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Firm-level Perspectives on State–Business Relations in Africa: The Food-processing Sector in Kenya, Tanzania and Zambia

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Experiences from developed and emerging economies inform us that close state–business relations (SBRs) 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 SBRs. Amongst other initiatives, these processes include amendments to existing laws to facilitate public–private interaction, direct support to existing business associations (BAs). This article draws on an analysis of survey data from 210 local firms, complemented with qualitative data from interviews with 41 firms, 20 key informants and a range of secondary sources on the food-processing sectors of Kenya, Tanzania and Zambia. The article shows that businesses in these countries have limited policy influence, find policies and programmes to be inadequate when targeting the needs and requirements of local businesses and that BAs 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 article 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.

Keywords: state–business relations; Africa; firm perspective; food processing; Kenya; Tanzania; Zambia

1. 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

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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: Africa), 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. 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, policymakers 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 factor[1] 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 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.

[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.

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 article 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, 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 per cent of manufacturing output in Zambia (Sutton and Langmead, 2013), to 40 per cent in Kenya (Kenya National Bureau of Statistics, 2015), and 34 per cent in Tanzania (Sutton and Olomi, 2012).

The article is divided into six sections. Following this introduction, Section 2 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 3 offers a description of the research methodology and Section 4 provides an overview of the historical developments of SBR in the three countries. Section 5 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 6 concludes.

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,

[2]Food processing in this article 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, that is, 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, for example, the grain milling sub-sector and the edible oils sub-sector.

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 nature.[3] Although neo-liberal 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, that is, 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, that is, 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 (Bräutigam et al., 2002; Donor and Schneider, 2000; Haggard et al., 1997; Schneider and Maxfield, 1997). 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 (Evans, 1995; Schneider and Maxfield, 1997). 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

[3]Several categorisations have been proposed to distinguish 'developmental' from 'predatory' SBRs, that is, SBRs that lead to sustained inclusive growth and SBRs that hinder this, respectively. Terms include 'malign' vs. 'benign' SBR (Evans, 1997), 'effective' vs. 'ineffective' (Qureshi and Te Velde, 2013) and 'collaborative' vs. 'collusive' (Schneider and 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.

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, 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 (Bräutigam et al., 2002; Doner and Schneider, 2000; Haggard et al., 1997).

Hardly any of these characteristics reflects 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 et al., 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 the 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 finance political costs. They therefore have to make sure that (some parts) of the private sector are working and generating a profit. In this manner, they share an interest with parts of the capitalist class who need predictability

[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, that is, SBRs (Pitcher, 2012).

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, p. 128). It also informs us that 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 that such SBRs indeed are effective – not only in facilitating economic growth, but also in improving firm performance (some 25–35 per cent) 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 (Bräutigam 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 (Handley, 2008; Kraus, 2002; Taylor, 2007).

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 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 organised. 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 programmes.

In short, Taylor (2012b, p. 5) argues that the "business" component of state–business relations seldom depends on BAs in practice, that is, 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' are 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, p. 19).

Table 1 summarises the framework adopted in this article. 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.

Aspects of importance	Key indicators	Key informants	Key methods
Access to policy-making • Formal and • informal channels	Membership of BAs Informal networks Influence on policy-making Perceptions	Locally owned firms BAs Private sector and government stakeholders	Survey and interviews Secondary literature
Drivers of sustained growth	BA incentive structures Quality/quantity of support programmes Ability to overcome obstacles to growth	Locally owned firms International actors	Survey and interviews Secondary literature

Table 1: Key elements in assessing SBRs and influence on sustained growth.
Source: The authors

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 off (whether in private, through church, being active in a sports club or regular lunch/dinner meetings), 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 and constitute an easily assessable 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 assess access to policy-making. '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 programmes by governments and, finally, how both parties are able to address and overcome growth obstacles. The first indicator sheds light on the strength of the BAs as we assume 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 exist if 'sustained growth' is to occur.

The two last columns in Table 1 specify the key informants and the key methods used to gain insights into these processes.

3. Methodology

The food-processing sector studied included grain milling, dairy processing, snacks, sauces and jams edible oils sub-sectors and 'others' (which, for example, included firms operating in more than one of the mentioned sub-sectors). 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. 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 including business directories, membership lists from BAs, public reports, research publications, scanning of products in local supermarkets and participating researchers' prior knowledge. In the cases, where the above-mentioned criteria (local ownership, age and number of employees) could not be established, the firms were contacted via phone, email and/or through a visit by research assistants.

