



# APRA Brief

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## The Political Economy of Agricultural Commercialisation in Africa

### Key messages

- Enduring policies require a 'coalition of support' – comprising actors with national, regional and local authority.
- Where agriculture plays a pivotal role in a country's economy, it is expected that this sector will be an important source and beneficiary of rents – which are commonly offered by politicians in exchange for political support.
- Smallholder commercialisation appears to be more likely where politicians rely on economic growth and service delivery to secure rural support.
- Coastal proximity, a dependence on agricultural exports, and high population density all act as strong political drivers for agricultural commercialisation.
- The relationships between small-, medium- and large-scale farms, and their influence on agricultural commercialisation, are complex and dynamic. Competition for land may disadvantage smallholders, while aligned lobbying interests could help to secure mutually beneficial investment for all groups.
- International actors generally promote agricultural commercialisation, though the targets for commercialisation (i.e. smallholders vs large-scale farms) vary between actors.

### Introduction

Much existing literature on the political economy of agricultural policy in Africa adopts a case study approach to explore the dynamics of policymaking and implementation. These studies highlight numerous local, national and international factors that influence policy outcomes, but this raises the question as to whether any consistent patterns can be discerned across cases.

This brief is based on a longer paper, which develops a framework for examining political economy factors that:

- Support and impede the process of agricultural commercialisation within a country;
- Influence the trajectory of agricultural commercialisation.

Poulton (2017: 4) defines agricultural commercialisation as occurring "when agricultural enterprises and/or the agricultural sector as a whole rely increasingly on the market for the sale of produce and for the acquisition of production inputs, including labour." This definition encompasses two contrasting commercialisation trajectories:

- Smallholder farm households shift from semi-subsistence agriculture to production primarily for the market, relying increasingly on purchased inputs and perhaps also labour in their production;
- Smallholder farm households are complemented or replaced by medium- or large-scale farm enterprises that are predominantly or purely commercial in nature.

There is no neatly agreed set of policies to promote agricultural commercialisation. However, examples of policies to promote agricultural commercialisation include:

- At national level, policies on land tenure, investment promotion and the provision of extension services to smallholder farm households;
- Infrastructure investment in a particular region or area;

- In relation to a specific value chain, tariff policy on imported products or public contributions to initiatives to link farmers to markets.

Prior to structural adjustment, the incentives for agricultural commercialisation in many African countries were profoundly influenced by the blanket taxation of tradable crops via overvalued exchange rates. With the removal of exchange rate distortions, it is likely to that incentives for commercialisation will vary more across crops and value chains within a given country than they did historically.

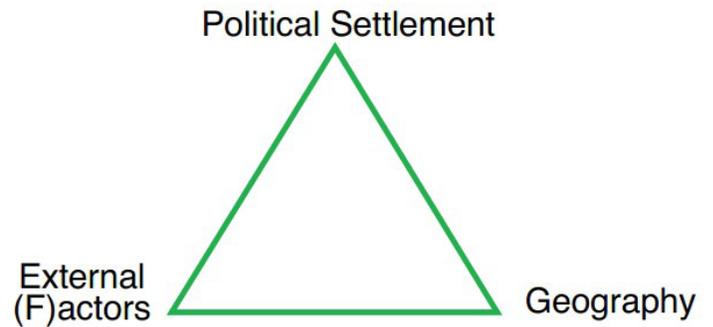
A general insight from existing work on the politics of policy processes – for example, Keeley and Scoones (1999), Fabella et al. (2014) and Resnick et al. (2018) – is that champions and supporters are required at every point at which a policy is proposed, debated, requires approval, budget or defending, or when implementation has to be enforced against inertia or opposition. Therefore, an enduring policy requires supporters in different positions of influence – sometimes referred to as a coalition of support. Most coalitions in favour of particular policies to promote agricultural commercialisation will comprise actors with national profiles and/or positions of authority as well as those with regional or local profiles/positions of authority.

This brief seeks to identify key factors that influence the strength and composition of coalitions in favour of and against policies that promote agricultural commercialisation, or that influence the commercialisation trajectory that unfolds within a country or sector. It also recognises the importance of ideas and interests in determining which policies are adopted and implemented.

