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The political economy of agricultural commercialisation: insights from crop value chain studies in sub-Saharan Africa

Key finding:

- A country's political settlement is a significant driver in facilitating or hindering the prospects of crop value chains.
- The more a value chain is amenable to profitable rent extraction, the more susceptible it is to elite capture.
- Domestic political, economic and social forces are more important than external forces in determining a value chain's prospects.
- Climate change represents an additional challenge and threat to many value chains, most visibly to their productivity potential, with smallholder farmers the most affected.
- The combined negative consequences of elite capture of the value chains in various forms, climate change and COVID-19, have deepened social differentiation.

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Introduction

Agricultural commercialisation is seen as one of the most important avenues for fundamental structural transformation and development in sub-Saharan Africa (Kiliman, Buyinza and Gutoba, 2020), and is assumed to help enhance a wide array of household welfare indicators among rural households whose livelihoods directly derive from agriculture.

Over recent years, sub-Saharan African countries have experimented with different models of agricultural commercialisation, including: plantations or estates; contract farming and out-grower schemes; and medium-scale farming (Hall, Scoones and Tsikata, 2017). While there have been some success stories, the performance track record of agricultural commercialisation has generally been dismal (Jayne and Muyanga, 2011; Kirsten et al., 2013; Poulton and Chinsinga, 2018).

While there is a growing literature on drivers and obstacles for commercialisation at regional and national levels, less is known about how these factors play out in particular value chains, where there is still a need to better understand what drives or hinders the success of commercialisation (Poulton and Chinsinga, 2018).

A set of APRA studies were carried out to address this gap, exploring the dynamics of crop value chains as a way of understanding the drivers, obstacles and pathways to agricultural commercialisation. A total of 11 case studies were carried out over 2020–21 in six countries, namely Ethiopia (rice), Ghana (oil palm and cocoa), Malawi (groundnuts), Nigeria (maize, cocoa and rice), Tanzania (rice and sunflower) and Zimbabwe (tobacco and maize).

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This briefing paper summarises some of the key findings from these studies.

Using a political economy perspective, the studies focused in particular on the relative importance of a crop in the country's political settlement, the relative influence of different actors, and, ultimately, its ability to generate and distribute rents. A political settlement is an agreement, sometimes explicit, sometimes tacit, among a country's most powerful political groups about the basic rules of the political and economic game. In other words, a political settlement underpins how power is acquired, organised, distributed, and exercised and maintained in society (Kelsall and vom Hau, 2020; Prowse and Grassin, 2020).

This briefing review findings around the following three questions:

1. What are the *drivers and obstacles* to commercialisation in the value chains?
2. What are the *key factors affecting rents and outcomes*, and for whom?
3. What are the *future prospects* for the value chains?

Key findings

1. Drivers and obstacles

The value chains case studies demonstrate in different ways that context matters in terms of shaping opportunities that must be exploited, or constraints that should be surmounted, to facilitate the growth and development of a value chain in order to create win-win situations for all stakeholders. These studies, however, demonstrate that creating win-win situations or scenarios for all stakeholders along the value chain is almost impossible. A combination of exogenous and endogenous forces leads some stakeholders, especially the powerful, to capture the value chains to promote their own interests and those of their close associates. These stakeholders often comprise politicians, policymakers, multinational companies, businesses and individuals with close connections to the political

establishment. Smallholder farmers, especially poor women, youth and men often bear the brunt of policies that are generally pronounced or justified in their name, yet they are either designed or implemented in a way that channel disproportionate benefits to the powerful interests in society.

In most countries, the policy context for the development of value chains has been shaped by the implementation of Structural Adjustment Programmes (SAPs) at the behest of the International Monetary Fund and World Bank. The SAP policy packages have had debilitating effects on the growth and development of value chains, especially those value chains dominated by smallholder farmers. In addition, political elites have exploited the implementation of these policies to promote and advance their self-interest (Asante, 2021; Chinsinga and Matita, 2021; Shonhe, 2021). Exogenous forces have continued to shape and influence the agricultural policy context in these countries which has culminated in the push for land deals as the basis for large-scale industrial agriculture. This development has, for instance, led to the prominence of public-private partnerships as one of the leading models for agricultural investment, especially for tree crops. As shown above, while the rhetoric around these is attractive, the benefits to smallholders in practice have often been limited (Asante, 2021; Teye and Nikoi, 2021).

2. Rent distribution through policy

The case studies also demonstrate how powerful interests across the board take advantage of policy interests that are justified to promote the public good. Subsidies, for example, are touted as a means for supporting and boosting the agricultural productivity of poor and marginalised smallholder farmers. However, from Ghana to Zimbabwe, these subsidies have been manipulated and exploited to benefit the powerful more than smallholder farmers. The subsidies are often poorly targeted, strategically captured, especially by private sector actors, and exert enormous administrative costs that are systematically inflated. In most of these countries, such as Ghana, Tanzania, Nigeria and Zimbabwe, the subsidies are exploited for electoral purposes. For this reason,



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the value chains are subjected to ad hoc policy interventions, which are often not well thought out, but designed to ratchet electoral benefits and do not generally lead to the value chains' transformative development that would at least benefit all stakeholders across the value chain (Amaza, Mailumo and Silong, 2021; Asante, 2021; Mdoe and Mlay, 2021; Shonhe, 2021; Teye and Nikoi, 2021).

