

The political economy of repurposing subsidies

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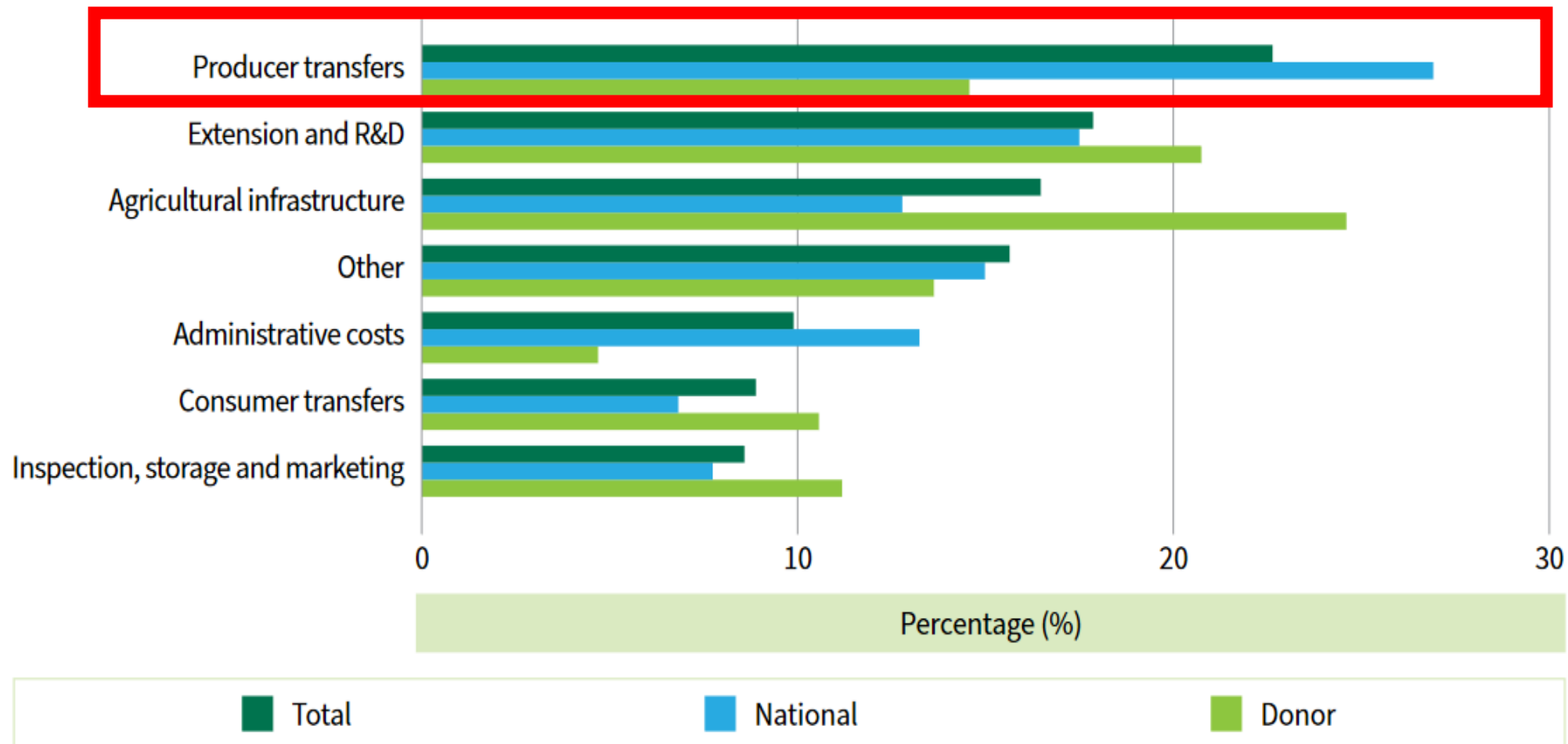


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Why is it difficult to repurpose agricultural subsidies?

- **Need for “repurposing”**
 - Agricultural programs and expenditure often not aligned with goals that countries have set for themselves!
- **Examples**
 - Free electricity for groundwater pumping in India
 - Nitrogen fertilizer subsidies in Sub-Saharan Africa
- **What are the challenges of repurposing?**
 - What role do economic interests play?
 - What role do political narratives play?
- **How can we overcome the challenges?**
 - Influencing advocacy coalitions
 - Promoting new forms of dialogue
 - Influencing policy narratives

Composition of the agricultural budget in 13 African countries (2004-2018)



Source: Pernechele et al. (2021: 41)



Foto: Nobel Foundation archive

“Until we understand **why our society adopts its policies**, we will be poorly equipped to give useful advice on how to change those policies.”