To identify interests, the brief pays particular attention to rents, which can arise or be lost through processes of agricultural commercialisation. Politicians at all levels require support in terms of both votes and campaign finance, and commonly offer rent streams to supporters in exchange for their support. In an economy where agriculture remains important to livelihoods, employment, foreign exchange earnings and (to a lesser extent) public expenditure, we should expect the agricultural sector to be both an important source of and beneficiary of rents.

Specifically, the brief considers the influence on the agricultural commercialisation process of three sets of factors – which are illustrated in Figure 1, so as to shed light on differences in agricultural commercialisation policy, both across and within African countries. The three sets of factors are: (1) the relationships between politicians and rural citizens arising from the domestic political settlement; (2) a range of geographical factors; and (3) the influence

of international actors. The brief seeks to illustrate the interactions between the three sets of factors. Sometimes they reinforce each other to generate a particular commercialisation dynamic. At other times they pull in different directions, such that commercialisation outcomes are more difficult to predict.



Factors influencing the pace and trajectory of agricultural commercialisation

### The domestic political settlement: How do politicians relate to rural citizens?

We distinguish four basic ways in which politicians may seek to obtain or maintain the support of ordinary citizens, focusing here on examples relating to rural citizens (see Table 1):

- By creating **conditions conducive to overall economic growth**. Growth creates employment and livelihood opportunities, as well as new experiences for consumers. Survey evidence shows that voters in Africa assess governments on their performance in delivering growth, as well as on perceptions of high-level governance, just as they do elsewhere. Moreover, growth can be a much more cost-efficient way of spreading benefits to voters than distributing huge numbers of individual transfers.

Few African economies have yet established internationally competitive manufacturing industries. The need to generate (or save) foreign exchange provides an immediate reason for promoting agricultural commercialisation of some sort, and the management of particular value chains (cocoa in Ghana, maize in Malawi, cotton in Burkina Faso) becomes a matter of national importance. However, export revenues from agricultural commodities are often concentrated in specific geographic regions and other areas may receive less attention. Meanwhile,

**Table 1: Illustrative means of maintaining support among rural citizens**

	Political power obtained/maintained through			
	Economic growth	Service delivery	Broad rent distribution	Political control
Ethiopia	√	√	-	√
Ghana	√	√	√	-
Malawi (2005-09)	√	-	√	√
Tanzania (2005-15)	√	-	-	√
Tanzania (2015-)	?	?	-	√
Zimbabwe (1980s)	√	√	-	√
Zimbabwe (2000s)	-	-	√	√

Source: Authors' observations.

economic growth that is concentrated in urban centres also creates market opportunities for farmers, but such growth is not automatically transmitted to rural areas.

commercialisation is more likely where politicians rely on economic growth and service delivery to secure rural support.

## Geography, Rents and Agricultural Commercialisation

In this section, the influence of four factors are considered: whether a country is landlocked or coastal; its dependence on agricultural export revenue, its agro-ecological potential and its population density. All these influence the potential and incentives for agricultural commercialisation. The mechanisms are both direct and indirect, economic and political.

- b) By making investments that **deliver reliable public services to ordinary (rural) citizens**. However, the track record of African governments in this regard is mixed, and the failure of the majority of African governments to fulfil their spending commitments for agriculture – made in Maputo in 2003 and reiterated in Malabo in 2014 – is telling. Nevertheless, previous research has highlighted the efforts of the Rwandan and Ethiopian governments (both formerly military regimes)

**Table 2: Coastal vs Landlocked Countries in SSA**

Number of countries	Total population	Urban population as % of total
Urbanisation (mean)	45%	24%
GDP per cap. (mean)	US\$1803	US\$707
Food Imports (esp. rice, wheat, sugar, edible oils)	High to coastal cities; rents from import licensing and/or tariff waivers. Traders are understood to be major funders of political parties.	Lower per capita – high cost; hence, fewer rent-seeking opportunities, except in emergencies.
Price Volatility	Moderated by coastal access. Exception if world price is high – urban instability. Rents via procurement contracts.	High - price wedge. Rents associated with price stabilisation programmes.
Production	Market demand (see above)	Returns raised by natural protection. Elites seek best land, finance, inputs

Source: World Development Indicators database (accessed 15 March 2018)

that have sought legitimacy through delivering broad-based benefits to citizens. Both have delivered impressive results in terms of smallholder agricultural intensification, while contending with the constraints imposed by very small average landholding sizes.

