

How Might Agriculture Develop in Southern Africa?

Making Sense of Complexity

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Abbreviations and Acronyms

DRC	Democratic Republic of the Congo
EU	European Union
FDI	foreign direct investment
GMOs	genetically modified organisms
NFIDC	net food importing developing country
SADC	Southern African Development Community
TKN	Trade Knowledge Network
U.S.	United States
WTO	World Trade Organization

Executive Summary

Southern Africa is extremely vulnerable to high food prices and food insecurity, despite competitive advantages such as abundant agricultural land and a generally favourable climate. It lags behind other regions in the world in terms of agricultural development and investment, while still having large proportions of its population based in rural areas. Global agricultural trade regimes tend to lock the region into its current status, while the impact of the 2008/09 global financial crisis is being felt throughout the region. There are alarming socio-economic implications regarding these issues, which threaten to aggravate pervasive poverty and the lack of human development that characterizes the region.

The issues around food security and agriculture in Southern Africa are dynamic, complex, uncertain and difficult to address. Consequently, scenario planning and structured strategic conversations from multiple perspectives were employed as a tool (methodology) to assist in analyzing the issues. One of the main objectives of scenario planning is to help us understand the driving forces (i.e., the underlying social, political, environmental, economic and technological trends that ‘cause’ the future) and to identify the critical uncertainties that affect, in this case, Southern African agricultural futures. By generating scenarios, which is about telling future stories, participants in the process explored how the situation might unfold in the long term to shape the environment against which decision-makers will have to determine the policies and approaches of their respective organizations and countries.

Eighteen Trade Knowledge Network and agriculture stakeholders participated in a scenario planning workshop that was held in Zimbabwe in October 2008. Four country briefing papers (Zambia, Zimbabwe, Mozambique and Namibia) and a briefing paper concerning the negotiations on agricultural market liberalization under the Doha Development Round served as inputs to the workshop.² After the workshop, additional analytical inputs were provided to contextualize the findings and scenarios, particularly a brief discussion on African political economy dynamics in light of the key workshop finding that governance is a crucial scenario axis.

The report explains how the scenario planning session was structured and contains the workshop proceedings, including the four alternate future scenarios produced, namely:

- **‘I believe I can fly’** (a future in which there is excellent domestic agricultural policy and funds available for agricultural investment);
- **‘What’s going on?’** (a future in which there is hopeless domestic agricultural policy, but funds are available for agricultural investment);
- **‘This is the end’** (a future in which there is hopeless domestic agricultural policy combined with a lack of funds for agricultural investment); and
- **‘Chabuda hapana’** (a future in which there is excellent domestic agricultural policy, but a lack of funds for agricultural investment).

After the workshop, a list of risks and opportunities within each scenario was identified by the authors of this report, and some strategic options and recommendations are made based on the insights gained from the workshop and background papers. Key findings include the following:

² See further, <<http://www.tradeknowledgenetwork.net/research/regions.aspx>>.

- Increased investment in African agriculture is a medium-term possibility, since historic underinvestment has been recognized by, *inter alia*, the World Bank and regional governments as a problem. Hence it is likely that—and assuming the liquidity crunch currently being experienced is relatively quickly overcome—more money will be made available. The real task will be to ensure such funds are well spent.
- Given the region's land abundance and international interest in this, it is imperative that regional governments work out transparent and sustainable terms under which foreign governments and companies gain access to their land. This is particularly important in light of the centrality of land tenure politics to the region.
- More attention should be paid to lessons that other countries could learn from Malawi's experience with fertilizer subsidies with a view to adapting it to national conditions, as appropriate.
- International agricultural research projects with substantial payoffs for a large number of beneficiaries should be given investment priority, particularly genetically modified organisms (GMOs) that offer major potential for boosting agricultural yields and 'climate proofing' crops. Potential downsides to these technologies need to be managed.
- The spread of supermarkets, with their concomitant cold chains, and the food manufacturers that add value to basic agricultural produce could be a major boost for regional agriculture if managed proactively, opportunistically and in the interests of regional agriculture.
- There may be opportunities arising from investment relocation if the developed world and major developing countries adopt serious climate mitigation policies. Therefore, it is possible that a virtuous investment cycle could ensue in the medium term. But, clearly, there are many dangers inherent in this path, not least climate protectionism in those same developed country markets and the direct impacts of climate change on regional agriculture.
- Solving the problem of inefficient internal markets in the region substantially depends on securing sufficient investment in infrastructure. It also depends on establishing regional trading arrangements that facilitate agricultural trade and connect surplus regions with deficit regions. Both opportunities are within the reach of national governments.

