

# **Agricultural Mal-Adjustment in Sub-Saharan Africa in the Context of Macroeconomic Reforms**

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## 1. Introduction

It is widely established that poverty incidence is very high in most of Sub-Saharan Africa. It is also clear that rural poverty is particularly significant both in absolute and in relative terms.<sup>1</sup> Moreover the picture appears rather bleak in terms of trends, since the available information on poverty trends in SSA suggests that poverty has, on average slightly increased between 1990 and 2001.<sup>2</sup> There are also reasons to think that poverty also increased in the first decade of adjustment, precisely as a result of the initial shocks and social costs of policy reforms.

This paper looks at the implementation of agrarian neoliberalism in SSA, starting, in section 2, with an introduction to the rationale behind agricultural adjustment in three dimensions: first, the dominance of old-neoclassical economics in the early analyses underpinning the application of the Washington consensus to SSA agriculture; second, the anti-State ideology underpinning the assessment of State intervention in agriculture in the 1960s and 1970s; third, agricultural adjustment as a by-product of macroeconomic reform via public expenditure and finance squeeze.

In section 3 we summarise the results of available reviews of the evidence on the impact of liberalisation and macroeconomic reforms on SSA agriculture, stressing some methodological problems in the evaluations, and focusing on some of the intended and unintended outcomes of agricultural adjustment in most SSA with examples from specific case studies.

Finally, we briefly stress two important issues, on which we aim to elicit debate. First, the significance of the distributional consequences of agricultural adjustment and orthodox macroeconomic stabilisation on the livelihoods of different classes of rural people, teasing out some trends and dynamics suggested by some studies. Second, we address the problems of incoherent sequencing between macro and structural reforms and the political economic drivers of incoherence in SSA during the 1980s and 1990s, with a brief example of Zambia. Here we also emphasise the demoralising role of agricultural adjustment on civil servants and strategic planners in many SSA governments.

This paper only aims to provide an overview of the logic behind agricultural adjustment in SSA, the political-economic realities of its implementation and the intended and unintended outcomes, taking into account the importance of rural social heterogeneity both between and within countries and the importance of policy sequencing. The main focus of this paper is on the *internal* dynamics in agricultural economies, but reference is often made to the international conditions under which internal dynamics takes place. Surely, the changes in the international environment and global capital are essential features of the global system in which SSA are already integrated.

## 2. The advent of agrarian neoliberalism and its theoretical and historical rationale

### *The theoretical rationale*

The dominance of neoliberal ideas - in the academic world and in particular circles of the development policy debates, notably the World Bank, the IMF, the regional development banks and, more subtly, in some UN institutions (FAO, IFAD) -, began to gain momentum in the early 1980s, coinciding with a turn in the economic and political model predominant in

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<sup>1</sup> This should not imply, however, that urban poverty deserves no attention. In fact, in some countries like Zambia recent increases in overall poverty are associated with more rapid increases in urban poverty.

<sup>2</sup> See <http://www.developmentgoals.org/Poverty.htm#EEP>

the US, UK and some European countries. Moreover, the influence of the US government on key multilateral institutions and other OECD governments provided a basis for the emergence and diffusion of neoliberal ideas across the world.

The premises of neoliberalism, as summarised by Saad-Filho (2003: 7), equally apply to mainstream agricultural analysis in vogue in the 1980s and 1990s. First, the state-market dichotomy whereby the state and the market are regarded as 'distinct and mutually exclusive institutions'. Second, the efficiency of the market mechanism as opposed to the inherent inefficiency of state institutions. Third, the distortion effects of state intervention in terms of rent-seeking, technological backwardness and resource misallocation.

These principles were clearly evident in some of the most widely cited works on State intervention in agriculture in Africa, i.e. the Berg Report (World Bank 1981) and Bates (1981), which offered a basis for the pervasive application of neoliberal agricultural reforms from the early 1980s onwards. The neoliberal policy stance in agriculture has its roots in mainstream neo-classical work, which is based on idealised agricultural household models<sup>3</sup>. The typical theoretical assumptions applied to the analysis of agricultural development in developing countries are: simultaneous and/or separable decisions on consumption and production by family farming units; agricultural households treated as rational profit-maximizing firms, in the production side, and as rational utility maximizing consumers; rationality manifested in positive response to price incentives, subject to constraints; constraints on production are analytically separable, i.e. production decisions are analysed with respect to changes in constraints resulting in a partial analysis of the effects of each constraint on production, under the assumption that these effects are analytically and empirically isolatable; in the absence of distortions on factor prices (wages, land rent, capital interest), agricultural firms (households) will economize on scarce factors (capital) and intensively use abundant factors (labour), assumption that underlies the belief in the superiority of small farms in developing countries.

The use of neoclassical household models and the reliance on their assumptions has led to a misleading concept of the 'average representative farmer', assuming away important historical differences in agrarian structures, different production functions and significant degrees of inequality and stratification in rural areas of poor and middle-income countries, a point to which we will come back in a subsequent section.<sup>4</sup> The adding up of representative 'firms' or peasant farmers into a notion of the 'agricultural sector' in poor countries has therefore created the illusion of a homogeneous mass of atomised peasant farmers, who, in the absence of policy distortions, would behave like competitive firms in almost perfectly competitive markets. It was widely, explicitly or implicitly, believed that State intervention in the pre-reform era had simply impaired the manifestation of the assumed competitive behaviour of peasants and markets.

From these theoretical underpinnings, we are left with a focus on the constraints faced by an ideal representative farmer and his responses to incentives. Constraints are treated separately so one can focus on those on which has control. Not surprisingly, output prices, which were affected by State regulation of markets, through the establishment of marketing boards,

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<sup>3</sup> See Singh et al. (1986) and Bardhan and Udry (1999). The latter highlight some of the main differences and evolution within the neoclassical approach to household models.

<sup>4</sup> For now, think about the differences between the agrarian structures of former settler economies in Africa (Zimbabwe, South Africa, Kenya, Zambia), Sahelian countries (Senegal, Mali, Niger, Chad, Sudan), Nigeria, Cote d'Ivoire, transition countries in Africa (Ethiopia, Mozambique, Angola) and so on. The assumption of a 'universal peasant farmer' in these different contexts is simply unconceivable.

<sup>4</sup> See Toye (1989) and Gibbon et al. (1993) for an overview of Structural Adjustment Policies with special emphasis on agriculture

constituted one of the obsessions of typical neoliberal policy analyses<sup>5</sup>. Thus, 'getting prices right' became the cornerstone of the neoliberal agenda for agriculture in developing countries (Sender and Smith 1984). Consequently, it was expected that the removal of price distortions could unleash the productive potential of otherwise 'exploited' and 'heavily taxed' peasants and a robust supply response would ensue. The neoliberal 'pricist' focus usually involved estimating effective protection rates, domestic resource costs (DRCs), overvaluation, and real effective exchange rates (REERs) in order to measure 'price distortions'. This analytical domain is policy-oriented and narrowly focused, geared to producing partial equilibrium analyses and simplistic simulation exercises based on a bogus comparative advantage theory. Here, key concepts such as the 'border price' (export parity price) or the 'equilibrium exchange rate' are treated as unproblematic, with dubious definitions and very superficially. Moreover, the emphasis on allocative efficiency at the expense of dynamic productive efficiency was also essential for the standard neoliberal policy implications and recommendations (Taylor 1993; Karshenas 1996)<sup>6</sup>. Essentially, theoretically and empirically, much of the work underpinning neoliberal reforms is flawed and misleading.

