



Donors and domestic policy makers: Two worlds in agricultural policy-making?



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ABSTRACT

In recent decades, many developing countries have moved from taxing their agricultural sector to subsidizing it, a phenomenon referred to as “overshooting”. Using Ghana and Uganda as case study countries, this study aims to contribute to explaining this phenomenon by examining the role of policy beliefs. The study is based on the Advocacy Coalition Framework and relies on discourse analysis as analytical method. In-depth interviews with policy actors in both countries served as empirical basis. A quantitative analysis of the transcripts was used to identify different discourse coalitions, and a qualitative analysis was conducted to examine the discourses and identify their underlying policy beliefs. The paper identified far-reaching differences in the agricultural policy beliefs between domestic policy makers and donors regarding the question: What does it actually take to develop small-holder agriculture? The evidence from this analysis highlights the role that divergent policy beliefs can play in influencing agricultural policy choices.

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Introduction

In recent years, there has been a renewed interest among donors and domestic policy makers in promoting agricultural development in Africa. This is evident from policy initiatives such as the Comprehensive Africa Agricultural Development Program (CAADP), the Alliance for a Green Revolution in Africa (AGRA), and TerraAfrica. There is general agreement that agricultural productivity needs to be improved to promote agricultural development on the continent (World Bank, 2007). Yet, the choices of policy instruments that are suitable to achieve this goal remain subject to a highly contested debate. In particular, there is no agreement on the role of government interventions, such as input subsidies. Fertilizer subsidies are the most prominent case in this debate. The controversy between the Government of Malawi and donors on fertilizer subsidies made it to the front page of the New York Times (New York Times, 2007). Fertilizer subsidies are, however, only one way by which African governments support agriculture. In Uganda, for example, the government recently implemented “Operation Wealth Creation” (OWC), a program that is managed by the Uganda Army, which distributes coffee seedlings, maize seeds, animals of improved breeds as well as post-harvest equipment to farmers free of charge (MAAIF, 2015).

To quote another example, Ghana has since 2007 operated a so-called “Block Farming Program”, under which beneficiaries, preferably young farmers, are supposed to cultivate adjacent fields (“blocks”), for which they receive not only government-subsidized fertilizer, but also seeds and mechanization services (Benin et al., 2012).

The proponents of such policies argue that they are necessary to increase agricultural productivity in view of widespread market failure in smallholder agriculture, while the critics hold that they are not very effective, due to governance challenges such as elite capture and corruption, among other reasons, and that they crowd out more profitable investments in agricultural productivity, i.e., in infrastructure (see review by Jayne and Rashid, 2013). The critics often argue that governments implement such programs mainly for political reasons, using them as a strategy to win elections (Jayne and Rashid, 2013, p. 551). This explanation of the preference of African governments for such policy instruments fits well with the prevailing explanations for agricultural policy choices in the literature on agricultural economics and political sciences. As further detailed in Section ‘Explaining agricultural policy choices: insights from the literature’, the agricultural economics literature is based on models that use self-interest of voters and politicians as main behavioral assumption, known as the rational-choice paradigm. The political science literature has also focused on the political incentives of the ruling elite to stay in power, e.g., through clientelistic networks (van de Walle, 2001), when explaining agricultural policy choices.

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The main objective of this paper is to contribute to a deeper understanding of the debate on agricultural policy choices in African agriculture by highlighting the role that policy beliefs play, next to material and political interests. The paper does not argue that such interests are not relevant, they clearly are, but explanations that focus on interests only miss an important dimension of policy-making. Policy belief systems can be understood to “include value priorities, perceptions of important relationships, perceptions of world states (including the magnitude of the problem), perceptions of the efficacy of policy instruments, etc.” (Sabatier, 1988: 132). In the political science literature, the role of ideas and policy beliefs in explaining policy choices and facilitating political action has long been acknowledged and widely documented (Böcher, 2012; Grindle and Thomas, 1989; Goldstein and Keohane, 1993; Orren, 1988; Sabatier and Jenkins-Smith, 1993).

The paper argues that a better understanding of the role of policy beliefs can move the current debate about agricultural policy choices in Africa beyond the current impasse, by which donors criticize governments for using input subsidies, but cannot ultimately prevent them from doing so. This focus has hindered a more fruitful dialogue on ways in which such policy instruments could be used more strategically and effectively, e.g., by developing better targeting mechanisms (cf. Jayne and Rashid, 2013). To contribute to a better understanding of the role of policy beliefs in policy-making, the paper presents an empirical case study of agricultural policy beliefs in two countries: Ghana and Uganda. These countries have been selected because they have comparatively high levels of government support to agriculture and are, therefore, well suited for an analysis of this topic (see Section ‘Explaining agricultural policy choices: insights from the literature’).