1. Introduction

The imperative behind this report was, and remains, global and regional dynamics concerning food security and agriculture development in Southern Africa in a rapidly shifting international context. That context witnessed, in the space of one year (2008) a rapid escalation in prices of basic food commodities, followed equally rapidly by the developed world financial crisis, its propagation to developing countries and subsequent declines in the prices of many food commodities. Consequently, the dynamics concerning food security and agricultural production in Southern Africa have fluctuated radically, and will no doubt do so again in the near future.³

While the precise attribution of the various causes of food price fluctuations are difficult to pin down, it is clear that the basic cause is a growing mismatch between supply of food and demand for it. The main factors inhibiting supply are hitherto rising energy prices feeding through energy intensive supply chains, diversion of grains to biofuels production in response to concerns over global warming, drought in key producing countries (and the prospect of future ‘climate shocks’) and declining productivity in food production (accompanied by decreasing stocks). Demand is rising in tandem with population growth in Asia particularly, within which rapidly growing urban middle classes in China and India are consuming more grain-fed meat products. The global financial crisis, while severe in its impact, will likely affect these dynamics only temporarily.

Food security and agriculture in Southern Africa is a complex, uncertain and ‘messy’ topic to address. The issues are not static, linear, rational or stand alone, and they have massive impacts and consequences. These issues are furthermore characterized by being interconnected in complex ways. Add ‘emergent issues’ to the mix—those issues, such as the impact of climate change, that we have not yet worked out the full dimension of, or have not got a proper vocabulary for—and our analytical approaches can be usefully augmented by techniques such as scenario planning that are designed to enhance our understanding of complex situations.

This document arises from a scenario-planning process involving stakeholders in the agricultural sector in Southern Africa. *Scenario planning is a thinking tool designed to stimulate interesting strategic conversations.* Its objective in this case was to identify the driving forces and critical uncertainties in the regional agricultural environment, and then to explore how these might unfold in the long term to shape the setting against which decision-makers will have to determine the policies and approaches of their respective organizations and countries.

The broader process included commissioning four country briefing papers;⁴ a briefing paper setting out the broad contours of the World Trade Organization (WTO) dynamics concerning agriculture under the Doha Development Agenda;⁵ a workshop conducted in Harare where these papers were presented

3 J. von Braun, “Food and financial crises: Implications for agriculture and the poor,” IFPRI brief prepared for the CGIAR Annual General Meeting, Maputo, Mozambique, December 2008.

4 Mona Frøystad, Jürgen Hoffmann and Klaus Schade, “Agriculture: Future scenarios for Southern Africa: Country briefing – Namibia” (Geneva: TKN, 2008); Gilberto Biacuana, “Agriculture: Future scenarios for Southern Africa: Food production in Mozambique and rising global food prices” (Geneva: TKN, 2008); Humphrey Mulemba, “Agriculture: Future scenarios for Southern Africa: The livestock sector in Zambia and rising food prices” (Geneva: TKN, 2008); Eva Mudzonga and Tendai Chigwada, “Agriculture: Future scenarios for Southern Africa: A case study of Zimbabwe’s food security” (Geneva: TKN, 2008); all available at <<http://www.tradeknowledgenetwork.net/research/regions.aspx>>.

5 Hilton E. Zunckel, “Agriculture: Future scenarios for Southern Africa: Background briefing paper” (Geneva: TKN, 2008), <<http://www.tradeknowledgenetwork.net/research/regions.aspx>>.

and used to inform the scenario development process; and a post-workshop phase of tying down the scenario frameworks and writing this analytical report.

It is important to note that while the briefings contained much useful country-specific detail and an analysis of the multilateral trading system's agriculture dynamics in relation to Southern Africa, we do not claim that this document base and subsequent scenario generation amounts to a comprehensive empirical delineation of the region's agricultural future. Indeed, as we outline below, that future is inherently unknowable; but, more importantly, there are too many countries and individual circumstances to generalize with any degree of confidence across the region as a whole. This complexity is reflected in the report's title. Rather, our purpose is to bring some degree of order, admittedly at a general level, to the analysis of forces shaping the region's agricultural futures and potential. As such, it is unavoidably subjective.

The report is structured as follows. Section 2 explains the scenario development process. Section 3 provides a brief synopsis of key issues in African political economy, especially challenges in building states capable of driving domestic reform processes, and the extent to which external subsidies in the form of official development assistance are necessary to drive development. Section 4 is devoted to constructing the scenarios and how they might evolve in relation to key forces shaping agricultural development in the region. These driving forces form the basis for a brief assessment in section 5 of opportunities and risks for the region in relation to three of the scenarios developed (the fourth, '**This is the end**', contains no opportunities whatsoever, and needs no further discussion). Section 6 concludes with a series of options and recommendations for policy-makers to consider.

2. Why Develop Scenarios?

The scenario planning method is most widely used as a strategic management tool, but in this case was used more for enabling insightful group discussion about the future of sub-Saharan agricultural issues in order to establish some analytical clarity, in a holistic way, to the complex issues presented. We are of the opinion that this approach yielded significant fruit, the evidence for which is contained in this rich report.

