) and actors in the private sector. They encompass a wide variety of arrangements spanning from presidential advisory councils, formal and informal BAs, consultative mechanisms, growth alliances, and lobby groups; they are sometimes regular, sometimes ad hoc arrangements; they cover specific sectors, specific firms, or specific policies; and they can be of a more collaborative or more collusive nature3.

3 Several categorisations have been proposed to distinguish ‘developmental’ from ‘predatory’ SBRs, i.e. SBRs that lead to sustained inclusive growth and SBRs that hinder this, respectively. Terms include ‘malign’ vs. ‘benign’ SBR

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and Schmitz 2008). ‘Collusive’ highlighting that — (fill in from Moore & Schmitz and/or Schneider & Maxfield 1997) Although neoliberal accounts of SBRs have always perceived them as negative and growth restrictive due to rent-seeking behaviour, risk of corruption, and the tendency towards unproductive profit-seeking investments, i.e. collusive relations, numerous institutionalist/structuralists accounts of development have shown how SBRs — under certain conditions — may lead to better allocation of scarce resources and thereby facilitate economic development. This comes about due to for instance information sharing, confidence building, respect, credibility, and development of more appropriate policies, i.e. collaborative SBRs.

Although the effects of SBRs on development are hard to assess accurately, a large body of mostly political economy literature has demonstrated that collaborative SBRs played an essential role in late capitalist development in East Asia and Latin America (Haggard et al. 1997; Schneider and Maxfield 1997; Donor and Schneider 2000; Bräutigam et al. 2002) (Donor and Schneider 2000). Above all, collaborative SBRs may be growth-enhancing as they lower policy uncertainty and help reduce both state and market failures. This is done through market supporting and/or market complementing arrangements. Likewise, collaborative SBRs ease coordination failures by facilitating skill development, infrastructure provision, enhance the efficiency of capital markets and facilitate technological development. This is so because they deal with collective action problems and thereby create pockets of Weberian bureaucratic efficiency characterised by meritocracy, pilot agencies, industrial policies, and investment promotion agencies (Schneider and Maxfield 1997; Evans 1995). These pockets of Weberian efficiency create transparency via reliable and accurate information, reciprocity through a performance-subsidy contract, trust, credibility, and checks and balances between the state and the private sector. Hence, they provide for the efficient allocation of scarce resources, and remove growth obstacles (Leftwich 2010; Sen and Te Velde 2009).

Finally, collaborative SBRs in East Asia and Latin America included strong BAs. Ideally, BAs are the means through which the business community influences government actions, hence

(Evans 1997), ‘effective’ vs. ‘ineffective’ (Qureshi and Te Velde 2013), and ‘collaborative’ vs. ‘collusive’ (Schneider & Maxfield 1997). These terms inform us that the relationship is seldom only ‘developmental’/‘benign’/‘collaborative’ or only ‘predatory’/‘malign’/‘collusive’, but forms part of a continuum.
strong and effective BAs mirror collaborative SBRs. So, collaborative SBRs had clear mechanisms of public-private dialogue, and were supported by well-functioning (and enforceable) competition laws, while strong BAs were characterised by incentive structures deemed valuable by the members and with high exit costs. In relation hereto, it has been demonstrated that the development of a shared project driven by local demands between government entities and the private sector is vital in order to set collaborative SBRs in motion. However, a shared project is not sufficient. It has to be backed by an overall shared vision and strategy as well as the technical capacity in the public entities to support the private sector and in the BAs to discipline their members (Doner and Schneider 2000; Haggard, Maxfield, and Schneider 1997; Bräutigam, Rakner, and Taylor 2002).

Hardly any of these characteristics reflect the situation in Africa. Still, some findings on the link between growth coalitions and BAs on the one hand and growth dynamics, structural transformation and policy change on the other do exist in Africa (Bräutigam, Rakner, and Taylor 2002). Recently, research on SBRs in Africa has focused on explaining how and why aspects of SBRs are linked to economic growth and structural transformation or lack of same.4

One strand of this body of literature has analysed how, where, and to what extent existing governance structures in 17 African countries (including Kenya and Tanzania) are compatible with industrial policies. This work concluded that despite the image of collusive SBRs permeating African countries in the past decades SBRs may lead to structural transformation in an African context even if governance structures do not mirror World Bank ideal types. What is missing, however, is knowledge about the more specific composition of the regime that fosters ‘developmental patrimonialism’ (Kelsall 2013).