### *The historical rationale*

The concrete rationale for market reforms in agriculture in SSA can be illustrated in the following quote from an influential WB report: "*Centuries of poor policies and institutional failures are the primary cause of Africa's undercapitalized and uncompetitive agriculture*" (WB 2000: 170). Beyond the absurd of these alleged long-term causal links (which 'policies' were implemented 200 years ago and where?) and its empirical weakness, it is useful to mention the conditions that prompted a move towards agricultural structural adjustment. The three key factors that triggered adjustment tide in the early 1980s were:

1. Short-term agricultural failure from the mid-70s associated with bad harvests (drought) and, in a number of countries (one example is Senegal) the growing inefficiency and mismanagement of public input distribution and marketing systems;
2. Growing fiscal deficits associated with costs derived from the subsidization of agriculture, mainly as a result of pan-seasonal and pan-territorial pricing systems and input subsidies, the inability to recover debt from subsidized farmers, financial repercussions of previous investment efforts, the effects of oil shocks and their inflation-recession effects, and the ensuing debt burden. These conditions, which became more acute in the second half of the 1970s, particularly in West Africa resulted in unsustainable fiscal deficits in the *short term* and a compulsion to accept new donor conditions.
3. The alleged but unproved heavy taxation on agriculture (particularly via low official prices): as part of the justification from Bretton Woods Institutions, the urban bias hypothesis was used to condemn state intervention in African agriculture, in spite of the fact that the evidence was partial, biased and clearly inconclusive<sup>7</sup>.

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<sup>5</sup> Indeed works like Schiff and Valdés (1992) show that the emphasis is almost entirely placed on the effects of policies on prices received by farmers.

<sup>6</sup> See Karshenas (1996) for a convincing critique of the empirical and theoretical basis of such studies, exemplified in Schiff and Valdés (1992). The various criticisms raised by Karshenas include: the artificial separation of direct and indirect distortions; the estimation of equilibrium exchange rates; their exogeneity and underlying assumptions; the substitutability of factors of production and sector output; the neglect of diverse production functions.

<sup>7</sup> See Karshenas 1996 and 2001; Cleaver and Donovan 1995 and Kherallah et al. (2002) for different positions on this controversial issue. In fact most of the evidence provided to support this hypothesis was gathered and analysed by Schiff and Valdés (1992) and only included three SSA countries, namely Cote d'Ivoire, Zambia and Ghana, all very different in terms of the agricultural performance experienced in the pre-reform period. In fact Cote d'Ivoire is one of the few examples of success in the creation of a powerful and dynamic indigenous agricultural capitalist class (Rapley 1993). During the 1970s, it is presented by the WB as one of the classical examples of excessive and 'unfair' taxation on farmers (WB 1994: 76). In fact during this period there was a boom in cocoa prices, which for the first

The conditions and justifications set out above provided the initial impetus to agricultural adjustment in most of the countries that requested loans from the IMF and the WB to get out of the crisis. There was not much alternative for countries like Senegal, Ghana or Zambia, when no alternative source of funding could be found to maintain the policy packages implemented in the pre-reform period. In the 1980s, the BWIs, by far the largest sources of external finance for many low-income SSA countries, and indirectly exerting great influence on conditions from other bilateral donors, re-directed most loans to support to reform programs, both for economy-wide macroeconomic reforms and sector-specific structural reforms. There are precedents of similar crisis in history, which affected countries following Ricardian development strategies (e.g. Australia, New Zealand, Argentina, Brazil, Chile, Canada, South Africa, Sweden) towards the end of the eighteenth century. Then, Ricardian strategies had been pursued with strong state intervention and growing private and public indebtedness, also based on optimistic expectations about the price trends of primary commodities. During and after the crisis, these countries followed diverse patterns of adjustment, with still strong state intervention to either move to a different Ricardian strategy (diversification to other commodities –from extensive production of wool to more intensive grain, meat and dairy production -, moving up the value chain and spurring agricultural export-led industrialisation, increasing importance of *capital-intensive* family farming through state subsidised land fragmentation, etc.) or, more ambitiously, to Kaldorian strategies of faster industrialisation.<sup>8</sup> In many instances debt default was allowed and/or states had the necessary time and external support (mainly from Britain) to promote strategic shifts that eventually paid off reducing the debt burden and the vulnerability to world market conjunctures (Schwartz 2000).

In the context of SSA in the late 1970s and early 1980s, neither time/support for unorthodox strategic adjustment nor debt default was an option. Moreover, while in the late 1800s and early 1900s there were no supra-national institutions like the IMF and the WB to impose particular policy agendas to solve the fiscal and debt crises, this time the situation faced by SSA governments was very different. In the macroeconomic domain, the IMF view in favour of orthodox stabilisation was imposed, and domestic and external imbalances were due to be addressed with two main policy tools: reduction of fiscal deficits and devaluation of the currency (reform in the exchange rate regime). Given the upward stickiness of fiscal revenues, particularly in times of crisis, the emphasis was put on fiscal expenditures across the board following an obsessively deflationary approach. At the same time, and despite pressures towards reducing the wage bill, initial expenditure cuts generally affected items like subsidies, income transfers and public investment, i.e. development outlays, particularly in infrastructure and productive projects (Hicks 1991, quoted in Gibbon et al. 1993: 18). In Senegal, for example, the reduction in public expenditure for infrastructure and particularly in agricultural support programmes was very marked in the 1980s, when the elimination of the Agricultural Programme, which had capitalised smallholder farming through subsidised equipment acquisitions to some extent, progressively led to the growing obsolescence and disappearance of farm equipment (Oya 2002: 127).

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time made the price stabilisation fund (*Caistab*) a source of revenue for the government (thus implicit taxation). Farmers received relatively high producer prices in this period and in fact cultivated land increased as well, but they did not receive the full increase in world market prices. The situation in the 1980s was reversed as world market prices slumped transforming *Caistab* into a loss making agency, thus draining resources from the State budget and subsidising agricultural producers (Ponte 2002: 22). Yet, this trend is not mentioned by WB studies. A similar story can be told about groundnut producer prices, world market prices and implicit taxation/subsidisation in Senegal (Oya 2002: 178). As argued by Byres (1979) for other contexts, in many SSA countries and during specific periods, different forms of ‘rural bias’ emerged, as a response to pressures from powerful elites (rich peasants) in the countryside and their constituencies.

<sup>8</sup> For a very lucid and deep historical account of these uneven processes of capitalist development and adjustment to crisis in New Agricultural Countries see Schwartz (2000: 135-144).

Other countries followed similar patterns of reforms. Currency mega-devaluations and the liberalization of the exchange regime were also reforms that had an impact on agricultural development with contradicting tendencies. Effects partly depended on the degree of overvaluation, which was quite high in countries like Ghana and Tanzania, and the significance of import compression, a stylised fact in many SSA economies (Taylor 1993).