George Stigler (1975, p.ix)
Nobel Prize in Economics 1982

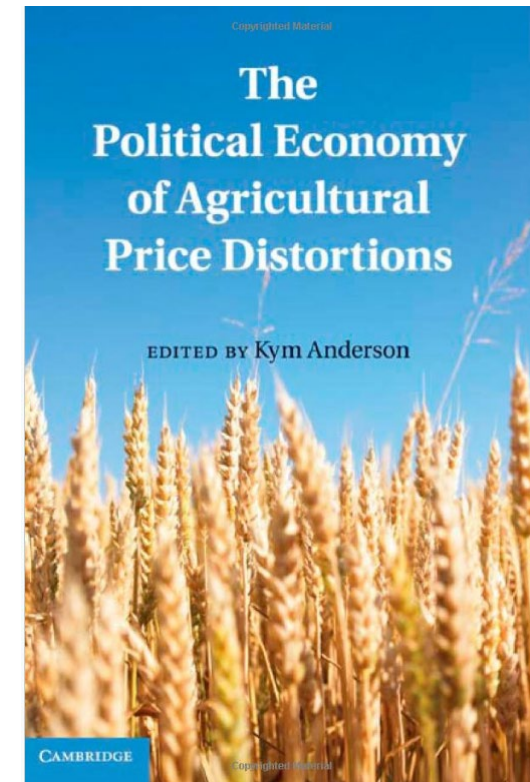
Which analytical approaches can help to understand the political economy of repurposing?

- **Neo-classical political economy models**

- Interest group models (Olson, 1965)
- Voter-support models (e.g., Anderson, 1995)
- Models that capture interactions between politicians, political institutions and ideologies (see review by Anderson et al., 2013)

- **Main insights**

- especially from studies on the Nominal Rate of Assistance (NRA) to agriculture:
- **Democratization increases the tendency to subsidize agriculture** (Swinnen et al., 2001; Olper & Raimondi, 2010)



2010

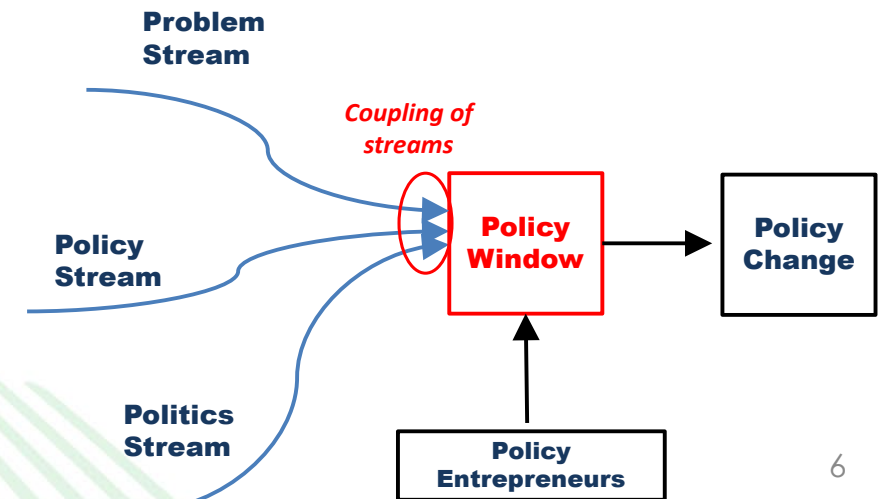
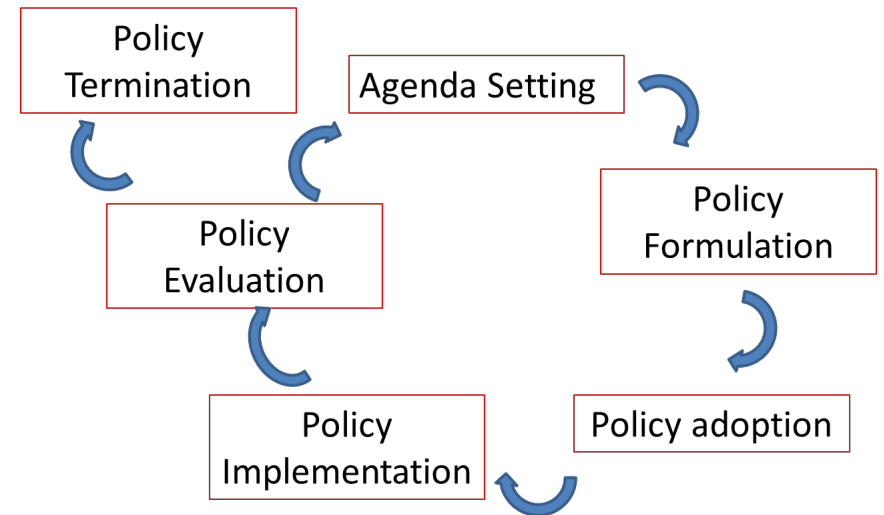
Which analytical approaches can help to understand the political economy of repurposing?