Import and export bans are subjected to exploitation by the same elite actors. The cases of Nigeria and Tanzania demonstrate how powerful interests extract rents from these interrelated policy instruments. In the rice value chain, the goal of Tanzania is to promote domestic rice production by protecting it from the influx of

cheap rice imports. As part of the East African Community, Tanzania has signed up to a 75 per cent regional tariff to be imposed on rice imports. This is not enforced, leading to massive smuggling of rice into Tanzania through Zanzibar (Mdoe and Mlay, 2021). Rice import permits are given to those who are politically well-connected and domestic producers are also subjected to intermittent export bans. This makes it very difficult for unconnected rice producers in Tanzania to cultivate reliable export markets. In Nigeria, maize imports are banned as a means of protecting and promoting the maize value chain. The cross-border maize trade still thrives, but it is those who are not politically connected or influential who face the wrath of the long arm of the law when apprehended. According to Amaza, Mailumo and Silong (2021), the politically connected and influential businessmen import maize and earn massive profits from these illicit maize imports. The demand for maize in Nigeria, especially for industrial purposes, currently surpasses its domestic production capacity.



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Public-private partnerships, especially in the context of tree crops, have not yielded the intended benefits to the people. Policies underpinning public-private partnerships appear quite attractive on paper because they basically tout principles of responsible investment (Asante, 2021). The implementation is, however, very different. Smallholder farmers are employed, but the proceeds are not adequate for subsistence; some smallholder farmers are alienated from their land; markets for the produce are not as lucrative as projected; environmental stewardship is below par; and in some cases, they even indulge in child labour.

Last but not least, in cases where value chains are simply neglected, spaces for informality thrive. Powerful interests, in turn, exploit this informality to their benefit. As the Malawi and Zimbabwe cases demonstrate, informality is fostered through neglect of policy implementation that would have created order and a supportive milieu for the growth and development of the value chain. According to Chinsinga and Matita (2021), calls for the establishment of a structured groundnut market through export mandates have



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simply been ignored by a coalition of technocrats, politicians and businesspeople. They are benefiting from the shady deals through the illegal Mgoni informal groundnut export market which is run by a network of East Africans dominated by the Burundians. The enforcement of export mandates would mean the closing of this market.

3. Future prospects

It is clear from the preceding sections that most of the value chains are struggling to succeed to advance commercialisation, let alone bring value to the stakeholders most in need of support. The importance of the different value chains has shifted over time and with the influence of various external and domestic actors. The role of external forces remains important, especially when it comes to policies. However, the studies highlight that domestic actors – notably politicians and policymakers – are extremely adept at appropriating policies and implementing them in a way that serves, primarily, their own material and political interests. The studies suggest that domestic political, economic and social forces are more important than external forces in determining a value chain's prospects.

Climate change and COVID-19 represent additional challenges and threats to many value chains, most visibly to their productivity potential, affecting mainly impoverished smallholder farmers. Most of these farmers can ill afford mitigation measures such as crop diversification, use of improved seed that are disease and drought tolerant, and irrigated farming using either modern equipment or simply access to rich and fertile wetlands. COVID-19 preventive measures have generally undermined the productive environment for most of these farmers, especially through the restrictions of market operations, social distancing measures, closure of borders and the rise in the price of basic commodities as well as farm inputs.

In all, the combined negative consequences of elite capture of the value chains in various forms, climate change and COVID-19, have deepened and broadened social differentiation across the case studies. The main victims are poor smallholder farmers, particularly youth and women, which makes the prospects of inclusive agricultural commercialisation increasingly challenging to realise. The following policy recommendations are made on the basis of the 11 value chain studies.

- Efforts should consistently be made to ensure that policies designed to promote the welfare of smallholder farmers should be implemented in a manner that minimises inclusion and exclusion errors as much as possible, to guarantee that smallholder farmers benefit.
- Improve the capacity of African governments to implement policies or strategies aimed at promoting smallholder farmers, to make sure that the policies and strategies avoid falling prey to deeply entrenched vested interests.
- Develop the capacity of African governments to engage with donor policy prescriptions from an informed position, to help governments get what they want out of them for their respective countries, and avoid implementing interventions from different donors that are often logically inconsistent, with negative consequences.
- Encourage policies that push for structural transformation that are geared toward the creation of enabling and supportive environments for development, rather than current preference for policies that derive short-term electoral benefits since they derive direct benefits to voters.

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