The contribution of the paper has to be seen against the background that the role of policy beliefs has not received much attention in the agricultural policy literature. A notable exception is the classical study on the political economy of agricultural pricing policy by Krueger (1992, see also Krueger et al., 1991). Analyzing the narratives on the political economy of agricultural policy choices in the different countries included in that study, Krueger showed that the beliefs of policy makers about the effects of different policy instruments played an important role in explaining agricultural policy choices. Dominant beliefs about the effect of cheap food prices on industrialization strongly influenced the choice of agricultural policy instruments in developing countries in the early post-independence period (Krueger, 1992). An important insight of this analysis was that policy instruments implemented to achieve this goal often had effects that the policy-makers did not anticipate, partly because they neglected the administrative challenges of implementing them. Rather than withdrawing the original instrument, policy-makers often implemented additional policy instruments to counteract unwanted effects, a strategy that tended to exacerbate unwanted effects. Krueger (1992: 130) used the term “whoops-theory” to describe such type of policy-making that is based on inaccurate policy beliefs about the effect of specific policy instruments.

Subsequent studies on agricultural policy choices largely neglected the role of policy beliefs. In their 1997 review of the literature on the political economy of agricultural policies, Binswanger and Deininger (1997: 1999) found that “knowledge of impacts of ideas as generators and facilitators of policy change still remains poorly integrated across subfields and schools of sciences where further research is needed.”

In the meantime, some quantitative cross-country studies have included variables that capture political ideology and they found rather complex interactions between ideology, political institutions, economic structure and agricultural protection (see review by Swinnen, 2010a). These studies referred to a rather broad classification into left-wing and right-wing ideologies. There is a lack

of empirical research that identifies the policy beliefs that different actors involved in agricultural policy-making processes have with regard to different policy instruments.

This paper addresses this knowledge gap by conducting a case study of policy beliefs in Ghana and Uganda, which is based on in-depth interviews with 67 actors involved in agricultural policy processes. The Advocacy Coalition Framework (Sabatier and Jenkins-Smith, 1993) is applied with discourse analysis (van Dijk, 1998; Hajer, 1995, 2006) as analytical method. A quantitative analysis was used to identify different discourses and discourse coalitions, and a qualitative analysis was conducted to examine the different discourses and identify their underlying policy beliefs. Using this approach, the paper was able to provide a differentiated picture of the policy beliefs held by different actors and to derive implications for agricultural policy-making that should be helpful to address the impasse mentioned above.

The paper is structured as follows. Section ‘Explaining agricultural policy choices: insights from the literature’ presents a literature review. Section ‘Research methods’ describes the research methodology and Section ‘Results’ presents the results. In Section ‘Discussion’, the results are discussed and Section ‘Conclusion’ concludes.

Explaining agricultural policy choices: insights from the literature

This section starts with a brief review of the evidence on the aggregated effect of agricultural policy choices in developing countries, with special reference to the case study countries, followed by an overview of the existing approaches to explain those policy choices.

Patterns of agricultural policy choices

The study by Krueger et al. (1991) quoted above showed that up to the 1980s, developing countries generally selected policy instruments that resulted in a taxation of their agricultural sector, while industrialized countries supported it. The study also revealed that developing countries tended to tax in particular export commodities, while at the same time supporting import-competing commodities, especially food crops. A follow-up study by Anderson (2009) revealed that this pattern has substantially changed since the 1980s. The study used the Nominal Rate of Assistance (NRA) as aggregate measure of the effect of a country's policy choices. NRA is defined as the percentage by which government policies have raised gross returns to farmers above what they would have been without the government's intervention (Anderson and Masters, 2009: 11).¹ The study showed that industrialized countries have substantially reduced their support to agriculture. Developing countries have generally stopped the taxation of export crops, but they continued to support important competing crops, though at lower rates than was the case in the 1980s. As a result, developing countries are, on the average, now also supporting their agricultural sector. The move from overall negative to positive rates of assistance to agriculture has been described as “overshooting”, i.e. moving from negative into positive assistance to agriculture, rather than stopping at zero rates. This “overshooting” is the consequence of using instruments such as input subsidies that were discussed in the introduction. This phenomenon is heavily criticized in the agricultural economics literature. Anderson and Masters (2009: 63) express this concern as follows: “A fundamental concern in agricultural policy

¹ The NRA measurement is useful to compare the net effect of policies on prices and incentives across a range of commodities, years and countries (Anderson and Masters, 2009: 13). A negative NRA values mean a net taxation of farmers or subsidies to consumers.

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