Scenarios are descriptions of possible future contexts in which we might find ourselves, and they are typically presented as a small set of stories about how our surrounding environment might have evolved into the future.⁶ As used in business and public strategic planning, scenarios can be seen to have three essential characteristics,⁷ i.e.:

1. Scenarios are not predictions. However thorough futures research may be, *it cannot predict the future* by using current methods of science, and the best a futures researcher can do is to explore the emerging landscape of the future and to paint the images that are arising.
2. Scenarios *profess to be sketches* or outlines. They seek to map the thrust of change, to identify key 'branching points' of the future and to highlight the major determinants that might cause one future to evolve rather than another. They focus attention on the logical dynamics and interaction of unfolding events. They are not exhaustive descriptions of all possible outcomes.

6 R. Ramírez, K. van der Heijden and W. Selsky, *Business planning for turbulent times: New methods for applying scenarios* (London: Earthscan, 2008), p. 4.

7 I. H. Wilson, "Scenarios," in *Handbook of futures research*, edited by J. Fowles (Westport: Greenwood, 1978), pp. 226–27.

3. Scenarios are *multifaceted and holistic*. They represent a synthesis that encapsulates important aspects of (future) reality and focus attention on this.⁸

There is no one correct way of constructing scenarios, although common themes do appear in the literature. May summarizes the major procedural steps in the construction of scenarios below,⁹ and the comments in italics describe the process as it was undertaken in the Harare workshop.

- Identify the central concerns of the users of the scenarios. What are the key decisions that will need to be made or the key issues involved? Ask the right questions. *This step preceded the Harare workshop and took the form of briefing papers. Summaries of these papers were then presented and discussed at the workshop.*
- Identify the developments or driving forces that are likely to have the most important influences on these central concerns in the future. These could include scientific or technological developments; political, economic and social changes; or anything that could have a major impact on the central concerns. *A list of driving forces deemed 'key certainties' was identified by the participants and clustered into broad themes, i.e., social, economic, natural, etc. Thereafter, participants identified uncertain driving forces ('key uncertainties').*
- Assess the importance and the uncertainty of the driving forces for the central concerns. The identification of two or three such critical factors is useful in the next stage of defining the central themes of the scenarios, since they could be important in bringing about quite different futures. *This was done with the aid of an impact/uncertainty chart and is discussed in section 4.*
- Selection of the scenario logics, i.e., the main themes or assumptions around which the scenarios are to be constructed, is crucial. Schwartz suggests that it is important to end up with 'a few scenarios whose differences make a difference to decision-makers'.¹⁰ Themes that seem likely to lead to clearly different future situations are the most useful. *The scenario gameboard was developed in Harare and is discussed in section 4.*
- Develop the scenarios, usually in the form of narratives that present a plausible sequence of events. They should centre on the impact of each of the scenario themes on the driving forces identified earlier. A balance needs to be struck between detail and ease of understanding. As outlines, scenarios are not intended to cover all events, and one or two pages should therefore be sufficient. Anything longer is difficult for users to understand. *The scenario narratives were constructed by the authors after the workshop.*
- Analyze the impact of the scenarios on the key concerns with which the process began. This may reveal common themes that seem likely in the different circumstances envisaged by the scenarios, help identify robust decisions that will probably remain relevant in different situations, or stress the need to monitor volatile and uncertain situations. *This took place after the Harare workshop among the principal authors of this report; the outcomes are contained in sections 5 and 6.*

8 A. Roux and T. Hichert, "Thinking about the future and strategic transformation," in *Business futures 2008*, edited by A. Roux (Bellville: Institute for Futures Research, University of Stellenbosch, 2008), p. 23.

9 G. H. May, *The future is ours: Foreseeing, managing and creating the future* (London: Adamantine Press, 1996), pp. 165–66.

10 P. Schwartz, *The art of the long view: Planning for the future in an uncertain world* (New York: Doubleday, 1991), p. 229.

- Analyze the implications for policy and identify indicators that will help monitor changes as they occur. A series of questions can be useful at this stage, such as: ‘Do certain decisions seem more likely to be successful in different circumstances, while others appear to depend on only one set of circumstances?’ *This is reflected in section 6.*

As such, large parts of this report are made up of ‘subjective’ opinions. Through the process of strategic conversation at the workshop, however, these opinions were considered, subjected to critical enquiry and other perspectives, and contained within the scope of the subject as set out in the briefing papers. All human beings bring their mental models and paradigms to bear on actions, decisions, behaviours and opinions. The Harare workshop participants are no different, and neither are policy decision-makers.

3. The Political Economy of African Agriculture

Here we first provide a political economy analysis relating to challenges facing African governance, with a view to ‘intellectually grounding’ our forthcoming scenario assessment. Then we provide a brief economic overview concerning the importance of agriculture to countries in Southern Africa, before briefly synthesizing key findings from our country briefings and background briefing.

In our Harare workshop, the two key uncertainties identified, which subsequently formed our scenario axes, were the role of domestic policy and the availability of external financing. The literature review that follows consequently pays particular attention to constraints on state action, whether ‘the’ African state is capable of pursuing appropriate policy courses, and whether external finance is essential to the broader development process in Africa or not. The review of our country briefings highlights problems with state incapacities and some cases where such weaknesses are being overcome; and broader constraints concerning economic development in the region, notably weaknesses in provision of supply side infrastructure and inputs into productive processes.