• Policy Cycle Framework

- Developed by Laswell (1956)
- Useful heuristic – but limited explanatory power

• Multiple Streams Framework

- Developed by Kingdon (1984)
- helps to identify **windows of opportunity** for policy reforms
- Combination of
 - problem pressure
 - availability of policy solutions
 - political change



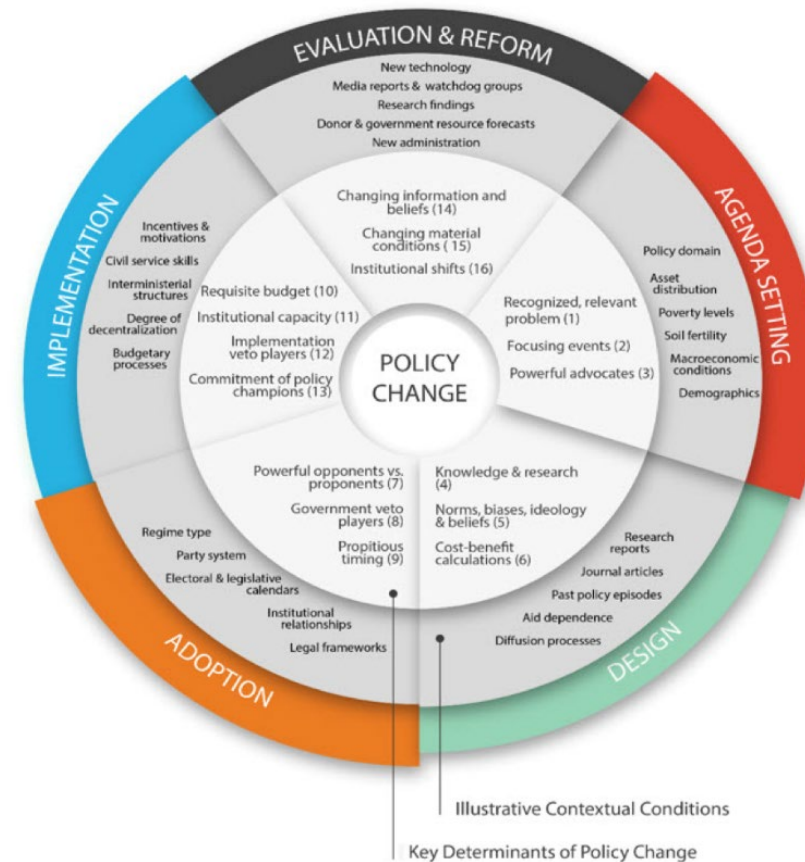
Which analytical approaches can help to understand the political economy of repurposing?

• Kaleidoscope Model

- Developed by Resnick et al. (2018)
- Combines various frameworks
- Helps to identify factors that influence policy change
- Well suited for ex-post studies

• Discourse and narrative policy analysis frameworks

- Wide variety of approaches developed in different disciplines
- Examples: Roe (1994), Hajer (1995)
- “Narrative turn” in policy studies
- Language matters!