The combination of an obvious anti-State ideology in the assessment of previous agricultural policies and the effects of fiscal squeeze underpinned many of the most drastic reforms implemented in archetypal policy packages in SSA. The removal of input and credit subsidies, the elimination of marketing boards and other rural development agencies (with their fiscal losses), and the reduction of public productive investment in agriculture, all contributed generously to the reduction of fiscal expenditure and publicly provided credit, which was the main objective of orthodox macroeconomic reforms. However, these changes were far from politically viable in most cases, so policy reversals, stop-go patterns of reform implementation, were not uncommon, e.g. Zambia, Kenya, Tanzania, Senegal and others. What seems to emerge from the review of these historical experiences is that the first impulse towards agricultural adjustment really came from the imperatives of macroeconomic reforms and the concomitant fiscal and financial squeeze of deflationary policies in the 1980s. The structural reforms in agriculture further responded to the anti-State rhetoric of neoliberal assessments of the situation in the reforming countries. A theoretical justification, hovering around the alleged management inefficiency of the state, was needed to implement drastic cuts in areas that were perceived as a main drain on fiscal resources, the parastatal marketing boards and other rural development agencies established in the 1960s and 1970s becoming the main culprits. Thereafter, short-termism in policy making became a common feature in most adjusting countries, which had weakening effects on State capacity of designing coherent strategies for the long-term.

Therefore, from the early 1980s onwards a legion of more countries, affected by growing fiscal imbalances, external shocks, conflict and generally scarce financial resources, engrossed the ranks of IMF/WB loan applicants. Many countries started to reform more decisively only from 1983 onwards (Ghana, Nigeria, Mali, Malawi, Mozambique, Uganda, Cameroon, Benin, Cote d'Ivoire, Senegal, etc.) while others more decisively applied agricultural adjustment policies in the 1990s (Zambia, Tanzania and Zimbabwe, for example). By the late 1990s most SSA had implemented at different times and with varying intensity most agricultural reforms towards market liberalization and state withdrawal from agricultural services, albeit not without sporadic policy reversals, particularly in the realm of fertiliser and food subsidies (Kherallah et al. 2002).

### **3. The Washington Consensus and Agriculture in Africa: reforms, biases and their intended and unintended outcomes**

In the creation of a 'consensus', the influence of the WB and the IMF, especially on poor African countries, has set and transformed policy debates and established the development agenda to which many governments and researchers have also become committed (Sender 2002; Fine 2001). Indeed, already in the mid 1980s there was a donor front, which included Scandinavian donors, allied along the policy recommendations coming from Washington (Gibbon et al. 1993). As argued above, the starting point for the assessment of policies prior to neoliberal reforms included two basic elements (Sender and Smith 1984): 1) the assumption that pre-reform policies were caused by 'mistakes', - associated with ignorance, poor State capacity or rent-seeking -, that could be corrected by a better informed technocratic class supported by multilateral institutions; and 2) an exaggerated pessimism in the assessment of the agricultural performance in the 1960s and 1970s, to show that 'wrong' policies led to agricultural stagnation.

In broad terms, “*the Agricultural Adjustment Program was formulated to complement the macroeconomic adjustment process and generate a sufficient supply response*” (Cleaver and Donovan 1995:8). The main policy targets implemented in the 1980s and 1990s were, first, the removal of subsidies on agricultural inputs and consumer food prices, i.e. the demise of ‘cheap’ food policies allegedly favouring a privileged class of urban consumers. Second, the elimination of the currency overvaluation, through mega-devaluations, in order to provide incentives to peasant export agriculture. Third, the elimination or drastic reform of parastatal marketing and processing agencies, to enable competitive markets and encourage private traders, allegedly favouring peasant farmers, and to reduce fiscal deficits associated with parastatal agencies. Fourth, the deregulation and liberalisation of agricultural prices (or alignment with world market prices), which would potentially increase producer prices and encourage a positive supply response. Finally, the replacement of subsidised agricultural credit with ‘alternative’ measures to establish ‘sustainable’ financial institutions, stabilise financial markets, and reduce bad debts and fiscal deficits.<sup>9</sup>

Apart from the sector-specific policies and their overly ‘pricist’ focus, the work by Schiff and Valdés (1998) also emphasised the importance of non sector-specific or economy-wide distortions on agricultural performance. The overvaluation of the currency is one of the areas where the mainstream has emphasised the negative impact on agricultural development. Indeed, it would be difficult to argue that in some cases, like Ghana and Tanzania in the late 70s and early 80s experienced exaggerated artificial overvaluation of the currency, which did affect some strata of the farming population, particularly farm exporters and large-scale producers, as has also been referred by other non-mainstream researchers (Sender and Smith 1990). However, the argument was taken to the extreme to demonise any form of state intervention in Africa, particularly with respect to its effects on agriculture. Thus, the deductive methodology used by authors like Schiff and Valdés (1992 and 1998) has underpinned standard ‘one size fits-all’ policy recommendations for all countries receiving loans from the BWIs.

Indeed, these recommendations ignored the diversity of situations and the different ways in which state intervention took place in SSA. Compare, for example, Malawi with Mozambique or Zambia with Kenya and Zimbabwe, or Ghana with Cote d’Ivoire. In these countries the specific forms and histories of state intervention were different and responded to different needs and political-economic pressures. The external conditions were also different, in terms of world market price trends and market shares. Thus, if any reform was indeed necessary in each specific case, it should have been carefully tailored to the context specificities of the case. However, the mainstream approach, religiously committed to one particular form of adjustment, was one of overly “one size fits all” and, in the cases where reforms were not undertaken consistently, governments have been blamed for lack of commitment and the poor results allegedly attributed to partial implementation rather than to the nature of the reform package or the sequencing between macro and sector-level reforms (Kherallah et al. 2002; Townsend 1999; World Bank 1994).

#### *Methodological issues in assessing the rationale and impact of reforms*

In practice, a neoliberal agricultural programme comprises a double package of measures: one towards liberalization and de-regulation of markets and the other towards the withdrawal of the state from direct support to farmers. Great effort has been devoted in assessing the impact of these two complementary packages in agriculture. The methodological limits of these exercises are well documented. Apart from the usual problems associated with the use of

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<sup>9</sup> Apart from the promotion of NGO-led microfinance programmes, the ‘alternative’ mechanisms for rural credit have invariably failed to appear, reinforcing the credit squeeze brought about by the reform of parastatal agencies.

counterfactuals, cross-country datasets not accounting for country specificities<sup>10</sup>, and dubious policy scores, one fundamental weakness is the reliance on extremely restrictive *ceteris paribus* assumptions (McGillivray 1999: 28).<sup>11</sup> Mounting technical problems in econometric work based on poor data encompass model mis-specification resulting in spurious statistical results or biased/misleading coefficients.<sup>12</sup> Furthermore, other econometric problems, such as the estimation of the direction or even the existence of causality, are also common (Karshenas 1996; Mosley et al. 1995; McGillivray 1999). An immediate lesson one draws from extensive reviews of the reform experience in African agriculture is that it is difficult to evaluate impact *overall* because the experience varies across SSA countries in terms of implementation, sequencing and mediating factors. There are various degrees of implementation, including partial implementation and policy reversals, mostly dependent on the political processes and political transition costs which are often not fully understood by conventional analyses (Kherallah et al. 2002; Gibbon et al. 1993: 105-116). In fact, there does not seem to be consensus on the appropriate timing and sequencing of reforms (Dorward et al. 2004). We will come back to this point in a subsequent section.