3.1 Literature Review: African Political Economy

Southern Africa contains a high concentration of least developed countries: 8¹¹ out of the global total of 49. Partly this is a function of political processes, discussed below. Substantially it is a function of small domestic economies that are largely rural and subsistence based with weak productive capacities. Indeed, many economies remain substantially informal, whereas their populations are dependent on subsistence agriculture. Southern African states’ relationship to the global economy is fundamentally different to that of their developed country peers, and many other developing countries (especially in Asia). The region is by and large incorporated into the global economy as an exporter of commodities based substantially on preferential access to developed country markets, primarily the European Union (EU) via the Cotonou Partnership Agreement, and as an importer of manufactures and services.¹²

This aggregate picture is the basis for gloomier assessments of African development prospects, characterized as ‘development traps’.¹³ In Collier’s formulation, there are four such traps in which the countries he classifies as ‘the bottom billion’¹⁴ are wedged:

11 These are Angola, the Democratic Republic of the Congo, Lesotho, Malawi, Mozambique, Madagascar, Tanzania and Zambia.

12 Of course, this aggregate picture requires some nuancing. South Africa, Botswana and Namibia do not readily fit this bill.

13 P. Collier, *The bottom billion: Why the poorest countries are failing and what can be done about it* (Oxford: Oxford University Press, 2007).

14 The term refers to the combined population of countries on the lowest rung of the economic development ladder; in Collier’s formulation, these are concentrated in Africa and Central Asia (*ibid.*, p. 3).

1. **The conflict trap:** Essentially, wars and coups keep countries from growing and hence dependent on primary commodities. But because they are poor, stagnant and dependent on primary commodities, they remain prone to wars and coups.¹⁵ It is difficult to develop commercial agriculture under such conditions (Angola, Mozambique and the Democratic Republic of the Congo [DRC] being the principal examples in Southern Africa).
2. **The natural resources trap:** Resource rents make democracy malfunction by unleashing patronage politics in societies lacking sufficient restraints on such behaviour owing to pervasive institutional weaknesses. In Collier's view, this closes off economic development possibilities.¹⁶ Incidentally, he views this trap as not being confined to the 'bottom billion', but also affecting middle income countries, which then stagnate at that level. In Southern Africa, some countries seem to have evaded this trap (Botswana, South Africa); others seem to be mired in it (DRC, Zimbabwe). Regarding agriculture, the effect is to siphon off resources that should be productively invested into rent seeking activities.
3. **The trap of being landlocked with bad neighbours:** Poor landlocked countries depend on their neighbours not just for their economic infrastructure and access to the sea, but also as export markets (in Southern Africa this includes a number of states: Lesotho, Swaziland, Botswana, Zimbabwe, Malawi, Zambia). In Southern Africa, economies are small and infrastructure is woeful. Ironically, the problem is worse for resource scarce countries, as they face additional hurdles to development of infrastructure, even if for resource extraction.¹⁷ These problems are compounded by another pernicious feature of economic development: the tendency for economic activity to concentrate in favoured locations, bypassing neighbours. This tends to be in coastal locations with their easier access to global markets.¹⁸ These factors combine to ensure underinvestment in agricultural potential.
4. **The bad governance trap:** Countries in the bottom billion that also have bad governance and bad policies are most likely to end up as 'failed states' in which reform initiatives are quickly overwhelmed by those who benefit from disorder.¹⁹ However, Collier qualifies this by arguing that even good governance and good policies cannot propel a country into rapid growth if it does not have opportunities to grow. This reinforces the importance of external (to Southern Africa) constraints on agricultural development, particularly the nature of developed country agricultural protection systems. However, as noted in section 4, participants in our Harare workshop did not regard these constraints as binding, or at least viewed government policy and access to external finance as more critical.

Collier sees these problems as being particularly concentrated in Africa, with 70 per cent of the 'bottom billion' being African and living in countries that have been or are in one or another of these traps.²⁰ In his view, it is possible for countries to break free of these traps, but he sees the current global economic environment characterized by China and East Asia's manufacturing dominance as being much more hostile to new entrants now than in the past; hence, breaking free and sustaining the path is, in his view,

¹⁵ *Ibid.*, p. 27.

¹⁶ *Ibid.*, chap. 3.

¹⁷ *Ibid.*, chap. 4.

¹⁸ World Bank, *Trade blocs*, policy research report (Washington, DC: Oxford University Press, 2000), pp. 51–61.

¹⁹ Collier, chap. 5.

²⁰ *Ibid.*, p. 7.

much more difficult. Clearly, this constraint has been rendered even more challenging as the global financial crisis continues to unfold; similarly, developed country agricultural policies share a substantial part of the blame for the underdevelopment of African agriculture. Collier characterizes the situation his ‘bottom billion’ face as being a ‘black hole’.²¹ This resonates with Herbst’s argument that about 11 African countries may benefit from globalization, whereas he regards the rest as being seriously threatened by it.²² And this leads logically to the view that external subsidies, or overseas development assistance, are required to enable these countries to ‘break free’ of the traps they find themselves in. This reinforces the importance of our ‘money axis’ in the scenarios, as discussed in section 4.