The composition of regime types – or rather political settlements – and its influence on industrial policies is the focus of another strand of literature that has developed the so-called ‘political survival of ruling elites approach’ (Whitfield et al. 2015). Essentially, this body of research argues that ruling elites want to stay in power. To do so they have to be able to extract rents to

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4 Research on these issues is not restricted to the examples described below. It also includes Anne Pitcher’s fascinating study of the link between party politics, privatisation processes and the development of capitalism in 27 African countries (including a detailed study of these processes in Zambia) that furthers our understanding of the link between the state and the private sector, i.e. SBRs (Pitcher 2012).
finance political costs. They therefore have to make sure that (some parts) of the private sector is working and generating a profit. In this manner, they share an interest with parts of the capitalist class who need predictability and credible commitment in order to reduce uncertainty related to their investments. In order to make this work, the ruling elites require ‘pockets’ of efficient (state) bureaucracy. Thereby, this strand of research explains ‘why some forms of rent-seeking support productivity improvements and learning, while others do not’ (Whitfield and Buur 2014: 128). It also informs us what motivates state actors varies across sectors, and hence why SBR may be collaborative in one sector and collusive in another.

A third strand of literature examines how and to what extent ‘effective’ SBRs, may lead to overall economic growth in Asia and Africa. Effective SBRs, according to (Qureshi and Te Velde (2013) foster transparency, trust, predictability and reciprocity through credible commitment, information sharing, coordination, targeted subsidies, and mobilisation of collective resources. This body of research finds such SBRs indeed are effective - not only in facilitating economic growth, but also in improving firm performance (some 25 to -35 percent) in selected countries. In both cases, the argument is that the improvement of formalised institutional relations leads to an improved investment climate, which leads to overall growth and higher labour productivity (Sen 2013).

Although we now know how effective bureaucracies worked in East Asia, which types of regimes in Africa resemble important characteristics of these bureaucracies (albeit they at first mirror collusive SBRs), why state actors engage in SBRs, and that it all seems to matter for both economic growth and firm performance, our understanding is far from comprehensive. Importantly, but for a study on growth alliances in Egypt (Abdel-Latif and Schmitz 2010) most of the empirical work on SBRs has focused on formal institutions. The lion’s share of studies conducted in Africa has shown that BAs tend to be inefficient and are likely not to represent the interests of the domestic private sector (Bräutigan et al. 2002; Sen 2013) although they do provide their members with information about the changing institutional environment (Goldsmith 2002). Studies have furthermore shown that consultative mechanisms lack local ownership, that the private sector has limited or no institutional strength, that elites tend to capture rents from private sector support schemes, that SBRs are characterised by a high degree of clientelism, and that the state’s capacity to engage with the private sector has been undermined by structural adjustment and hence is limited (Taylor 2007; Kraus 2002; Handley
In terms of addressing SBRs in an African context, two key dimensions stand out analytically. First of all, access is important formally and informally. This focus on access rather than formal representation is inspired by the work of Scott Taylor (2007, 2012a, 2012b). Taylor (2012b) maintains that informal relations between individual businesses, elites and government entities are of great importance as African BAs often are weak, fragmented and poorly organized. In order to further our understanding of how companies affect government policies and how SBRs affect the performance of companies directly, we therefore have to (also) look beyond the formal BAs and analyse how and to what extent individual firms get access to key policy-making in the sector and experience the relevance of existing policies and programs.

In short, Taylor (2012b: 5) argues that the ‘“business” component of state-business relations seldom depends on BAs in practice’, i.e. not only on formal representation. Instead, the important aspect is how and to what extent business gets access to policy makers/making and thus the degree to which they (may) influence it. What really is of importance is the outcome of SBRs, or the ‘practice of SBRs’, not the relationship itself.

Secondly, like Kelsall (2013) and Whitfield et al. (2015), Taylor (2012b) argues that collaborative as well as collusive SBRs may lead to sustained growth, that is, rent-seeking behaviour is not necessarily wasteful and unproductive. In fact, numerous studies have shown that it may indeed be highly productive. Based on an analysis of the three categories of stylised SBRs in Africa, namely ‘capable state and strong associations’; ‘self-styled ‘development states’”; and ‘informal, ad-hoc approaches’, Taylor finds that a growth-enhancing business environment may come about as a result of ‘(more or less) formal business coalitions’.

The ‘informal, ad-hoc approaches’ is used to describe a situation where ‘business conditions ... have improved overall in spite of what appears to be a pattern of state indifference, including tolerance of collusion, monopoly, and other seemingly anti-business environment actions’ and where ‘the state has favored some firms, it does not appear to systematically disfavour others’ (Taylor 2012b: 19).

Table 1 summarises the framework adopted in this paper. It singles out the two main findings from existing research on SBRs in Africa, namely that what matters is access to policy makers/making, that this access takes place via formal as well as informal channels, and that it is
not the configurations of SBRs that are of interest, but whether or not they lead to sustained growth in the food-processing sector.