- c) **Distributing transfer rents to ordinary citizens** is the third way in which politicians may seek to obtain or maintain support. These can range from token handouts of cash and cheap goods at election time to the establishment of formal, developmental programmes such as farm input subsidy and cash transfer schemes. Where transfers are highly discretionary, this perpetuates a system of patron–client relationships in rural areas. By contrast, where transfer programmes are more programmatic, they can usefully support productive activity. Nevertheless, on their own they are unlikely to be effective instruments to promote smallholder agricultural commercialisation.
- d) **Various forms of political or social control** are the final way in which politicians may seek to maintain the support (active or passive) of ordinary citizens. However, a common feature is that rural citizens receive few direct benefits in exchange for their loyalty. Instead, local elite members (party leaders and workers, chiefs, religious leaders) are rewarded for their efforts to cultivate local citizens’ loyalty. As a result, there is little prospect of concerted support to smallholder farmers to raise productivity and/or to commercialise their production activities if the relationship between politicians and rural citizens is predominantly one of control.

The overall conclusion from these different forms of interaction between politicians and rural citizens is that smallholder

- a) **Landlocked vs coastal:** Demand for marketed agricultural produce is, on average, higher in coastal countries (due to higher urbanisation rates and incomes). This is strongly beneficial for agricultural commercialisation. However, political incentives to support commercialisation may be higher in landlocked countries, given the power of importer interests in coastal countries and their influence in funding political parties.

Many large African cities are on the coast. Given high internal transport costs, it is often cheaper to supply these cities with agricultural products from international markets than from domestic production. Under such circumstances a modest level of tariff protection is a defensible policy response to support domestic producers and stimulate rural economic growth. However, well-connected importers may use their political influence to gain tariff waivers or simply to gain import licences when others cannot. Large quantities of products such as rice, sugar and oilseeds thus enter African markets, often in an unpredictable manner, thereby reducing investment incentives for domestic producers.

By contrast, in normal times the rents available from the privileged ability to import food into landlocked countries are much smaller than in coastal countries. Instead, given the natural protection afforded by a country’s landlocked status, which raises returns to land, elites may instead seek rents through privileged access to high quality land that is well served by infrastructure. This promotes a commercialisation trajectory in which large- and/or medium-scale farms compete with smallholders. Finally, however, given the substantial price spikes that can occur in landlocked countries in years of poor harvests, well-connected importers can enjoy substantial rents through contracts to import food as part of government price stabilisation efforts.

- b) **Dependence on agricultural exports:** This can also act as a strong political driver for agricultural commercialisation, albeit sometimes only in selected commodities where the country is perceived to have (or to be able to achieve) a degree of comparative advantage.

Limited diversification within the economy also means fewer non-agricultural routes to rent accumulation. However, while elites may be forced to look to agriculture-related activities as a source of rents, they can rarely afford to undermine those exports through their rent-seeking activities when the country is heavily dependent on agricultural exports for its foreign exchange. Thus, the pattern of rent-seeking is likely to be supportive, rather than destructive, of some form of agricultural commercialisation.

In many instances (e.g. coffee in Ethiopia, tobacco in Malawi and Zimbabwe, cocoa in Ghana, cotton in Burkina Faso), the state has sought to maintain control over major agricultural export value chains in one way or another. The official rationale for this is always to promote the value chains in question. However, such control may also allow elite members to extract rents from them.

- c) **Agro-ecological potential, population density and agricultural commercialisation:** Together these factors exert a major and fairly obvious influence on the potential for and trajectory of agricultural commercialisation. They also influence the rents that elite members can obtain through commercial agricultural production.