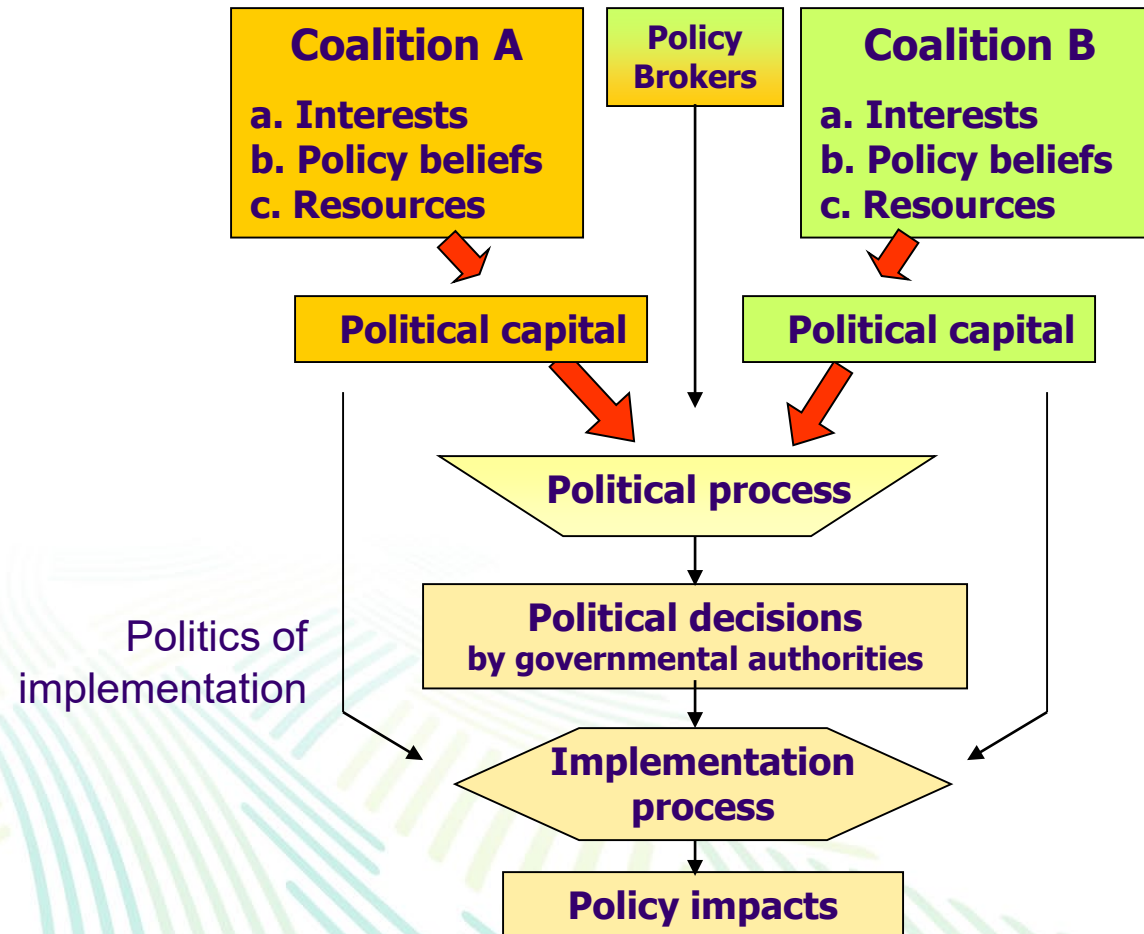


Source: Resnick et al. (2018: 103)

Advocacy Coalition Framework

- Developed by Sabatier & Jenkins-Smith (1993)

Policy Subsystem



Advocacy coalitions

- Contra-subsidy
- Pro-subsidy

Policy beliefs matter!

Type of resources

- Financial capital
- Human capital
- Social capital (social networks, relations)