There are important methodological flaws in the empirical analyses presented. One relates to the calculation of the gaps between farmgate prices and world market prices as well as the marketing margins. Often comparisons are not consistent as prices for different products within the commodity chain are used. For example, groundnut oil prices, converted to its equivalent in groundnuts are used as reference for world market prices without adequately incorporating processing and marketing costs of the finished product (Oya 2002). Comparisons are also vitiated by the use of average producer prices. Arguably, moving from a controlled price-system to a liberalized market environment may not only affect the average level of prices but surely affects the variability of prices, by season and territory. This means that the average producer price obscures a wide range of prices received by different types of farmers in a liberalized environment, depending on the trader, the time of the sale, the scale of the sale and distance from main consuming centres or export agencies. This variety of prices is seldom captured by studies that rely on aggregate data and measures for prices and quantities. Thus, their results may be deeply flawed if we are interested in the role of prices as incentives for *individual* farmers.

Another important caveat in any analysis of effects of policy reforms on SSA agriculture relates to the varying interpretations of the data available and the dubious quality of the latter. There are powerful reasons to suspect that the quality of agricultural data for the 1980s and early 1990s dropped. First, the elimination of parastatal marketing boards and other rural development agencies that had a clear mandate and interest in collecting detailed statistics on cultivated land, production and, especially, marketed output, meant that significant sources of statistical information were lost and not properly replaced by poorly endowed national statistics offices. Second, there are indications that data politics has probably led to overestimations of cash-crop production in order to qualify for more loans, particularly in the initial reform period. The case of Senegal and Tanzania are particularly illustrative in this respect: in Senegal there was a systematic overestimation of groundnut production figures in the 1980s and 1990s, precisely during the reform period and when there were other evident signs of crisis (Freud et al., 1997). In Tanzania, the interpretation of trends followed a 'trade in images' reflecting the ideological conversion of the Tanzanian Government to the neo-

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<sup>10</sup> A major limitation of WB analyses of the impact of adjustment and liberalization is the obsessive use of cross-country data with econometric applications, which usually rely on the implicit assumption that relationships explained by the estimated coefficients are the same for all countries considered, or that the environment they face is identical.

<sup>11</sup> Examples of studies with these problems are World Bank (1994), Meerman (1997) and Townsend (1999).

<sup>12</sup> To achieve a more useful and detailed account, the conventional econometric techniques generally used would require large and reliable data sets that are currently unavailable in most developing countries (Mosley et al. 1995; McGillivray 1999; Karshenas 1996).

liberal jargon, evident from a review of policy documents, while a close inspection of crop performance shows no difference between the 'crisis' and the 'adjustment' period (Ponte 2002: 72). In Ghana, one of the most important showcases of the Washington consensus in SSA, cocoa performance appeared to improve in the 5 years after the first drastic reforms, but there is also suspicion that part of the increase in production figures was also due to smuggling coming to the surface and to re-exports of production from neighbouring countries (Gibbon et al., 1993: 118). This is also the case in Ethiopia, with the difference that Ethiopian authorities did expect a reorientation of smuggled exports to official channels after currency devaluation, but export response fell well short of expectations (Dercon and Ayalew 1995). These examples only illustrate the possibility that 'trades in images' and very dubious quality of data mar many of the empirical assessments carried out so far, unless very careful analysis and close scrutiny of data consistency by crops and country is undertaken.

*What happened to the expected outcome of agricultural adjustment?*

One of the key targets of orthodox adjustment was farmgate prices. Kherallah et al. (2002) show that output prices increased in some cases (notably for some export crops) but not consistently over time. Moreover, the increase is shown in terms of *percentage* of (border) export prices but not in real (local currency) terms, partly as a consequence of steeply falling world prices for many commodities (notably coffee, tea, groundnuts, and cocoa) in the 1980s and late 1990s. Furthermore, the trends in real food crop prices have been ambiguous even for the most consistent reformers. This means that one of the immediate objectives of agricultural adjustment, i.e. the improvement of price incentives to farmers did only materialise in few cases and the evidence suggests that increases were often only temporary (Ponte 2002).

Different studies show that competition in marketing networks has increased, i.e. more intermediaries involved in agricultural trade (Kherallah et al. 2002; Barrett 1997). This is fairly obvious if we bear in mind that marketing systems were monopolised by marketing boards and that private trading, even if it happened, was illegal and therefore statistically invisible. Therefore, apparent increasing competition, or simply the recorded entry of new private operators in the 1980s and 1990s would obscure the fact that, during the interventionist phases, information on private traders was rather inadequate precisely because often they were perceived as living on illegal activities, thus not reported. However, micro-level analyses consistently show that private markets for food staples have traditionally been much more dynamic than generally assumed, i.e. that market controls, particularly in food crops were often quite ineffective (Guyer 1987, Berry 1983; Wiggins 2000). What seems to emerge from more recently collected data is that new entry of private traders in agricultural marketing has been overwhelmingly concentrated on retail trade for food and cash crop output, still a much localised activity (Dorward et al. 2004). Moreover, the relative efficiency of private traders with respect to previous state agencies is questionable, i.e. marketing costs are still too high, due to high transport costs and lack of storage facilities so the prices they offer are still very low (Kherallah et al. 2002; Gibbon et al. 1993). Some evidence is presented of declining marketing margins and better marketing integration (good for buyers and producers of food), but this evidence mainly comes from Kenya, Ghana, Mali and Zimbabwe. At least two of these countries cannot be considered 'strong adjusters' in agriculture (Kenya and Zimbabwe) and Mali has been reported as a successful case for vertical State-led cash crop marketing integration in the case of cotton. It is possible to outline three forms of transition into new market structures as a result of reforms.

First, particularly for food crops, by definition more private traders have started operations. In some cases, private marketing already existed but under the legal surface, so the reforms merely made these traders more 'visible'. However, most micro-level evidence suggests that at the local level, few traders have enjoyed oligopsonistic power, which underlies the fact that prices did not increase as expected in most reforming countries. To an extent, for example in Senegal, reforms brought social and power relations that prevailed in the pre-Independence and early Independence years back into the 'new' markets. Indeed the power of local traders

has increased at the expense of local agricultural producers, who were supposed to be the main beneficiaries of increased market competition.

Second, for some export crops (tobacco, coffee, vegetables) global capital, in the form of vertically integrated agribusiness commodity chains, has taken over and to a large extent replicated the uncompetitive behaviour of which parastatal marketing boards were accused of. Field experience shows that agribusiness agreed to invest in countries where the state would grant monopsony power over agreed territories (districts, provinces) to make sure that moral hazard on the part of outgrowers (i.e. selling to the competitor and not paying debt back to the initial contractor) did not occur. De facto, these agreements created contract concessions, more typical of the colonial period, that have granted very significant power to transnational contractors. Thus many critics have regarded contract farming in Africa as a mechanism through which transnational commodity chains exploit unequal power relations with small scale farmers or even use small scale farmers as labour intermediaries in one way of resolving the labour problem in plantation agriculture (Liittle and Watts, 1994; Warning and Soo Hoo, 2000).

Third, in some cases parastatal marketing boards *de jure* or *de facto* prevailed, simply because private agents were not sufficiently interested in taking over (if not for asset stripping), as in Senegal for the large groundnut export board (SONACOS), or as in Ghana because most farmers preferred the former state owned company (PBC) for accountability, trust and prompt payments.<sup>13</sup> In this case, a potential source of fiscal revenue and not of losses was stripped from the state.