However, this view of ‘development traps’ or ‘poverty traps’ preventing countries from developing is contested. By and large, they place the onus for underdevelopment outside of the country concerned, in circumstances beyond their control. By contrast, Bauer sees substantial economic activity in poor countries happening below the radar of official statistics, and because it is not formally captured and amenable to modern policy analysis, it often suffers from poorly designed policies predicated on the notion that the informal economy is unproductive.²³ He argues, for example, that the role of traders in promoting development has long been neglected in development economics. In his view, developing countries that have the most commercial contact with the West have developed most rapidly, largely owing to the role played in their economies by traders mediating interactions with the developed world. This resonates with the ‘inefficient internal markets’ driving force we identified in our workshop (see the scenario gameboard, figure 5 in section 4), with the implication being that increasing the efficiency of domestic and regional agricultural markets could initiate a virtuous cycle of development. Similarly, Bauer argues that, contrary to popular belief, what we think of as ‘subsistence production’ actually embodies substantial capital investment, albeit off a low base.²⁴ Hence he is suspicious of the notion that external subsidies are required for Collier’s ‘bottom billion’:

Throughout the world and throughout history, countless individuals, families, groups, communities, and countries have emerged from poverty to prosperity without donations and often did so within a few years or decades The hypothesis is also disproved by the existence of developed countries, all of which started poor and developed without subsidies. If external subsidies were indispensable for economic advance, mankind would still be living in the Old Stone Age.²⁵

Bauer argues that poor people can generate sufficient funds to ‘start on the road to progress’,²⁶ and that contrary to conventional wisdom, capital accumulation is the result of successful economic performance, not its precondition.

Clearly, one key to unlocking the development of Southern African agriculture is appropriate policies and implementation supportive of domestic initiative and rooted in domestic realities: the state has a critical role to play. Unfortunately, sub-Saharan Africa in general, and Southern Africa too, has its share of failed states.

²¹ *Ibid.*, p. 6.

²² J. Herbst, “Africa and the challenge of globalization,” paper presented at the conference on Globalization and Economic Success: Policy Options for Africa, Singapore, 7–8 November 2005.

²³ P. Bauer, *From subsistence to exchange and other essays* (Princeton: Princeton University Press, 2000).

²⁴ *Ibid.*

²⁵ *Ibid.*, p. 44.

²⁶ *Ibid.*, p. 45.

An archetype in this genre is the analysis by Chabal and Daloz.²⁷ They argue, correctly, that the nature of politics in ‘black Africa’ needs to be understood in its own terms rather than through the prism of Western models. In their view, the failure to do so has led to ‘historically unrealistic expectations ... in terms of the development potential of a modern independent Africa’.²⁸ Whereas Western modernization theories see development as a chiefly linear process of advance along largely Western lines towards technological and bureaucratic sophistication or ‘order’ and in terms of politically open societies, in Chabal and Daloz’s view, (black) African societies have acquired the instruments of technological advance while remaining ‘obdurately traditional’ in their organizational and political arrangements.²⁹ They argue further that ‘success’ in the African context is equated with material advance linked to neopatrimonial relations rather than economic growth and ‘development’ linked to an ascetic ethic in the Western (Protestant) sense.³⁰ Logically, in this framework, short-term micro perspectives dominate political action, rather than long-term macro perspectives,³¹ impelling political elites or ‘big men’ to prioritize their networks of influence over national development priorities. So, while the trappings of modern bureaucracy are often in place, conduct within them remains traditional and personalized rather than bureaucratic and ordered. Thus, as the title of Chabal and Daloz’s intriguing book suggests, politics tends towards disorder and undermining of state institutions, largely owing to the prevalence of patrimonial politics across the subcontinent.³² They conclude that this political dynamic is inimical to development.

This resonates with Herbst’s scheme, in which African states barely control the territory within national borders, never mind a concerted development process.³³ This arises from a context where African states are geographically large, while populations are predominantly small, rural and dispersed, and physically disconnected; and institutions are characterized by pervasive weakness. This confluence renders internal political authority tenuous; hence, rulers are primarily concerned with maintaining existing authority rather than with ‘development’. This limits the extent to which they are prepared to cede control to others, whether internally or externally; while in some cases authoritarian instincts compound this dynamic. Herbst argues persuasively that Africa’s crisis is best understood as a generalized crisis of the state. This reinforces the proposition that the challenges on the path to building viable states in Africa are formidable indeed. It also reinforces the need for a tailored approach, and one that seeks to consolidate the successful reformers as the building blocks for broader regional approaches.