The two key aspects of importance are operationalised via key indicators. The indicators include whether the company is a member of a BA or not, the informal networks that the companies might be part of (whether in private, through church, being active in a sports club or regular lunch/dinner meetings for lunch or dinner), and the influence on policy making that the firms have/perceive to have and finally the perceptions of the relationship to government among firms. The two first indicators are chosen as they are key elements in the SBR literature (see above) and constitute an easily assessable kind of quantitative measure of SBRs, while the two other indicators are intended to provide more qualitative assessment of SBRs seen from the firms’ perspective. The indicators thereby enable us to an assessment of the access to policy making through various channels substantiated by the qualitative dimensions mentioned. Indicators of ‘drivers of sustained growth’ refer to growth in the food-processing sub-sector of the three economies. The indicators are: the incentive structures that the BAs can provide to the members, the quality (and in some cases quantity) of the support programs by governments, and finally, how both parties are able to address and overcome growth obstacles. The first indicator is to shed light on the strength of the BAs as we the assumption assume that being that if relevant and attractive incentives are provided by BAs firms will join. The second and third indicators are examples of necessary conditions that need to be found exist if ‘sustained growth’ is to occur.

The two last columns in the table specify the key informants and the key methods used to gain insights into these processes (see also section three below).

3. Methodology
The food-processing sector studied largely included grain milling, dairy processing, snacks, sauces and jams edible oils sub-sectors and ‘others’ (which e.g. included firms operating in more than one of the mentioned sub-sector). These parts of the food-processing sub-sectors were chosen due to their importance in the sector. The study focused on firms which fitted the criteria of a) having local ownership, b) being at least 5 years old, and c) employing a labour force of a
minimum of 10 persons. These three criteria were applied to ensure that the firms interviewed had had the possibility of influencing policy-making and that the firms had some level of experience in the sector and not just were ‘new entrants gone tomorrow’.

The study is based on a literature review, mapping exercises and surveys, key informant interviews and case studies. The available literature was assessed as reflected in section 2 above. The second component of the study entailed two phases of data collection in each of the three countries: a mapping phase and a survey phase. The mapping phase was necessary due to the lack of consolidated firm level data on the food-processing sector in the three countries. The firms were identified through a range of sources which included including business directories, membership lists from BAs, public reports, research publications, scanning of products in local supermarkets and knowledge of participating researchers’ prior knowledge. In the cases, where the above mentioned criteria (local ownership, age and number of employees) could not be established from the mentioned sources, the firms were contacted via phone, email internet and/or through a visit by research assistants.

In the surveys, which were conducted between 2013 and 2014, we assessed the perceptions of the firms on SBRs, including their access to policy makers and extent and quality of industry support programs and incentive schemes. Firms were asked to indicate their membership of BAs, their perception of government business relationships, including benefits from BA-membership, influence on policy making, including use of informal networks and linkages to access government. A total of 210 locally-owned firms (48 in Zambia, 38 in Kenya and 124 in Tanzania) covering six sub-sectors were interviewed (see table 2 below). The interviewed firms are estimated to cover between 25% and 50% of the local firms in each of the selected sectors in the countries.

[Insert Table 2 here]

As part of the analysis of the survey data, we conducted selected statistical tests (Chi-square) analysis in order to assess the significance of the relationship between the factors.

5 No consolidated statistics exist in the three countries. Hence, the extent to which the interviewed firms indeed are representative of the entire sector in the three countries is impossible to determine accurately, but due to the mapping methods adopted we are convinced that they present a fair view of the sub-sector in the regions studied.
Key informant interviews were conducted by the authors with people who were knowledgeable about the food processing industries in each country – from government entities as well as from BAs as well as with representatives of BAs. Fourth and finally, 41 qualitative interviews were conducted with firms from the survey in 2015: 15 in Kenya, 12 in Tanzania, and 14 in Zambia. From the interviews with the firms, we have mainly extracted information on the issue of informal channels between business and government, including ‘access’ to government.

4. SBRs in Kenya, Tanzania and Zambia in a historical context
The countries gained their independence from Britain in 1960s (Tanzania 1961, Kenya 1963 and Zambia 1964). All three countries pursued import substitution industrial policies until mid-1980s after which they gradually liberalised their economies because of stabilisation and structural adjustment programmes. However, the specific SBRs varied across the three countries as a result of the political system adopted in each country and the relative strength of business and state, respectively.

For a long time SBRs in Kenya could be described as being fragmented and divided along ethnic and regional lines (Himbara 1994; Holmquist 2002). While the Kenyatta (1963-1978) and Moi (1978-2002) regimes pursued economic policies aimed at facilitating accumulation and legitimacy in keeping with the political economies that disregarded non-state actors, the Kibaki regime (2003-2013) was perceived to be more market-led and private sector society organisations were not only given more space to dialogue with the state but were also integrated in the government (Holmquist 2002; Irwin 2015). Currently, however, SBRs have deepened with the business community interacting more frequently with the government through presidential and cabinet round table forums. This has resulted in the business community becoming more integrated into policy-making processes (UNECA 2015). In spite of more collaborative SBRs, the business community still faces challenges relating to the regulatory and institutional environment.