Overall, competition has not been as strong as expected and barriers to entry, even in output markets, have been significant (Barrett 1997). Paradoxically, liberalisation processes in SSA agriculture can easily be associated with obvious uncompetitive practices and the efforts of private operators to stifle different forms of competition in alliance with the state. These developments, coupled with falling levels of public investment in agriculture, have usually resulted in growing under-capitalisation of farmers, greater indebtedness, and falling productivity, forcing 'failed' farmers to look for alternative non-farm income sources (Ponte 2002; Oya 2001; Bryceson 1999; Patnaik 2003<sup>14</sup>).

Perhaps one of the most significant and widely established effects of fast-track liberalization and removal of parastatal marketing agencies (especially price stabilisation agencies) has been the increase in price volatility, seasonally and spatially, which has resulted in higher degrees of vulnerability for those farmers, particularly net food buyers and 'distress' sellers, who cannot choose the time of their transactions. In other words 'distress-surplus' sellers will have been severely affected by liberal reforms.

Input prices increased especially for fertilizers, and entry of private traders in input markets remained quite insignificant and, when it occurred, prices were too high and credit was rarely offered. As a result, the evidence in most countries shows that availability of inputs worsened and demand dropped due to reduction in real incomes, lack of distribution networks and, more importantly, agricultural credit squeeze (Kherallah et al. 2002; Dorward et al. 2004; Oya 2001; Freud et al. 1997). One alarming by-product of reduction in input use and the growing obsolescence of farm equipment in many reforming countries is the fall or stagnation of land and labour productivity for both food and cash crops (Gibbon et al. 1993, Kherallah et al., 2002; Oya 2001).

Arguably, the disappearance of parastatal marketing boards could have, in theory, efficiency gains, if these agencies were badly managed, but their elimination often comes with the removal of physical and human infrastructures, which directly or indirectly were supportive

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<sup>13</sup> See Teal and Vigneri (2004) on the Ghana example.

<sup>14</sup> These phenomena are not exclusive to SSA. Patnaik (2003) highlights similar trends in India and the dramatic increase of suicides among farmers and entrepreneurs in the era of neoliberal deflation.

of marketed production by different classes of farmers. These infrastructures and human resources include storage facilities, scales, extension agents, marketing agents, enumerators, etc. One could expect that these assets could be recycled and used by the private sector but there is no evidence in this respect. However, after the dissolution of rural development agencies nothing much is said about the final destination of their human resources and infrastructures.

Bryceson notes that “*SAP policies largely dismantled African Marketing Boards and parastatals that had serviced peasants’ input requirements, enforced commodity standards, and provided single- channel marketing facilities and controlled prices. The private traders, who replaced them, varied in their performance through time and space, but mounting evidence points to the fact that they have not lived up to the hopes vested in them by IFIs*” (Bryceson, 1999: 7). The neoliberal literature had persisted in its over-optimistic assumption of the rapid emergence of a growing ‘private sector’, in trade, services, finance, farming and the supply response of farmers. However, private traders usually, and for obvious reasons, restricted themselves to some profitable niches of output and seed markets, leaving other input markets almost untouched, because of low profitability, high marketing costs and scarce working capital, realities often ignored by neoliberal analyses (Kherallah et al. 2002; Bryceson 1999; Barrett 1997).

In sum, the word ‘mal-adjustment’ summarises the lack of ‘real’ adjustment to the crisis and the persistence and reinforcement of some of the most binding structural and institutional constraints to successful Ricardian (agricultural) development in Africa. Thus, farming is increasingly undercapitalised; market articulation (encompassed by price volatility) is deficient and discriminatory against poorer farmers and agricultural workers; labour and land productivity remain low and in many cases keep falling, risk is higher and there are fewer institutional arrangements to cope with farm risk (both environmental –weather shocks- and market risk – price volatility-); for some export crops output quantity may have increased but generally quality has decreased, which stifles efforts to penetrate demanding international markets (and non-tariff barriers) and reduces the remuneration per unit of output; domestic demand constraints have been exacerbated, thereby increasing the dependence on volatile external markets. So the most important weakness of the neoliberal experience in SSA is that agricultural adjustment has brought little as a way of adjustment and structural change, since structural constraints have not changed significantly.

#### *Post-Washington Consensus and state capacity ‘de-building’*

In light of these poor results, after the publication of standard neoliberal works like Schiff and Valdés (1992), the neoliberal agenda in agriculture seems to have slightly weakened with the emergence of the ‘Post-Washington Consensus’ (PWC), which claims to broaden the scope of development and agricultural policy in the 1990s, beyond ‘getting prices right’ slogans and macroeconomic adjustment (Stiglitz 1998). In the PWC, a more balanced view of state and markets and their respective roles, the extent of market failures, the addition of more endogenous variables, the notions of ‘state capacity’, the praise for institution building, and governance have added a new flavour to WB thinking on agriculture.<sup>15</sup> Recent works in this line timidly show a more balanced view of the nature of the barriers to improving incentives for agricultural production, without an exclusive focus on policy/Government failure (Townsend 1999; Meerman 1997). However, the arguments against state intervention in agriculture and the conventional WC solutions to encourage markets are maintained, and only

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<sup>15</sup> See McCalla and Ayres (1997) and World Bank (2003) for the recent WB agricultural focus on institutional development and decentralisation. Many authors have questioned the “newness” of the PWC, arguing that old themes come back (provision of public goods) with greater vagueness, and basic ‘old’ WC policy recommendations actually remain intact (government retrenchment and market liberalisation). See the collection of essays in Fine et al. (2001) and Rodrik (2004).

slightly greater emphasis on non-price factors is given (particularly on rural infrastructure, nothing new), without acknowledging the effects of market liberalization. Indeed reviews like Townsend's tend to focus on the role of price incentives, price reforms, devaluation and supply responses to them.

In fact, the PWC leaves the state with a set of vaguely defined core functions, in line with 'enabling/promoting the market' and 'providing a favourable environment for private investment'. The formulations currently found in agricultural policy documents are remarkably vague and do not clearly state how specific interventions would promote new state roles, e.g. the provision of market and price information to farmers and traders; the promotion of private and co-operative activity; building market infrastructure; ensuring the proper use of weights and measures; control of the quality of exports; the establishment of a legal framework for deepening competitive marketing; the reduction of barriers to regional trade. Indeed, in our experience with policy makers in agricultural sectors in Mozambique, Senegal and Zambia, these new roles reverted into intellectual confusion, low morale and a dramatic drop in incentives for very capable strategic planners in African governments. One of our hypotheses for discussion is that the reforms affecting the public sector and particularly state institutions working on rural development, encompassing significant cuts in public expenditure on agriculture, have weakened the capacity of the state to implement old and new policies. In a sense, 'state weakness' appeared as a self-fulfilling prophecy of the old Washington consensus and those who had the financial resources, thus the power, to establish new policy agendas (Sender 2002). 'New' policies appear as highly vague and ambiguous; they merely expand the wish-list of what governments should do to make sure that market reforms are implemented successfully. By augmenting the list of conditionalities to an impossibly ambitious reform agenda, policy efforts become essentially too dispersed and lose focus leading to forms of 'opportunistic strategy' and 'do as much as you can, as quickly as you can' approaches (Rodrik 2004). These approaches leave the most capable civil servants without the intellectual and moral energy to work out a vision or realistic strategies for the sector, according to the varying circumstances that any country faces at a particular point in time. Indeed, there is no longer sense of 'mission' among qualified bureaucrats. Nor is there strategic vision. As a result, in countries like Zambia, Senegal, Tanzania, and Mozambique, for example, agricultural policies have followed no coherent line and have simply responded to the demands from BWIs and bilateral donors as they came along.

