Agricultural Liberalisation in sub Saharan Africa

Background and Objectives of the Commissioned Study

This report presents the findings and conclusions from a desk study on the impacts of agricultural liberalisation in sub Saharan Africa (SSA). The report provides a theoretical examination of the difficulties facing smallholder agricultural development, a review of policy change and outcomes in SSA over the last 50 years or so, an examination of commodity and country case studies, and conclusions from this analysis for the policy approaches that are appropriate for the many challenges facing smallholder agriculture in the region today.

Research Findings

- Smallholder agricultural development plays a critical role in poverty reduction in SSA. However, the performance of SSA’s agricultural sector over the last 30 years has been disappointing. Poor rural areas in poor economies are characterised by poorly developed and narrow monetary economy and markets which with poor infrastructure and institutions pose particular problems for supply chain development needed for agricultural intensification, as this requires significant and simultaneous investments by new players entering the market, investments which carry high risks of transaction failure and high transaction costs involved in obtaining protection against such risk. These risks and costs can be considered in terms of rent seeking, coordination and opportunism: together they can lock poor rural areas into a ‘low level equilibrium trap’ by removing incentives for individual players to invest in different parts of the supply chains needed for sustainable intensification – even though there may be potential profits to be made from coordinated investments.

- Development interventions may overcome the low level equilibrium trap in three broad ways: by ‘pump priming investments’ which increase investments, and hence transaction volumes and frequencies, across critical minimum thresholds; by ‘threshold shifting’ interventions leading to technology or price changes, which improve revenues or reduce costs and risks for private players and thus move them across critical thresholds; and by promoting ‘supply chain coordination mechanisms’ that encourage investment decisions to transcend the narrow self-interests of different players in the supply chain. These coordination mechanisms may involve a ‘local’ or ‘extensive’ scope of coordination and ‘exogenous’ or ‘endogenous’ processes of coordination development.

- During the late colonial and post-independence periods active state intervention in agricultural and rural development was common in SSA, to coordinate smallholder farm activities and take on investment risks without relying on the private sector. By the 1980s, however, there was increasing awareness of the difficulties faced by parastatals,
A more likely but slower and still fragile path out of the ‘double trap’ is likely to involve smaller and less ambitious but also mutually reinforcing steps which build on ‘best bet’ technical and coordination opportunities to demonstrate both the benefits of success and the strength and credibility of parties committed to change.

It is also important to strengthen wider mechanisms for controlling rent seeking in state interventions. Three such mechanisms involve (a) increasing the state’s external accountability to (and the voice of) the clients it is supposed to serve, (b) competition (either between states or across jurisdictions within a state for the supply of an appropriate development framework) and (c) development of greater internal vision for and accountability in state activities. These may be (simplistically) characterised as voice, choice and targets.

Main Conclusions

- Rapid and widespread escape from these traps requires radical and sustained political change together with the introduction and implementation of coordination systems that yield credible promise of significant benefits to participants.
- A more likely but slower and still fragile path out of the ‘double trap’ is likely to involve smaller and less ambitious but also mutually reinforcing steps which build on ‘best bet’ technical and coordination opportunities to demonstrate both the benefits of success and the strength and credibility of parties committed to change.
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