Country		Main business area in which company/enterprise operates						
		Grain milling	Edible oils	Dairy	Sauce and jams	Snacks	Others	Total
Kenya	Count	13	3	13	6	13	0	48
	%	27.1	6.2	27.1	12.5	27.1	0.0	100.0
Tanzania	Count	64	26	5	2	8	19	124
	%	51.6	21.0	4.0	1.6	6.5	15.3	100.0
Zambia	Count	15	5	8	2	2	6	38
	%	39.5	13.2	21.1	5.3	5.3	15.8	100.0
Total	Count	92	34	26	10	23	25	210
	%	43.8	16.2	12.4	4.8	11.0	11.9	100.0

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

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 programmes 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 6 sub-sectors were interviewed (see Table 2). The interviewed firms are estimated to cover between 25 per cent and 50 per cent of the local firms in each of the selected sectors in the countries.[5]

As part of the analysis of the survey data, we conducted chi-square analysis in order to assess the significance of the relationship between the factors. Twenty 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. 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

[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.

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). 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 into the government (Holmquist, 2002; Irwin, 2015). Currently, 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 liberalisation in the 1980s, the current policy framework emphasises promoting and empowering the private sector to take the lead in enabling economic growth. 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 the one hand, and state entities at all levels, on the other.

SBR development in Zambia has seen large parts of the private sector being nationalised 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, 2003). Since the turn of the millennium, the situation has gradually changed. 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 collusive SBRs. 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 BAs) or informally (through directs contacts) while the second is drivers of sustained growth or the outcome of SBRs at the sub-sector 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 policy-making 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, benefit from government policies and programmes) and ability to overcome growth obstacles (exemplified as the ease of compliance with regulations).

5.1.1. *Formal channels of access through membership to BAs*

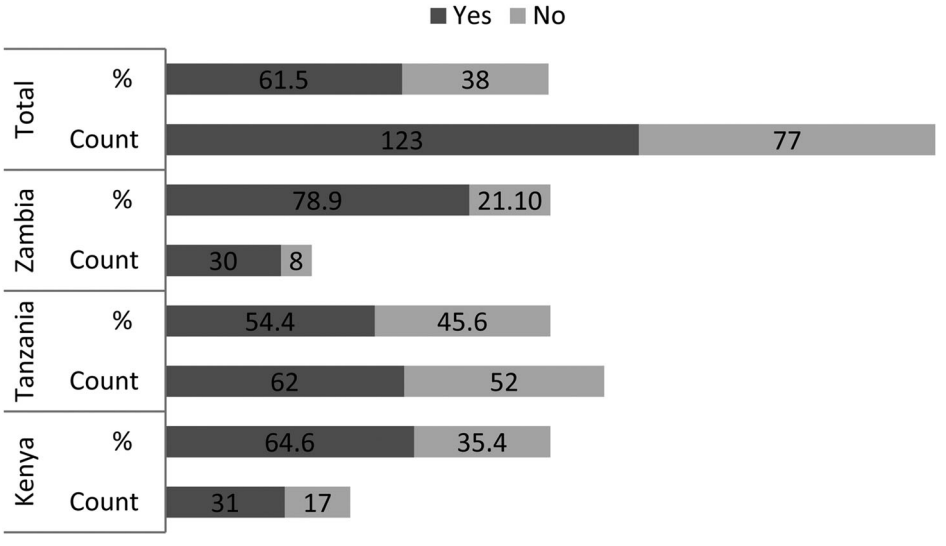
Sixty-two per cent of the firms were members of a BA with almost 65 per cent of firms in Kenya, and 54 per cent in Tanzania and 79 per cent in Zambia belonged to BAs[6] (see Figure 1). That a somewhat high proportion of the firms are members of BAs is as expected due to the selection criteria (formally registered, of a certain size (10+ employees) and age), and hence the selected firms should be inclined to accept the incentives for joining the associations.

5.1.2. *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

[6]Some of the firms in the food-processing sub-sectors were members of different BAs.

Figure 1: Membership of BAs



Source: The authors.

serious issue, I 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. Second, 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.