#### *Re-assessing state intervention during the state-led development period*

The mixed record of agricultural adjustment in some countries (Uganda, Ghana, Mali, Mozambique) and failure in many other cases (Zambia, Senegal, Kenya, Tanzania, etc.) should take us to a re-assessment of policies in the pre-reform era, as well as a more realistic view on the realities of partial implementation, in light of current trends. An immediate implication is that pre-reform policies were not necessarily 'wrong' from the point of view of dynamic efficiency, or that, at least, less drastic reforms could have solved some of the most typical failures of state-sponsored marketing and farm support systems. Moreover, it is necessary to understand the politics of State intervention in the 1960s and 1970s. In fact agricultural policies were often designed and implemented by regimes that sought simultaneously to attenuate potential contestation in urban areas and strengthen the rural basis for their legitimacy. Indeed, rural development policies in Senegal and Tanzania, for example, aimed to offer different forms of support and protection to a vast mass of peasant farmers, with the aim of pleasing many constituencies at the same time. Given scarce resources this was neither always manageable nor sustainable and the frequent debt defaults were precisely due to the political laxity of the government towards agricultural producers benefiting from credit and inputs from the parastatal marketing boards (Oya 2002; Kherallah et al. 2002). In Tanzania, scarce human resources and infrastructure severely affected the efficiency of parastatal agencies and mainly penalised the most dynamic farmers although it provided resources for the survival of less viable smallholders (Sender and Smith 1990). In any case,

pan-territorial and pan-seasonal pricing systems, together with widespread (even if not always timely) distribution of inputs, implied relatively strong support to more vulnerable and less viable smallholders, in spite of claims to the contrary (Kherallah et al 2002). At the same time, the intertwining between an incipient state bourgeoisie, with great influence over the management of marketing boards and development agencies, and rural elites, in the form of dynamic large and medium scale capitalist farmers but also other less dynamic traditional large-scale farmers, was very significant. Although only in few cases there was evidence of agricultural policies labelled as 'wager on the strong' (Malawi, to an extent in Zimbabwe, Zambia and Kenya), often governments following different forms of socialist rhetoric reinforced existing obstacles to the development of capitalist farming with populist policies of support to masses of small-scale farmers (Sender and Smith 1990; Pryor 1990). Finally, as argued by Dorward et al. (2004: 79) state intervention in the pre-reform era and the often half-hearted commitment to liberalization afterwards, rather than stemming from rent-seeking, political myopia or simple mistakes (state failure) stemmed from the "recognition that pervasive market failures prevent the private sector from delivering the necessary services".

In essence, many of the rural development agencies and policies applied in the 1960s and 1970s, apart from inheriting bureaucratic structures from the colonial period, were also thought of as vehicles for building social legitimacy of new States in rural areas in different types of regimes. In a way, some of these institutions and policies and the way they were implemented represented timid attempts to create an image of a welfare state in rural areas. Inputs were subsidised following the drive towards modernization that characterised many regimes in the post-Independence decades. But the fact that often marketing boards ran unsustainable deficits was related to the laxity in the collection of debts from farmers and the frequent debt amnesties that small-scale and large-scale farmers became accustomed to. In the MADIA studies, Lele and Christiansen (1989) also stress the political and economic reasons for State agricultural policy decisions, including the adoption of agricultural marketing boards in the late 60s and 70s. Their examples normally "*show the degree of detailed analysis that needs to be undertaken on both an issue-by-issue and a country-by-country basis*" (Lele and Christiansen 1989: 23) which put in question simplistic and apolitical neoliberal analyses of State intervention (Sender and Smith 1984). Therefore, without denying the fact that policy failures were manifest in some cases during the oil crisis of the 1970s, it is still necessary to investigate in more detail and without dogmatic considerations the real causes of the crisis, when they happened, and the different strategic options that could have been followed, in light of historical experience elsewhere. Moreover, one could use the same argument now frequently cited by neoliberal advocates to argue for more reforms: that 20 years of adjustment is not enough time to question the necessity of orthodox packages. Thus, in 1980, and after a temporary crisis in the 1970s, there was simply not enough evidence and time to argue that state-led agricultural development had failed in SSA.

#### *Agricultural success in SSA*

It is important to note here that most of the examples of agricultural success in the last two or three decades are not associated with the implementation of neoliberal reforms. Indeed the survey of successes in agriculture in SSA by Gabre-Madhin et al. (2004) suggests that state intervention and the idiosyncratic conjunction of specific internal and international conditions, including the particular interest of some private investors within vertically integrated Global Commodity Chains (coffee, tobacco, horticultural produce), have underpinned the majority of successes. Thus recent expansion of high value crops and non-traditional agricultural exports in Kenya, Zimbabwe and more recently in Mozambique and Zambia can hardly be associated with the 'pricist' reform packages of the 1980s and 1990s. For example, in Mozambique and Zambia, more recently, the collateral effects of the Zimbabwean crisis have led to the transfer of the know-how, connections (with transnational agribusiness) and assets of white commercial farmers. In general, the historical experience is that most examples of successful

agricultural development and transformation, even when uneven or discriminatory, have relied on some form of state support or coercive measures, either through cheap subsidised inputs, credit, income support, output price subsidies, price stabilisation schemes, or land reform (Byres, 2003, pp. 69-73; Dorward et al. 2004). In Africa, where agriculture is deemed to be weakly competitive, cases of success hinged upon different forms of state intervention, whether in the marketing and distribution of inputs or in research and public infrastructure for irrigation. Capitalist farming has historically been dependent on various forms of direct and indirect state support, subsidisation of various forms, pressure from the state, both in settler economies with capitalist farms and in countries with different agrarian structures (Byres, 2003).

Furthermore, showcases of 'good adjusters' do not support the view that liberalization works in the SSA context. Ghana, Uganda and Mozambique, often taken as examples by the BWIs tell us very different stories. In Mozambique, the liberalisation of cashew external trade led to the collapse of the cashew processing industry and the loss of remunerative markets to producers. The expected price increases from private traders did not materialise as Indian private monopsonists took over a great deal of cashew export markets, offering very low remuneration to Mozambican agricultural producers of raw nuts (McMillan et al. 2001). Uganda's agricultural performance is also far from a success, particularly in the export sector, in spite of the fact that the Ugandan government implemented all reforms to increase producer incentives for agro-exports (Dijkstra and Van Donge 2001; Belshaw *et al.* 1999). The progress usually emphasised in Ghana was circumscribed to a few years after the implementation of reforms and to large and sustained flows of foreign assistance (Gibbon *et al.* 1993) while recent improvements are mainly underpinned by the increasing number of cocoa farmers in the late 1990s, i.e. the extensive expansion of land, and not by greater competitiveness.