From the foregoing, it is clear that getting domestic agricultural policy and implementation right in Southern Africa is a tall order. Clearly, there are major constraints on the strategic options available for shifting the region from its current position in the ‘**This is the end**’ scenario to the ‘**I believe I can fly**’ scenario (see below). Given the region’s dependence on external donor communities, it is also clear that both will have to collaborate in order to achieve this. But that collaboration will occur in the context of broader forces shaping agricultural development in the region, to which we now turn.

27 P. Chabal and J. Daloz, *Africa works: Disorder as political instrument* (Oxford: James Currey, 1999).

28 *Ibid.*, p. 142.

29 *Ibid.*, p. 145. They note that Asian societies, by contrast, have generally acquired the technological and bureaucratic forms often without acquiring political openness.

30 H. H. Gerth and C. Wright Mills, *From Max Weber: Essays in sociology* (London: Routledge, 1948), chap. XII.

31 Chabal and Daloz, pp. 145–62.

32 *Ibid.*, p. 147.

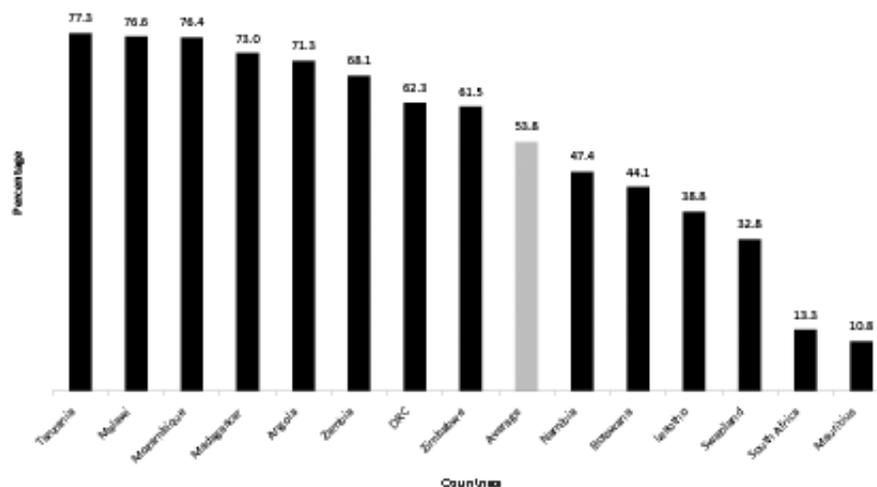
33 J. Herbst, *States and power in Africa: Comparative lessons in authority and control* (Princeton: Princeton University Press, 2000).

3.2 Synthesis of Case Study Findings

Agriculture is a very important sector in broad based development and poverty reduction strategies in the Southern African Development Community (SADC) countries. The sector raises farm incomes and creates overall demand to the rest of the economy. The demand for services and local products that farm incomes create has economy wide spillover effects. Below we briefly discuss agriculture's contribution to employment, gross domestic product (GDP) and exports.

Agriculture is the most predominant sector in most SADC member states and about 70 per cent depend on the sector for their livelihood: food, income and employment.³⁴ As illustrated in figure 1, on average agriculture directly employs about 53.8 per cent of the working population; in most SADC member states, agriculture directly employs more than 50 per cent of the working population.

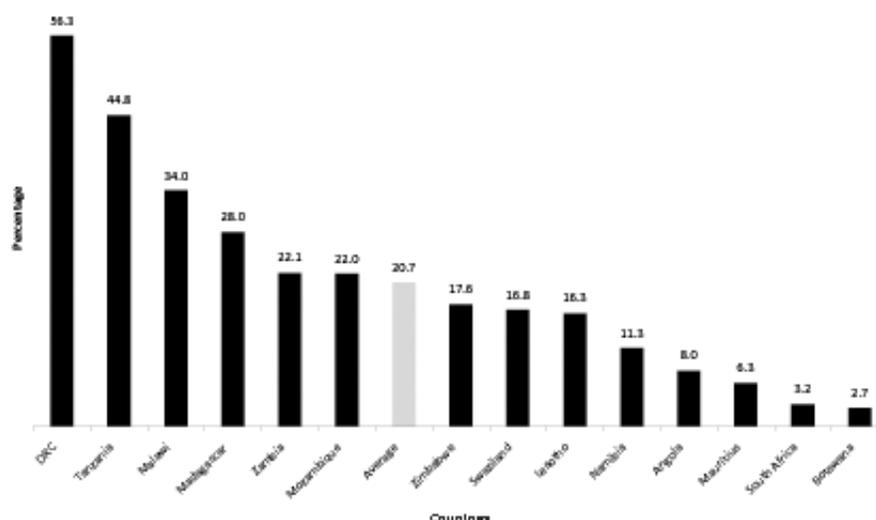
Figure 1: Contribution of agriculture to SADC members' employment, 2004 (per cent of working population)



Agriculture's contribution to GDP has been substantial over the years. Despite its relative decline in recent years, the sector still remains the engine of growth in most SADC member states. As illustrated in figure 2, in most member states agriculture accounts for more than 20 per cent of GDP. In most countries, agricultural growth linkages are higher than those in other sectors in both rural and urban areas. Even in countries where agriculture accounts for a smaller proportion of GDP, it still employs a considerable number of the working population. As illustrated in figures 1 and 2, in Namibia and Lesotho, for example, agriculture represents only 11.3 per cent and 16.3 per cent of GDP, respectively, but it employs 47.4 per cent and 38.8 per cent of the total labour force, respectively. This illustrates the crucial role that agriculture plays in the welfare of the region.