5.1.3. *Firms' influence on policy and regulations*

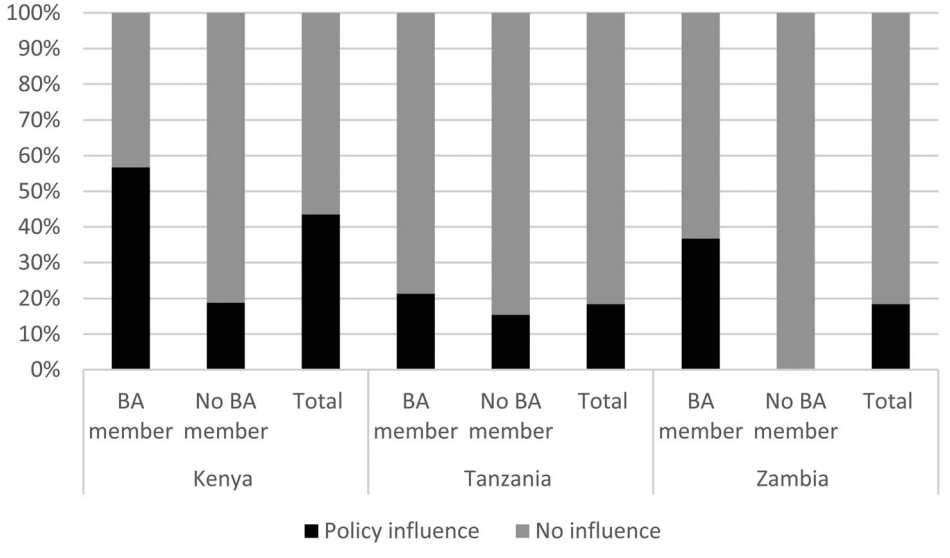
Notwithstanding these informal channels of influence, membership of a BA provided firms in all three countries with better possibilities to influence policies in the

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. 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 ($p = .003$) (Figure 2).

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.

Second, 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,

Figure 2: Link between BA membership and policy influence



Source: The authors.

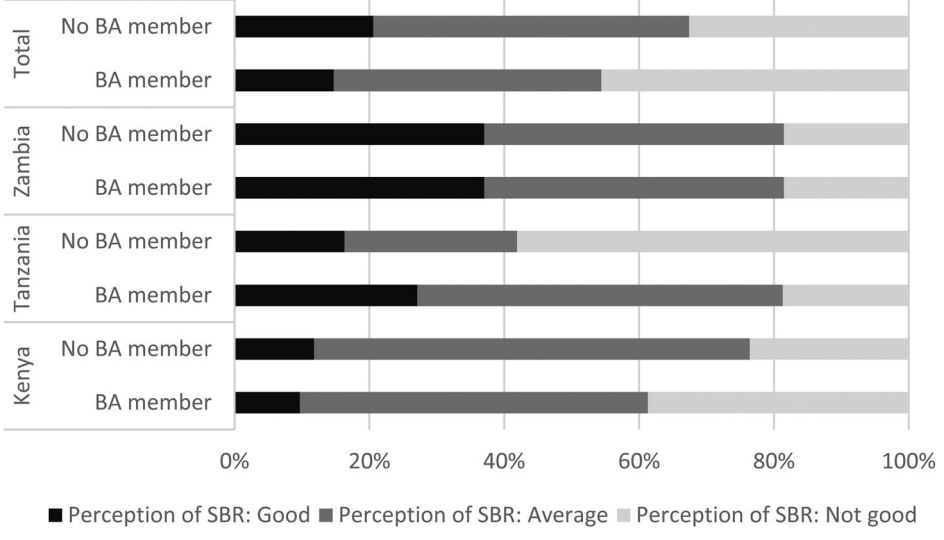
given the way that this 'chance' has been handled in the countries, businesses in the food-processing sector have restricted their potential influence on government.

5.1.4. *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 per cent of the members of BAs rated the relationship between the government and the industry as 'good'/'very good', compared to 27 per cent in Tanzania and 37 per cent 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 per cent of members of BAs rated their relationship with state as average. On average, over 45 per cent of all respondents felt that their relationship with state was not good (see Figure 3). The chi-square test shows that the association between the membership of BAs and perception of SBRs was insignificant ($p = .093$). This suggests that since the formal SBRs are not effective, the informal relations are likely to emerge accounting for coexistence of both formal and informal SBRs.

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'.

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



Source: The authors.