Areas of medium-to-high agro-ecological potential and population density are likely sites of smallholder commercialisation (Table 4). High population densities and the potential for surplus crop production make infrastructure investment an economically and politically attractive proposition, while high population densities preclude significant land acquisition by large-scale farms under most political circumstances.

The rise of medium- and large-scale farms may impact the prospects for smallholder commercialisation in a number of ways – the most obvious reason being that cultivable land is in finite supply. Therefore, medium- and large-scale farmers are ultimately in competition with smallholders for remaining cultivable land. Medium-scale farmers – perhaps even more so than large-scale farmers – may also compete with smallholders in output markets.

Nevertheless, the rise of medium- and large-scale farms could also stimulate smallholder commercialisation in a number of ways. Some lobbying activity (e.g. for protection against imports) may benefit all (surplus) producers in a sector. Similarly, at a local level, medium- and large-scale farms may be able to secure commitments to infrastructure investment. Some large-scale farms – especially those that have invested in processing facilities – may engage with surrounding smallholders through contract farming schemes.

## International Actors: Development Partners and International Investors

External actors play a conspicuous role in policymaking processes in most African countries, both for historical reasons and also as a result of liberalisation and globalisation. With the exception of some NGOs,



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most external actors engaged in the agriculture sector in Africa are supportive of commercialisation processes.

- a) **Western development partners:** Development partners with an interest in agriculture typically adopt a policy stance supportive of commercialisation, although the extent to which they specifically promote smallholder commercialisation varies. There is a lively debate as to how much influence development partners exert over the policies adopted by recipient countries. They have influence because of their money, and hence a place at the policymaking table. Ultimately, however, the 'primacy of domestic politics' prevails. Therefore, if they are convinced that certain policies for agricultural commercialisation should be pursued, they have to work with like-minded domestic actors to make the case for these.
- b) **BRICS:** The rise of large, middle-income countries, such as China, India and Brazil, represents arguably the greatest geopolitical shift of the twenty-first century to date. As part of this shift, they have sought to position themselves as new development partners within Africa and have offered the promise of new forms of development partnership. How the growing influence of China and Brazil on African agriculture will bear on smallholder commercialisation remains to be seen. China is proud of its ongoing progress in commercialising and modernising smallholder agriculture, but some technology transfer efforts have appeared to promote mechanisation more appropriate to large-scale farms. Brazil's domestic agriculture sector is dualistic and its engagement in Africa has projected its domestic debates between (and within) agribusiness and 'family farming' into African countries. Meanwhile, as with the interventions of traditional donors, the initiatives of Chinese, Brazilian and Indian actors have so far met with mixed success. Some projects have been captured by elite interests within the host country (Scoones et al. 2016). Thus, the 'primacy of domestic politics' remains alive.
- c) **International investors:** Since 2008, in particular, considerable attention has been paid to large-scale commercial investment in agricultural production in Africa, much of it by international investors. Multinational agribusiness firms and development partners collaborated through the New Alliance for Food Security and Nutrition to promote conditions conducive to such investment. Ethiopia, Ghana, Nigeria and Tanzania, among other African countries, witnessed large-scale land

acquisitions by agribusiness during this period. However, land access for large-scale investment is typically mediated by the state. Therefore, international agricultural investment generally occurs where the interests of investors coincide with those of some portion of the domestic elite.

- However, the commercialisation trajectory that is promoted (smallholder vs large-scale farming) varies across actors and interventions.
- The impact of external actors on domestic policy outcomes should not be overstated. The influence of external actors can reinforce the position of like-minded domestic actors and, therefore, strengthen one policy coalition against another. However, external actors rarely exert sufficient leverage to enforce a domestic elite to implement policy against their will.

In summary, the following points can be made about the impact of international actors:

- The effect of engagement by international actors is overwhelmingly to promote agricultural commercialisation.

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## Image captions:

Cover - Maize crop

Page 4 – Isaac Ochieng Okwanyi has had his most successful harvest ever after using lime to improve the quality of his soil.



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