#### **4. Distributional consequences of agricultural liberalization**

Since the 1980s the dominant intellectual focus in SSA has been placed on the pros and cons of adjustment and liberalization and on aggregate supply and input use patterns and trends. Very little has been done on agrarian structures, structural change in the countryside and farmers' differentiation. Indeed, few authors have continued the lively debates typical of the 1970s on changing agrarian structures, prevailing rural social relations, agrarian transitions and the role of agriculture in development (Sender and Smith 1990; Gibbon et al., 1993; Wiggins 2000; Karshenas 2001). Thus, it is very hard to find serious studies and more systematic evidence on the distributional consequences of reforms within rural areas in SSA.

Recently, a growing literature on the phenomenon of de-agrarianization (or de-peasantization) and the increasing importance of the rural non-farm sector, i.e. a new form of informalisation extended to rural economies in SSA, has emerged (Bryceson 1999). However, even within this literature no systematic and detailed evidence is presented on the way different classes of farmers, peasants and rural dwellers in general have been affected by and reacted to various processes of adjustment reforms. Moreover, the trends towards greater reliance on non-farm income sources cannot be clearly established, given the scant evidence on income diversification available for the 1960-1980 period.

Evidence on the heterogeneity of the small-scale farming sector is beginning to emerge from the mainstream. Jayne et al. (2003) confirm how differentiated the small-scale farmers are between and within countries, using the nationally representative household surveys in Kenya, Zambia, Ethiopia, Mozambique, Malawi and Rwanda. Gibbon et al. (1993) also stress that one of the most flawed assumptions of the Washington consensus on SSA agriculture is the belief that the agricultural sector in a typical SSA economy is constituted by a homogeneous and equally 'underutilised' mass. They clearly argue that this deeply flawed assumption

ignores the well-established fact that “smallholders are a highly heterogeneous group comprising quite different social classes and...production forms” (Gibbon et al. 1993: 132).

Already in the 1970s and 1980s, the Malawi Government differentiated clearly within the smallholder sector and managed to target a group of richer smallholders in their policy of waging the strong (Pryor 1990). An interesting study on small-scale farmers in Kwa-Zulu Natal uses principal component analysis to distinguish significantly different types of farmers and identify, for example (Essa and Nieuwoudt 2003):

- an emerging commercial and mechanised household,
- a landless farm household that is more educated and earns more non-farm income,
- a non-farm female-headed household that depends on income from land renting and a non-farm job,
- a small intensive garden farmer household headed by a more educated female with better access to institutional services,
- a less educated, female-headed and land-poor household that rents in more land and is an intensive producer
- a land-less household that rents in land and is also involved in contractor services

There has been some work on the ‘winners’ and ‘losers’ during reforms in agriculture, but usually on the basis of rather aggregate categories. Urban-rural consumer comparisons, the dichotomy farmers-traders, small scale and large-scale farmers, and most often, cash-crop versus food crop producers are often used to qualify statements about the effects of agricultural adjustment in different countries. Although these categories are important per se, their analysis does not capture the complexity of distributional outcomes of agricultural adjustment and macroeconomic reforms.

In general, it can be argued that the impact on prices has been uneven and affected different classes of farmers differently: input prices invariably went up, leading to a less intensive use of yield-enhancing inputs and Green Revolution packages; export prices, increasingly aligned to world prices, followed international market conditions, which worsened in the 1980s and the late 1990s<sup>16</sup>; food prices decreased or increased for imported food depending on the net effects of devaluation and removal of import duties/quotas and increased for local food, after removal of subsidies (Kherallah et al. 2002); seasonal and regional fluctuations, price spreads and price volatility also generally increased, hitting producers located in remote regions and poorer farmers compelled to sell at lower prices, in the form of ‘distress sales’. By and large, this type of effects would adversely affect the poorest undercapitalised farmers, landless workers, net food buyers in rural areas, and poorer urban consumers (Ponte 2002; Gibbon et al. 1993). In Senegal, mainly poor-resource small-scale farmers were severely hit by the production crisis after market reforms of the food and groundnut sector, whereas the evidence on large and middle-scale farmers is mixed, being some the most dynamic capitalist farmers with political connections the most obvious beneficiaries of the process, due to their means of production and capacity to compete in volatile markets, while having access to the few privileges controlled by government institutions (Oya 2001). Moreover, it has been shown that where transnational agri-business have penetrated to replace the state in export marketing, patterns of income stratification have been reinforced since, due to transaction costs, “under most circumstances, agro-industrial firms prefer to contract with larger growers” (Warning and Soo Hoo 2000: 21).

An important distinction in the study of distributional and efficiency impact of reforms arises between dynamic and non-dynamic farmers or among farmers with different capitalist tendencies, at various farm scales (but mostly in the middle-large scale range, i.e. usually above 5-10 hectares in tropical agriculture). Different types of farmers along these criteria

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<sup>16</sup> These trends have also been noted in the Indian recent experience. See Patnaik 2003.

probably face different incentive structures and surely find themselves in different production functions. Their reliance on different types of labour and their different degrees of input intensity mean that reforms must have varying impacts on their performance and decisions about planting. That is why agricultural policies, and particularly price policies (for output and inputs) should be sensitive to the variety of farmers' types in any given context. For example, the sort of policies that can have a positive impact on production by vegetable export growers in Zambia, Kenya or Zimbabwe may be quite different from policies that could enhance production of maize by smallholders in areas far from urban centres and market infrastructures.

What seems to emerge from different assessments of the neoliberal experiment in developing countries, including middle-income countries, is that neoliberal policies have diverse effects on the rural population, aggregate production, and structure of production, where different subsectors gain and others lose. A stylised fact is that processes of social differentiation intensify during and after the implementation of neoliberal reforms. The usual winners are the few capitalist and rich farmers economically or politically capable of adjusting to new market conditions and are economically or politically 'viable' farmers, while the usual losers are: 1) poorer peasant farmers, who, with little competitive potential will struggle to subsist, and 2) semi-proletarians and wage workers, whose working conditions became more precarious (Gibbon et al. 1993; Bryceson 1999; Ponte 2002; Oya 2001). As suggested by other 'institutional' analysts, differential responses and effects across classes of farmers and rural people would call for a more disaggregated approach to agricultural policy making and more caution about the application of reforms across the board (Dorward et al. 2004; Jayne et al 2003). The significance of targeted interventions and the collection and use of statistical information on agrarian structures and their dynamics to inform policy making appear as necessary conditions for less biased, misleading and instead more coherent and effective agricultural policies.

## **5. Macroeconomic reforms, agricultural adjustment and policy sequencing**

As shown above, Schiff and Valdés (1998) have argued for a long time that we should take economy-wide policies into account in order to examine the creation or destruction of economic incentives in agriculture. In this sense, partial analyses of sectoral and direct price policies will fail to consider the indirect effects of exchange rate policies, and other macroeconomic outcomes of economy-wide policies, which can have powerful effects on agricultural/non-agricultural relative prices. Following this argument in a general equilibrium framework they go on to argue that both taxation of agriculture in LDCs and protection of agriculture in OECD countries have resulted in net welfare losses for the economies concerned, but, more importantly, for poorer developing economies that depend on the production of few agricultural commodities to a large extent. Indeed, most mainstream assessments for the SSA as a whole (WB 1981 and 1994; Schiff and Valdés 1992) and some non-orthodox analyses of specific cases (Sender and Smith 1984) stressed the pernicious effects of excessive overvaluation of the currency on the prospects of export agricultural development.