Strategies to create Political capital

- ⇒ Mobilizing votes
- ⇒ Organizing protest
- ⇒ Lobbying
- ⇒ Invoking evidence

Insights from empirical studies

Studies on

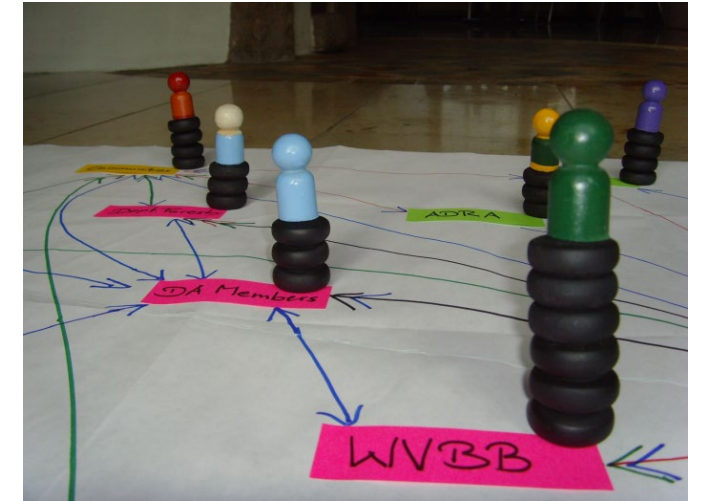
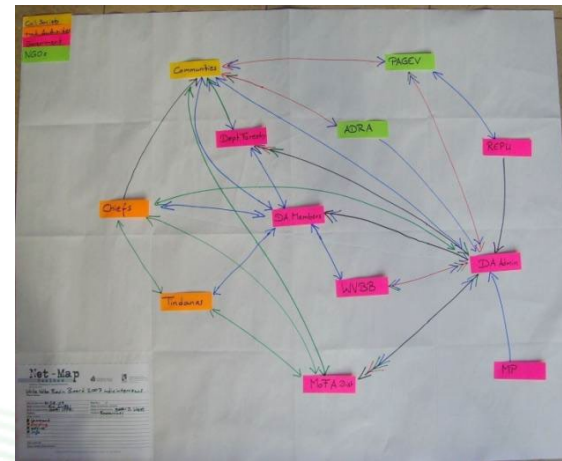
- **agricultural strategy development in West Africa** (Resnick and Birner, 2010)
- **the political economy of agricultural policy reform in India** (Birner et al. 2011)
- **the reform of the agricultural extension system in Uganda** (Rwamigisa et al. 2018)
- **donors and domestic policy-makers in Ghana and Uganda** (Mockshell & Birner, 2015)
- **agricultural policy narratives in Senegal** (Mockshell & Birner, 2020)
 - References with links at the last slide
- **Observations**
 - as a **Member of the Scientific Advisory Council to the German Federal Ministry of Food and Agriculture** (since 2012)

Who are the advocacy coalition members?

- **Likely in favor or repurposing**
- Development partners, donors, IFIs
- Officials in ministries of finance
- Think tanks (esp. foreign-funded ones)
- **Likely against repurposing**
- Officials in ministries of agriculture
- Elected politicians (e.g., MPs)
- Farmers' organizations
- **Often not involved or ambiguous**
- NGOs, academics

How to identify the stakeholders?

- **Net-Map** (<https://netmap.wordpress.com/about/>)
 - developed by **Eva Schiffer**



Who can influence the outcome?

How are the actors linked? What are their goals?

How much influence to the actors have? Why?

Typical challenges of getting stakeholders on board for reform

- **“Two-world problem”**
- **Donor world**
 - Politicians speak the donors’ language
 - Reforms are agreed to on paper
 - Reforms are not implemented, circumvented or reversed (van de Walle, 2001; Jayne et al., 2003)
 - True “policy windows” are rare! (Kingdon, 1984)
- **Domestic policy makers’ world**
 - Politicians have to address their constituents’ demands – to stay in power
 - *“Can good economics ever be good politics?”* (Lal 2006)
 - Politicians listen to their technical staff (e.g., in the Ministry of Agriculture), who are not in the donor world
 - Narratives of the domestic world are more convincing

The role of narratives

- **It matters, how a story is told!**
 - Framing, use of terms, structure of the argument
 - “Narrative economics” (Shiller 2019), previously neglected in the economic literature
- **Typical narrative in favor of subsidies (domestic world)**
 - **Beginning:** Productivity is low because farmers do not have access to inputs / inputs are too expensive. Soils are depleted.
 - **Middle:** Farmers get access to inputs through subsidies.
 - **End:** Productivity will increase.
 - Classic example: Green Revolution Story
- **Counter-narratives are often “non-stories” (donor world)**
 - Subsidies are bad, because
 - XYZ should not be done because....

Framing of policy reforms

- **Terms that have been used so far**
 - **Distortions** - distortions to agricultural incentives
 - Terms that are abstract and negative
 - Reference situation (“non-distorted”) may not be convincing
 - **Subsidies - protection**
 - Highly contested terms; major battlefields
 - Linked to trade negotiations, etc.
 - **Market-smart subsidies**
 - Had traction for a while, perhaps meanwhile discredited
 - **Support to agriculture / Investment in agriculture**
 - More attractive – but how to distinguish from subsidies?
 - **Repurposing / Realigning**
 - Has potential
 - But what is the narrative?

How to influence the policy process?

- **Influencing advocacy coalitions**
 - Based on stakeholder analysis
 - Bringing in new actors (previously not aligned – or excluded)
 - e.g., technical staff; parliamentarians; NGOs
- **Promoting new forms of dialogue**
 - Policy learning “across coalitions” - Deliberation
 - Policy brokers – considered as neutral – play a role
- **Influencing policy narratives**
 - Developing a convincing narrative around re-aligning!
 - ***Political incentives and the language*** of domestic policy makers to be taken into account
- **Bridging the two worlds!**

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