SBRs in Tanzania have also changed markedly since independence, however, in a different way compared to Kenya. The first years of independence witnessed an emphasis on the state-owned parastatals and a resultant squeeze of the private sector, which caused many private sector activities to go underground and forced business people to rely on personal contacts. Following the economic liberalization in the 1980’s, the current policy framework emphasises promoting
and empowering the private sector to take the lead in enabling economic growth. This has brought about a growing number of formal channels for SBRs, though informal channels continue to play a significant role. This transition heralded the development of more open relationship between the state and private enterprises accompanied with the formal institutions linking the private sector and the state (Gray, 2013). The current policy framework puts emphasis on promoting and empowering the private sector to take the lead in growing the economy (Charles, 2014). Through BAs and informal contacts, the private sector seeks to influence public policy. This interaction takes place through horizontal and vertical linkages between BAs, individual entrepreneurs and influential personalities on one hand and state entities at all levels on the other.

SBR development in Zambia has seen large parts of the private sector being nationalized and industrialisation being pursued through parastatals soon after independence. Consequently, the private sector was almost non-existent in 1991, when Zambia held its first multi-party elections for two of decades and began the dual process of economic and political liberalisation (Rakner 2001). Since the turn of the millennium, the situation has gradually changed, however. In spite of donor-led, large-scale Private Sector Development programmes and facilitation, however, SBRs in Zambia still are far from collaborative. Handley (2008) even goes as far as portraying state-market relations in Zambia as being 'too close for comfort' indicating (political) elite capturing of key parts of the private sector. Therefore, instead of a common shared vision, the business landscape has been characterised by mushrooming of new institutions, fragmentation, and internal competition (Taylor 2007).

In sum, the story of SBRs in Tanzania and Zambia bears resemblance of mirrors the widespread story of collusive SBRs that has dominated the discourse on state-market relations in Africa the past 50 years. SBRs in Kenya, however, were never as collusive as in the two other countries, but due to ethnic and regional divisions SBRs in Kenya never were the cornerstone of sustained growth either.

5. Findings on and analysis of SBRs in the selected countries

As stated earlier, two elements of our framework are key in understanding the role of SBRs in a given economy. The first is access and the extent to which the local firms relate to the state formally (through the business associations BAs) or informally (through directs contacts) while
the second is drivers of sustained growth or the outcome of SBRs, at the subsector level, including whether the SBRs are collaborative or collusive.

Below, we present the key indicators of access (BA membership status among the surveyed firms, informal network, influence of policymaking and perception of relationship between government and businesses) and discuss the findings. We then turn to the indicators of the drivers of sustained growth (the BA incentive structures, amount of benefit from government policies and programs, and ability to overcome growth obstacles (exemplified as the ease of compliance with regulations).6

Formal channels of access through membership to Business Associations

62% of the firms were members of a BA with almost 65% of firms in Kenya, 54% in Tanzania and 79% in Zambia belonged to BAs7 (see Figure 1 below). That a somewhat high reasonable proportion of the firms are members of BAs is as expected due to the selection criteria reflects (formally registered, of a certain the size of the companies selected (10+ employees) and age), and hence the selected firms should be inclined most of which were quite established and exposed to accept the incentives for joining the associations.

[Insert Figure 1 here]

Informal channels

Owner-managers not only relied on BA membership to access state entities, but also on individual ad hoc contacts (in private, through church, being active in a sports club or through regular lunch/dinner meetings). This was indicated at various occasions in the qualitative interviews. On the issue of access to persons in power, a respondent in Kenya revealed: ‘I went right to one of my friends working at the State House to get connected’. Similarly, the owner-manager of one the biggest grain milling firms in Tanzania acknowledged that he accessed the top administration without necessarily going through the BAs: ‘When I have a serious issue, I

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6 We draw on all four components of our methodological set up. The survey data provide a foundation, which we supplement with the data from the qualitative interviews. These data provide further information in particular on the informal part of ‘access’ to governments and also on the drivers of sustained growth and hence whether the SBRs are collusive or collaborative.

7 Some of the firms in the food processing sub-sectors were members of different BAs.
can see the Prime Minister or the President directly, and I don’t need to access them through associations’. In addition, it was observed that access to important people in power also influenced the efforts to comply with regulations. A Zambian manager stated: ‘If a product is new and not covered by legislation, you have to make some noise about it for [important] people to know about it.’

The three countries have a history of limited (formal) channels of engagement and communication between state and businesses. Though the number of formal channels has increased, our findings indicate that these formal channels have not eliminated the challenges related to doing business. First, the seriousness by which the state engages with businesses can be questioned (see also below). In Tanzania, for instance, in many cases, agreed meetings were not held, resources not provided and targets not fulfilled. This ‘lack of seriousness’ might be explained by the historic control and continued dominance of the state in SBRs. Secondly, as the initiative to reform the private sector often has originated in the donor community, new initiatives have often lacked ownership from governments as well as from businesses. Therefore, informal relations built between the private sector and the state in post-independence days continue to influence SBRs today. These informal relations provide some powerful individuals, representing a few, larger firms, access to government and finance, preferential treatment in terms of bidding for tenders and/or getting access to land.