Hence, macroeconomic policies can have damaging effects on agricultural incentives, if macroeconomic instability erodes farmers and workers' incomes through inflationary pressures or if currency overvaluation discourages exports, particularly agricultural exports. The question is that orthodox macroeconomic packages can have the same negative effects if implemented in the wrong context and/or with wrong sequencing with respect to other sector-specific measures. In other words, there is no one single mechanism to achieve macroeconomic stability and competitive exchange rate, as has been shown by historical experience (Chang and Gabrel 2004).

Zambia provides an illustrative example of how a bad interaction between macroeconomic policies and sector adjustment can result in the stagnation and depression of an agricultural sector with strong potential competitiveness. It is worth exploring some of the linkages at play. During the 1980s several attempts to implement full SAPs during Kaunda's regime failed because socio-political conditions favoured popular unrest, which led to policy reversals and home-grown adjustment without external assistance in the late 1980s. When the government was forced to get back to the negotiation table with the BWIs more popular unrest led to multiparty elections that ended Kaunda's regime. The new government inherited an economy that had not changed structurally during the 1980s apart from the fall in investment rates associated with severe cuts in public investment (Gibbon et al. 1993: 100). The newly elected government rushed to take the reform commitment to the extreme without extracting any lesson from the past attempts at adjustment. They followed a fast-track reform package that also included drastic reforms in the agricultural sector. Notably, input and credit subsidies were curtailed or eliminated, the domestic currency suffered from further depreciations in the new exchange rate floating regime. In the context of import compression, which characterised Zambia's economic structure, currency mega-devaluations and floating regimes brought inflationary pressures and rapidly eroded rural incomes through the effects on production costs for a majority of farmers. It is now clear that the economy and the agricultural sectors were not ready for such fast-track liberalization and privatisation process. Agricultural competitiveness was negatively affected by the lack of inputs and seasonal finance and the rise of interest rates as a result of sweeping financial liberalisation. Alternative forms of finance for agricultural producers did not appear. The uneven structure of the agricultural sector and the wide differences between dynamic and non-dynamic farmers led to the increasing isolation of masses of smallholders far from market outlets, from the infrastructural networks, urban centres and areas of economic dynamism. The crisis and poverty increase in urban areas as a result of deflationary policies and rising formal sector unemployment affected demand for food and other agricultural produce so the expected benefits of liberalisation for local maize producers did not materialise from the demand side. Moreover, trade liberalisation also has opened doors to agro-processed goods from more competitive countries like South Africa and Zimbabwe, despite high transport costs.

In other words, this example illustrates how the simultaneous and mis-timed application of trade and financial liberalisation, output and input market de-regulation in agriculture, withdrawal of input and credit support to farmers, mega-devaluations of the currency can all combined have the double effect of impoverishing the urban working and middle class and expose the vulnerabilities of the agricultural sector.

Most studies emphasise the variety of stabilisation and adjustment experience in SSA, in terms of implementation but few link these different experiences to the fact that different socio-political processes are in place in the context of different structural constraints and vulnerabilities. However, within this variety of experiences, most studies conclude that even if one supports the implementation on some reforms, in order to adjust to the new global and local contexts, finding the appropriate sequencing is one of the keys to success or failure (Dorward et al. 2004; Kherallah et al. 2002; Ponte 2002; Oya 2001).

In a recent paper, Dorward et al. (2004), from a new-institutionalist perspective, come to the conclusion that agricultural adjustment in SSA was ill-conceived and designed precisely because structural factors, historical experience and the role of institutions in agricultural development were missed from the picture. In their view, successful liberalisation only could take place under circumstances that are seldom found in SSA. Policy phases and sequencing is the key question. They show that historical experiences of agricultural development and successful Green Revolution normally start with 'establishing the basics', i.e. an adequate system of roads, irrigation, research, extension and (sometimes) land reform, which helps to transform and extensive low productivity agriculture into a profitable more intensified agriculture. In a second phase, the state extensively supports farmers through marketing

policies, such as seasonal finance, input supply systems, creation of reliable local output markets (with buffer stocks, floor prices, other price stabilisation schemes, etc.), in order to bring about effective farmer input demand and surplus production. It is only in the final phase, when Dorward et al. (2004) would expect withdrawal, once the basis for effective private markets is already in place. Obviously, this appealing stage-schema that ends in would not explain the agricultural policies of OECD countries today, simply because it focuses on technical and institutional aspects without incorporating the 'politics' of rural sectors, which underlies the levels of protection existing in the EU, US and Japan (Berthelot 2001).

## 6. Concluding remarks

Agriculture is a risky activity, even more so in SSA, where unsophisticated technology, scarce physical and working capital, vulnerability to weather shocks, pests, and poor rural infrastructure are structural features. Because of the high risks associated with potential gains under these conditions, peasant farmers are conventionally perceived as risk-averse. Allowing *market forces* to work under these *real* conditions, together with volatile and dumped international prices, can very possibly condemn most peasant farmers, landless workers and semi-proletarians to a permanent state of vulnerability and uncertainty, eventually leading a large proportion of peasant farmers to stop farming altogether, and therefore to the increasing precarization of working conditions for farm workers, who find it more difficult to get enough wage labour days to survive. As argues above, the expansion of agricultural output, investment in technological improvements and adoption of new techniques *without* the direct support of the State, or other legitimate agency, remain wishful thinking, particularly in a context where the 'basics' have not been sufficiently established and bearing in mind that no historical experience sets up a precedent of smallholder-led liberal path to agricultural development. So, could neoliberal policies work at all under SSA conditions in the 1980s? The answer is no. It is also doubtful that under current conditions in global capital, even after establishing the basics and the necessary 'institutional changes' a free-market path will be economically and politically feasible and viable in Africa as elsewhere.

It has been argued that agricultural adjustment in most SSA countries was driven by short-term macroeconomic considerations and that the underpinnings behind sector-specific policies were based more on ideology than on a careful assessment of long and medium-term empirical trends and the logic of intervention in the context of post-colonial SSA. One of our conclusions in this regard is that it is necessary to carry out serious, rigorous and un-dogmatic re-assessments of the experience of state intervention in the pre-reform era and understand the conditions under which a successful agricultural programme could be implemented given the current state of agriculture in most of the continent. The importance of phasing and sequencing of macroeconomic and agricultural policies and the recognition of existing heterogeneity within the farming and rural population between and within countries, cannot be overemphasised. In fact, without an appropriate understanding of agrarian structures (by classes of producers and rural dwellers, by crop, by region, etc.) and social change in rural areas, the task of establishing the key principles (and no policy blueprints) for coherent, country-specific, well-targeted and long-term agricultural strategies may be impossible.

The failure of the neoliberal experiment, the current international conditions and the available historical experience tend to point to the importance of protection and selective support policies to viable farming and forms of agricultural development that maximize the development potential of countries and that permit a relative stability of earnings and wages for farmers and their workers in developing countries, where the burden of ill-designed neoliberal agricultural experiments has been disproportionately borne. A re-orientation of policies in this direction and a more realistic set of policy principles would probably also give a sense of 'mission' and 'strategic vision' to the thousands of civil servants who have served under different and incoherent policy regimes to support agricultural development in their countries.

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