³⁴ Southern African Development Community, *Strengthening the role of agriculture in poverty alleviation* (Gaborone: SADC Secretariat, 2008).

Figure 2: Contribution of agriculture to SADC members' GDP, 2004 (per cent)



Agriculture is also an important source of exports for SADC countries, especially those that do not rely on mineral commodity exports. In those countries, agricultural exports are an important source of foreign exchange earnings. Agriculture accounts for about 13 per cent of total regional export earnings.³⁵ Moreover, it contributes about 66 per cent to the value of intra-SADC trade.³⁶ Hence, the performance of agriculture is important to the region's food security, economic growth rate and economic stability. The sector is also an important source of raw materials for the region's agroprocessing sector.

Unsurprisingly, there is growing international interest in Southern Africa's obvious comparative advantage in the international trading system: abundant land. Over time, this will ensure greater pressure on Southern African governments (at least, those in control of fertile lands) to release land to commercial producers, both domestic and foreign, for food and biofuels production. That will pose substantial political challenges regarding land control and ownership, and in time may usher in sweeping changes to the stewardship of land across the region. Given the centrality of land and urbanization to African politics in general, in the context of generally weak (in the institutional sense) states, this could mean a rocky ride ahead, or major opportunities, depending on one's perspective. Consequently, the issue of land tenure politics featured prominently in the country briefings, and also at the Harare workshop.

While reform of the global agricultural trading system is long overdue and pressing, it is unlikely to be conducted in a big bang fashion and certainly not via the Doha Development Agenda. Much depends on the products concerned and the interplay among quota expansion, tariff reduction (or not), and subsidy removal and/or disciplining. Subsidy reductions should be good for African farmers and in principle should encourage more commercial production for export markets. Offsetting this, tariff reductions and quota expansions may not suit some African farmers: they benefit from preferential access to European markets especially; reduced tariffs and expanded quotas mean the margin of preference will diminish. Overall, the major beneficiaries from such reforms, at least in the short to

³⁵ *Ibid.*, p. 4.

³⁶ *Ibid.*

medium term, are likely to be major agricultural exporters in North America, Latin America, South East Asia and Australasia; much depends on the extent to which major agricultural exporters divert exports into developed country markets to take advantage of new market access. But in the medium to long term, as African farmers' litany of constraints are addressed and, it is hoped, removed, and assuming that climate change adaptation is adequately managed, they too should benefit.

This discussion, while clearly not exhaustive, nonetheless highlights the crucial interface between international constraints and domestic policy trajectories. Next we briefly outline how our four country case studies are poised to address these challenges and opportunities.

The Zambian briefing focuses on rising prices in the Zambian livestock sector (because of its role in food security), the controversy over livestock disease management in Zambia and the challenges faced by the livestock sector to meet expectations. The briefing argues that the Zambian livestock sector has experienced general price increases caused by rising costs of fuel and inputs, climate change, and economic pressures that force vendors to sell at higher prices to meet their needs.

The briefing recommends that the government should tackle key supply side constraints in order to alleviate price increases in the livestock sector. The ways identified to mitigate the factors causing price increases were infrastructure development, improved access to credit, the funding of research facilities, improved disease control management, improved irrigation management and regional collaboration among institutions.

The Namibian briefing argues that food prices in Namibia have increased less than in other countries in the region due to a conservative pricing agreement between producers and millers. In Namibia, prices of basic food commodities are negotiated between producers and millers before every planting season. In this way, price shocks to both millers and producers are smoothed out, which allows for better planning for the producers and also to some extent shields consumers from immediate price shocks.

About 75 per cent of Namibia's total population of about two million depend on subsistence farming for their household food security. It is the rest of the population, especially poor urban dwellers, who are vulnerable to food price increases. The agricultural sector's performance is strongly dependent on weather conditions; hence, national food self-sufficiency varies between 35 per cent and 75 per cent of total demand.

Namibia is designated a net food importing developing country (NFIDC), which gives the country more policy space to increase national food production.³⁷ The government has adopted a set of measures to counteract the effects of climate change and rising food prices on the national food security situation of Namibia. These include the usage of natural water courses for irrigation farming, the construction of national storage capacity for staple grains, increased long-term production through title deeds and targeted extensions, and targeted food assistance. Furthermore, the government controls imports of staple food and horticultural products in order to increase food security and exploit Namibia's agricultural production potential.

³⁷ WTO members adopted the NFIDC decision out of recognition of the negative effects that least developed countries and NFIDCs would experience in terms of the availability of adequate supplies of basic foodstuffs, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs in the face of greater liberalization of trade in agriculture. In this context, Namibia, as an NFIDC, is entitled to full and favourable consideration by developed country WTO members for technical and financial assistance to improve its agricultural productivity.