Tanzania is the case in point, where we found the lowest percentage being members of BAs and still more than 80% of the ‘non-member firms’ stating to have influence on policy, but also in Kenya and Zambia the BA-members were more positive regarding the usage of the formal channels compared to Tanzania, but not overwhelmingly as many, in particular in Zambia, were sceptical about the role of the BAs. (Skal vi slette resten? : similar observations were made, and had implications on the food-processing sector.)

Firms’ influence on policy and regulations

Notwithstanding these informal channels of influence, membership of a BA provided firms in all three countries with better possibilities to influence policies in the sub-sector than firms that were not members of a BA (see Figure 2). In fact, firm-level data from Zambia showed that BAs were the only way to get influence. This being said, by far the majority of food-processing firms in all
three countries had no influence over policy-making. When turning to policy influence in the respective business area, over half of members of BAs in Kenya reported that they had some influence while 37% and 22% had influence in Zambia and Tanzania respectively. It was also observed that less than 20% of non-members of BAs stated that they had influenced policy in Tanzania and Kenya, while in Zambia all non-members of BAs in Zambia reported that they had no policy influence. In contrast, more than 80% of the non-members in Tanzania stated to have influence. Even with minor variations across countries, the impression shown by the results/findings show is that members of BAs had slightly more influence on policy than non-members, and this also shows that formal channels of SBRs function to some extent in all three countries. The chi-square results also indicate the significant association between the membership of BAs and influence on policy (p=0.003) (Figure 2). In addition, it was observed that access to important people in power also influenced the efforts to comply with regulations. One Kenyan manager reported: ‘It reached a point where we could not cope and we had to call in the provincial administration in the distribution. We were just milling and taking the cash while the district officer and this team were in charge of distribution’. A Zambian manager stated: ‘If a product is new and not covered by legislation, you have to make some noise about it for important people to know about it’.

Another indication that the policies and programs from government insufficiently target the needs of business was provided during our qualitative interviews in the three countries. Key informants and case firms stressed the need for proper infrastructure, assistance in dealing with the looming electricity crises, e.g. in terms of compensating businesses for loss of power, policies/programmes that assist firms enhancing capacity in dealing with food standards, and programs which encourage firms to invest in new technology. In contrast, they were met with policy dialogue stressing competition and investment laws. Hence, in all three countries, the food processing firms either had to undertake improvements and changes all by themselves (investing in generators, hiring consultants to assist in acquiring certifications and persuading banks to provide funds for investments in new machinery) or not undertake any improvements. This indicates that the ‘pockets of efficiency’ in government agencies are limited in these countries.

In spite of the membership level in our study, the BAs in the food processing sector across the
three countries have limited membership compared to the total number of firms in the sector. The key informants also highlighted a lack of internal coordination between BAs, and that the BAs are poorly organised, with limited voice and influence vis-à-vis government. In Zambia, the BAs had a modest total number of members and limited resources as the members were reluctant to pay fees, which would have enabled the BAs to hire more staff and set initiatives in motion.

Secondly, while we found that numerous BAs exist, the key informants pointed out that limited coordination took place between the BAs. Only in a few cases, did we hear about collaboration between the BAs, and if such collaboration existed, then it often had a history of being instigated by non-business organisations. One example is the much-hyped Zambian Business Forum established with donor funds in 2008, but it did not make much impact. Hence, funds were reduced and it was finally shut down in 2014. Also in Tanzania, it was found that low commitment of the members and limited financial and human resources affected the sustainability of the associations. Membership of BAs provides an avenue for firms to engage in the discussions with government institutions and resolve challenges facing the private sector. However, given the way that this ‘chance’ has been handled in the countries, businesses in the food-processing sector have restricted their potential influence on government.

**Relationship between government and businesses**

Respondents were asked to rate their relationship with the government using a scale ranging from ‘not good’ to ‘very good’. In Kenya, less than 10% of the members of BAs rated the relationship between the government and the industry as ‘good’/‘very good’, compared to 27% in Tanzania and 37% in Zambia. In comparison, more than half of the firms in Kenya stated the relationship to be ‘average’, while the similar response was also observed in Tanzania. In Zambia, 44% of members of BAs rated their relationship with state as average. On average, over 45% of all respondents felt that their relationship with state was not good (see Figure 3 below). The chi-square test shows that the association between the membership of BAs and perception of SBRs was insignificant (p=0.093). This suggests that since the formal SBRs are not effective, the informal relations are likely to emerge accounting for co-existence of both formal and informal SBRs.