Member of a BA		Efforts needed to comply with regulations		
		Very easy/easy	Average	Difficult/very difficult
Kenya	Yes	18.5%	37.0%	44.5%
	No	25.0%	12.5%	62.5%
Tanzania	Yes	6.0%	24.0%	70.0%
	No	3.2%	22.6%	74.2%
Zambia	Yes	32.1%	50.0%	17.9%
	No	60.0%	40.0%	0.0%
Overall total	Yes	15.3%	21.2%	63.4%
	No	15.9%	29.7%	54.4%
Significance of association between the membership in BA and ease to comply with regulations at $p < 5\%$				$p = .21$

Table 3. Efforts needed to comply with regulations in three countries.
Source: The authors.

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. Second, and related hereto, informal channels exist to some extent in Zambia as additional avenues to leverage policies and in particular in Tanzania including for non-members of BAs.

5.2. *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.

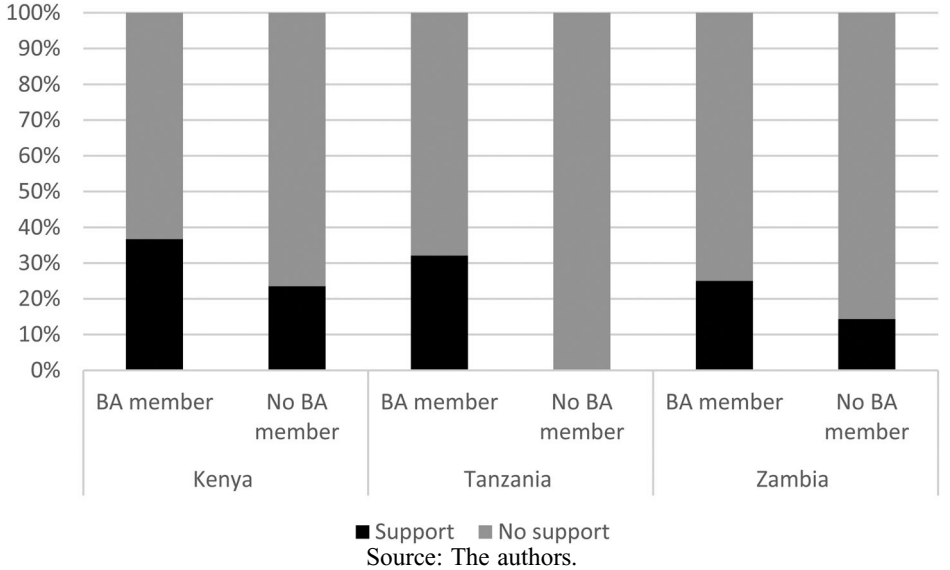
5.2.1. *BA incentive structures*

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.

5.2.2. *Relevant schemes and support programmes 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 per cent in Zambia received the support (see Figure 4). 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 . . . '.

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



Source: The authors.

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 governments 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 programme to develop the value chain of his raw milk suppliers.

Access to policy formulation does not necessarily equate that policies and programmes 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, for example, in terms of compensating businesses for loss of power, policies/programmes that assist firms enhancing capacity in dealing with food standards, and programmes 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.

5.2.3. *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). In Tanzania, about 70 per cent of members of BAs reported that it was very difficult /difficult to comply, and over 74 per cent of the non-members expressed the same feeling. The Zambian case is special, as less than 20 per cent 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.

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 BA and ease of compliance was not significant ($p = .21$) (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 (Charles, 2014).

Moreover, regulations and bureaucracy exist which are perceived to be unnecessary by the firms, 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 the outcome of drivers of sustained growth. 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 Taylor's (2012b)

argument that business environments may improve despite collusive SBRs. While the survey data presented here do not take changeover 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 was 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 were 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 programmes 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 key aspects of the sustainable development goals such as 'sustainable industrialisation and foster innovation' and 'promoting sustained, inclusive and sustainable economic growth'. 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 article.

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.

Second, the findings show that the majority of enterprises in all countries did not recognise any government support schemes in their areas. The policies and existing programmes are not sufficiently targeted to the needs of the firms or simply not existing. Despite the recognition of more interactions between the state and enterprises, the level of support by the state to enterprise appears to be low. While, for example, the Tanzanian government today interacts more with private sector (Charles and Rwehikiza, 2014; TPSF, 2015), 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.

Third, 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 collaborative SBRs. It appears that, in some cases, firms that were not members of BAs engaged with state through informal relations. In particular, (powerful) individuals seem to have special access to the government.

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 has found its 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; Whitfield 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 targeted policies. 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 programmes to the benefit of the intended firms'.

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