[Insert Figure 3 here]
While the general perception of the SBRs was mostly negative, certain individuals had a much more positive view due largely to their access to influential circles. A Kenyan manager for instance, reported that ‘when we met at an agricultural show with Mr. Kibaki [former president] ... he appreciated the ongoing work. After which I received an invitation to State House.’

Interestingly, relatively few Kenyan firms are members of BAs, still some of the Kenyan BAs are perceived by key informants to be more influential than the BAs in Tanzania and Zambia, where a relatively higher number of firms was members. Despite the lack of overall strength of the BAs, some of the Kenyan BAs were perceived by key informants to be influential. This picture is in stark contrast to the perception of the BAs in Tanzania and Zambia. Two different reasons may account for this. First, by far the majority members of influential BAs in Kenya are large-scale (international) firms that pay large membership fees and have leverage over government policies. Secondly, and related hereto, informal channels exist to some extent in Zambia as additional avenues to leverage policies and in particular in Tanzania, including and in particular for non-members of BAs and to some extent in Zambia.

**Drivers of sustained growth in the sub-sector**

We then turn to the second main part of our analytical framework, the drivers of sustained growth.

**BA incentive structures**

Based on qualitative interviews, we observed that in all three countries businesses joined BAs to benefit from advocacy and lobbying for an improved business environment and business development services such as training, technical advice, business information and networking.

**Relevant schemes and support programs in the sector**

The survey results indicate that about one-third of the firms which were members of BAs in Kenya had received support from the government, while only 20% in Zambia received the support (see Figure 4 below). A Zambian manager expressed the broad sentiments: ‘...there is no support or incentive schemes to back the industry. If we are to finance new investments, we need to turn to the banks ...’
The chi-square test shows the significant associations between the membership to BAs and access to relevant government schemes and programs (p=0.000). While our results indicate quite a number of challenges in getting government support, it is evident that members of BAs had a (slightly) higher chance to receive some support than non-members. However, the qualitative analysis revealed that knowing ‘the system’ helped the firms to access government support through personal contacts. For example, the owner manager of a milk processing plant in Tanzania revealed that he had received technical support from the government program to develop the value chain of his raw milk suppliers. A Kenyan manager had discovered that benefits only materialized if certain procedures were followed: ‘Of course, we do not win these tenders, but are bought by tender-dealers since the process is very complicated’.

Access to policy formulation does not necessarily equate that policies and programs from government target the needs of businesses. In fact, qualitative interviews in the three countries indicate that they were insufficient vis-à-vis the needs of the firms. Key informants and case firms stressed the need for proper infrastructure, assistance in dealing with the looming electricity crises, e.g. in terms of compensating businesses for loss of power, policies/programmes that assist firms enhancing capacity in dealing with food standards, and programs which encourage firms to invest in new technology. In contrast, they were met with policy dialogue stressing competition and investment laws. Hence, in all three countries, the food processing firms either had to undertake improvements and changes all by themselves (investing in generators, hiring consultants to assist in acquiring certifications and persuading banks to provide funds for investments in new machinery) or not undertake any improvements.

Ease of compliance with regulations
One of the critical aspects of SBRs in the food processing sector relates to ability to assist in overcoming obstacles to growth, in our case the ease of compliance with regulations. In assessing the ease of compliance, respondents were asked to rate the effort needed to comply with regulations in a scale ranging from ‘very easy’ to ‘very difficult’. In Kenya, nearly half of the members of BAs indicated that it was difficult to comply with regulations, while almost two-thirds of the non-members reported the same (see Table 3 below). In Tanzania, about 76% of members of BAs reported that it was very difficult/difficult to comply, and over 74% of the non-members expressed the same feeling. The Zambian case is special as less than 20% of the
members of BAs reported that it was difficult/very difficult to comply with regulations, and none of the non-members had the feeling that it was difficult/very difficult.

[Insert Table 3 here]

The overall picture in all three countries is that almost two-thirds of both members and non-members of BAs experienced difficulties in complying with regulations reflecting the typical challenge of the regulatory framework in the food processing sector (Charles 2014). These results are more evident from the chi-square test which indicated that the association between membership of a business association and ease of compliance was not significant (p=0.21) (Table 3), meaning that relating with the state formally does not guarantee the easiness of compliance. However, the Tanzanian firms appear to experience more difficulties to comply with regulations for both members and non-members of BAs perhaps due to existence of multiple regulations emerging from the period of socialist orientation (ibid).

Another implication is that Moreover, regulations and bureaucracy exist which is perceived to be unnecessary by the firms exist, and many firms found it difficult to comply with the regulations. On the one hand, businesses perceived efforts to comply as ‘money and time wasted’, which could have been used to enhance strategy efforts, seek new customers and so on. On the other hand, risk of corruption increased as the number of laws and bylaws increased. In Tanzania, for instance, there is a consistent argument that ‘inappropriate’ regulations in the food processing sector lead to excessive compliance requirements affecting the competitiveness of food-processing firms. Accordingly, some BAs engaged in dialogue on the issues paid particular attention to business registration, levies, fees, sector regulation, and taxation (TPSF 2015). The BAs also tend to indicate that the state has not taken serious actions to streamline and simplify regulations despite several attempts by the private sector associations to improve regulations (see above also). Findings from Tanzania show that even in situations where business and government have agreed to undertake certain reforms, eventually, it has turned out that the government has lacked the commitment to change the legislation or in some cases if new regulation has come in place, government has not implemented this on the ground (Charles 2014).

In sum, our findings show a ‘mixed result’ regarding outcome of the drivers of sustained growth.
On the one hand, we have some indications that while SBRs are not collaborative in the sense that has been described in Asia, we found some support among firms pointing towards a collaborative form of SBRs in the three countries as about one third of the firms in the survey rated their relationship with the state as positive. Interestingly, in spite of being critical of the practices of the state in various areas, the Tanzanian firms were more positive compared to the Kenyan firms. The figures are also of interest in relation to the Taylor’s (2012b) argument that business environments may improve despite collusive SBRs. While the survey data presented here does not take change over time into consideration, it is noteworthy that the qualitative interviews showed that there seems to be a consensus that the business environment has improved.

However, it is also difficult to say that the SBRs are collusive. Our study indicates little collusion. Only a few Zambian food processing firms referred directly to ‘corruption’, while some respondents in the qualitative interviews highlighted that individuals and/or large firms had access to government. In the Kenyan case, some key informants stated that a new trend with improved SBRs and some incidences of collaborative efforts between businesses and governments was observed. The Tanzanian experience is quite similar to that of Kenya.

Our findings show that the private businesses in all three countries were somewhat content with its relationship with the states. However, the performance and competitiveness of the majority of enterprises was negatively affected by insufficient policies and regulations in the food-processing sector and it was time consuming and expensive for the firms to comply. In all three countries ‘red tape’ and lack of transparency have reduced the credibility of public policy and public administration for the firms, and combined with inability to implement relevant support programs hinder governments’ role in advancing economic growth and structural transformation. Therefore, promoting collaborative SBRs remains a (great) challenge given the limited capacity of the private sector to influence policy and the lack of government commitment and capacity to formulate and implement agreed policy actions.

6. Conclusion

If limited growth, increasing inequality and other global challenges are to be dealt with, action is needed. No doubt, global society is faced with a tall order in order to address this as illustrated by Two of the key aspects of the Sustainable Development Goals are ensuring such as
sustainable industrialisation and foster innovation’ and ‘promoting sustained, inclusive and sustainable economic growth’ (SDG no. 8 and 9 – see https://sustainabledevelopment.un.org/?menu=1300). No doubt, global society is faced with a tall order in order to reach these goals. If limited growth, increasing inequality and other global challenges are to be dealt with, action is needed. This requires governments, businesses and other stakeholders to seriously consider how to get developing economies on a track towards structural transformation. Though certainly not easy, experiences show that it has been possible to get state and businesses to work in such manner which leads towards such situation. To what extent this is the case in three African countries has been the focus of this paper.

We have demonstrated that despite the attempts to instigate collaborative SBRs in the three African countries, such relations are not well reflected in the perceptions of the interviewed firms. There are three main possible explanations for the lack of an observable link between access to policy-making and the reality on the ground. First, while numerous BAs exist that in theory could provide business with access to policy-making, few of these seem to have real power as governments do not take BAs seriously and, conversely, most BAs are not effective in representing their members due to internal competition and limited resources and capacity.

Secondly, the findings show that the majority of enterprises in all countries did not recognize any government support schemes in their areas. The policies and existing programs are not sufficiently targeted to the needs of the firms or simply not existing. Despite the recognition of the more interactions between the state and enterprises, the level of support by the state to enterprise appears to be low. While e.g. the Tanzanian government today interacts more with private sector (TPSF 2015; Charles and Rwehikiza 2014), the policy change has not been effective despite the acknowledgement of the need to improve the business environment. Consistent with Chingaipe and Leftwich (2007), this could be due to the dominance of the state in SBRs, which makes the implementation of policy recommendations less effective.

Thirdly, SBRs are still affected by the lack of trust that characterised a large part of the post-independence history in the three countries. Despite the efforts made by state and other actors in Africa to engage with private sector formally, the process of formalisation and the outcome of this still leaves much to desire in terms of achieving collaborate SBRs. It appears that in some cases, firms that were not members of BAs engaged with state through informal relations.
relations. In particular, as evidenced in the case of TAMPA & CTI in Tanzania, or the situation that (powerful) individuals seem to have special access to the government as we found in Kenya and Zambia.

Theoretically, our analytical framework has shown to be useful in assessing SBRs. Focusing on formal and informal access gives additional insights compared to only investigating formal channels. We need to continue to pay attention to the informal relations as they exist and function alongside the formal relations. Similarly, the attention to drivers of sustained growth has led us to assess whether the SBRs can be termed collaborative or collusive. Despite some (minor) variations of economic systems and the historical background of the three countries that SBRs have changed and keep changing, it is difficult to conclude whether the SBRs now can be termed ‘collaborative’ though some integration of the private interests have found their way into policy making processes. Although, we have not found strong indications of collusive behaviour, elements of such (collusive) SBRs appear in the food-processing sector after almost three decades of economic transition. The findings also indicate that while SBRs can be ‘muddy’ and even with elements of collusiveness, growth can happen in individual sectors (Kelsall 2013; Whittington et al. 2015). Accordingly, we need further work to refine the key indicators of the framework and be aware of the elaborate data requirements.

Finally, our findings have various policy implications. At a general level, SBRs in the food-processing sector have not delivered the outcome that has been hoped for nor taken the countries to a structural transformation, as the firm growth in the sector cannot be attributed to collaborative SBRs. While the SBRs in the three countries continue to be dominated by the state, our study points to the need for better targeted policies and in some cases policies themselves. While the ability to formulate and implement such policies to a large extent rests on the existence of ‘pockets of efficiency’ it is clear that food-processing firms in the three countries at the moment do not experience any of such policies. Hence, there is a need to listen more to the industry and to learn from the growing number of experiences in the field (see e.g. Altenburg 2011). The ambition should be to move from the ‘general strategies in high level documents’ to ‘targeted and specific programs to the benefit of the intended firms’.

References


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Te Velde, Dirk Willen and Leftwich, Adrian (2010), 'State Business Relations and Economic Growth in Sub-Sharan Africa: A Review of Case Studies in Ghana, Mauritius, South Africa


Table 1: Key elements in assessing SBRs and influence on sustained growth

<table>
<thead>
<tr>
<th>Aspects of importance</th>
<th>Key indicators</th>
<th>Key informants</th>
<th>Key methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to policy making</td>
<td>Membership of BAs</td>
<td>Locally owned firms</td>
<td>Survey and interviews</td>
</tr>
<tr>
<td></td>
<td>Informal networks</td>
<td>BAs</td>
<td>Secondary literature</td>
</tr>
<tr>
<td></td>
<td>Influence on policy making</td>
<td>Private sector and government stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perceptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drivers of sustained growth</td>
<td>BA incentive structures</td>
<td>Locally owned firms</td>
<td>Survey and interviews</td>
</tr>
<tr>
<td></td>
<td>Quality/quantity of support programmes</td>
<td>International actors</td>
<td>Secondary literature</td>
</tr>
<tr>
<td></td>
<td>Ability to overcome obstacles to growth</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The authors

Table 2: Distribution of locally owned firms in main food processing sub-sectors in Kenya, Tanzania and Zambia

<table>
<thead>
<tr>
<th>Country</th>
<th>Main business area in which company / enterprise operates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grain milling</td>
<td>Edible oils</td>
</tr>
<tr>
<td>Kenya</td>
<td>Count</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>27.1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Count</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>51.6</td>
</tr>
<tr>
<td>Zambia</td>
<td>Count</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>39.5</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>43.8</td>
</tr>
</tbody>
</table>

Source: The authors
<table>
<thead>
<tr>
<th>Member of a Business Association</th>
<th>Efforts needed to comply with regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very easy/easy</td>
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<tr>
<td>Kenya</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>18.5%</td>
</tr>
<tr>
<td>No</td>
<td>25.0%</td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>6.0%</td>
</tr>
<tr>
<td>No</td>
<td>3.2%</td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
</tr>
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<td>Yes</td>
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<tr>
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</tr>
<tr>
<td>Overall total</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>15.3%</td>
</tr>
<tr>
<td>No</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

*Significance of association between the membership to business association and ease to comply with regulations at p< 5%*

\[ p = 0.21 \]

Source: The authors
Figure 1: Membership of Business Associations

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>61.5</td>
<td>38</td>
<td>123</td>
</tr>
<tr>
<td>Tanzania</td>
<td>78.9</td>
<td>21.1</td>
<td>178</td>
</tr>
<tr>
<td>Zambia</td>
<td>54.4</td>
<td>45.6</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: The authors

Figure 2: Link between BA membership and policy influence

<table>
<thead>
<tr>
<th></th>
<th>Policy influence</th>
<th>No influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>BA member</td>
<td>No BA member</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Tanzania</td>
<td>BA member</td>
<td>No BA member</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Zambia</td>
<td>BA member</td>
<td>No BA member</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
</tbody>
</table>

Source: The authors
Figure 3: Relationship between BA membership and perception of SBR in the food-processing sector

Source: The authors

Figure 4: Relationship between BA membership and access to support schemes

Source: The authors