The Mozambique briefing analyzes the state of food production in Mozambique and the policy responses that the government has adopted to mitigate the transmission of international food prices to domestic food markets. The briefing argues that Mozambique was affected by the increase in global food prices, with global increases in prices of rice and wheat having the greatest impact on domestic prices of these commodities. The impact has been severe because of limited domestic production of these food commodities. The briefing shows that the state's underinvestment in agriculture and its limited participation in markets of key agricultural inputs have affected food production negatively. However, the 'Green Revolution' strategy, the Food Production Action Plan and continued investment in key agricultural infrastructure can be expected to reverse the current food production situation in the medium to long term. If these plans are realized, the agricultural potential of the country can be fully utilized and food shortages and high prices could be a thing of the past.

The briefing further argues that private sector participation will be crucial for the development of the country's agricultural sector. However, in order to attract private sector investors to agriculture, the government will have to improve the country's investment climate situation, roads, marketing infrastructure and credit markets and resolve the problems that still persist with regard to land tenure. The success of new strategies to redevelop the agricultural sector will depend on how they are implemented.

The Zimbabwe briefing argues that the effect of the global food crisis has been exacerbated by the country's current worsening economic crisis. Food production in Zimbabwe, previously the breadbasket of Southern African, has remained below subsistence levels since 2000. Neglect, price controls and the failed land reform programme have led to decreased agricultural productivity.

The government has embarked on several short- to medium-term and long-term support programmes for equitable production, acquisition and distribution of food. Farmers get a variety of subsidies in the form of seed, fertilizer and equipment. Regarding trade policy, trade liberalization was the most significant policy reform implemented under economic structural adjustment programmes in the 1990s. Under these programmes, Zimbabwe simplified its tariff structure and significantly reduced the average applied rate to reduce the cost of imports. The briefing recommends additional domestic and trade policy measures to improve investment and development in agriculture for the benefit of Zimbabweans and the region as a whole.

Overall, the country briefings and discussions at the Harare workshop highlighted the central role of the state, through both appropriate policy and effective implementation, in addressing agricultural concerns and food security. Proper attention to building economy wide supply side support systems, and the role of regulation (either liberal or through more control as circumstances and state capacity dictate) are essential. Similarly, all countries exhibited substantial vulnerability to external developments in food prices. Finally, if the domestic and external constraints could be properly addressed, in all cases the countries have significant agricultural potential. Next we turn to the discussion of the scenarios.

4. Southern African Agricultural Futures: Scenario Framework

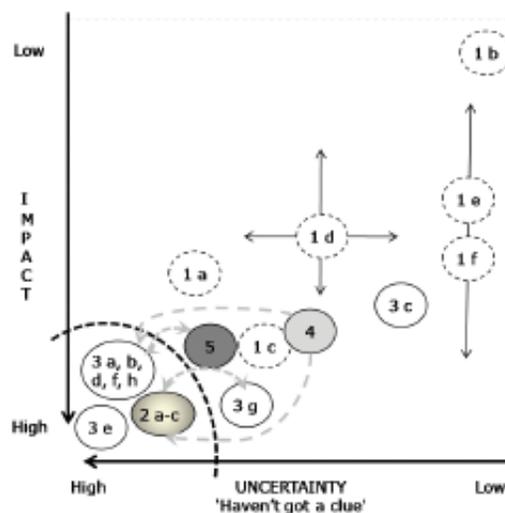
Whereas the preceding analysis was largely based on academic and empirical sources, what follows constitutes the subjective and, we would argue, original contribution of this report. As outlined in section 2, a core part of the scenario methodology is to discern what we do not know about the future and to use these 'key uncertainties' to generate scenarios. This process was undertaken at our workshop

in Harare; much of the background detail to that process is contained in appendices A, B and C. Here we codify those key uncertainties into an ‘impact/uncertainty’ chart (figure 3); then we take the cluster of key uncertainties that are both highly uncertain and high impact and use these to generate our scenarios. We do not specifically designate a time frame for these scenarios, since the purpose of this report is not prediction per se. However, if pressed, we would proffer a five to ten year time horizon.

4.1 Impact/Uncertainty Chart and the Scenarios

In what follows, it is important to remember that ‘high uncertainty’ does not equal ‘high improbability’. High uncertainty means we have less knowledge about how something may pan out; it does not mean that something is less likely to happen.

Figure 3: Impact/uncertainty chart



Those key uncertainties that are the most uncertain and that pose the greatest possible impact—those in the bottom left-hand corner of the chart—are often those that will shape the most helpful and realistic scenarios. For regional agricultural sutures they are most of the ‘domestic policy’ cluster (3 a, b, d, f, h) and access to land (3 e) in particular; and uncertainties around ‘funding’ (2 a, b, c). At the workshop, these uncertainties were rephrased as follows:

Excellent domestic agricultural policies vs. hopeless domestic agricultural policies

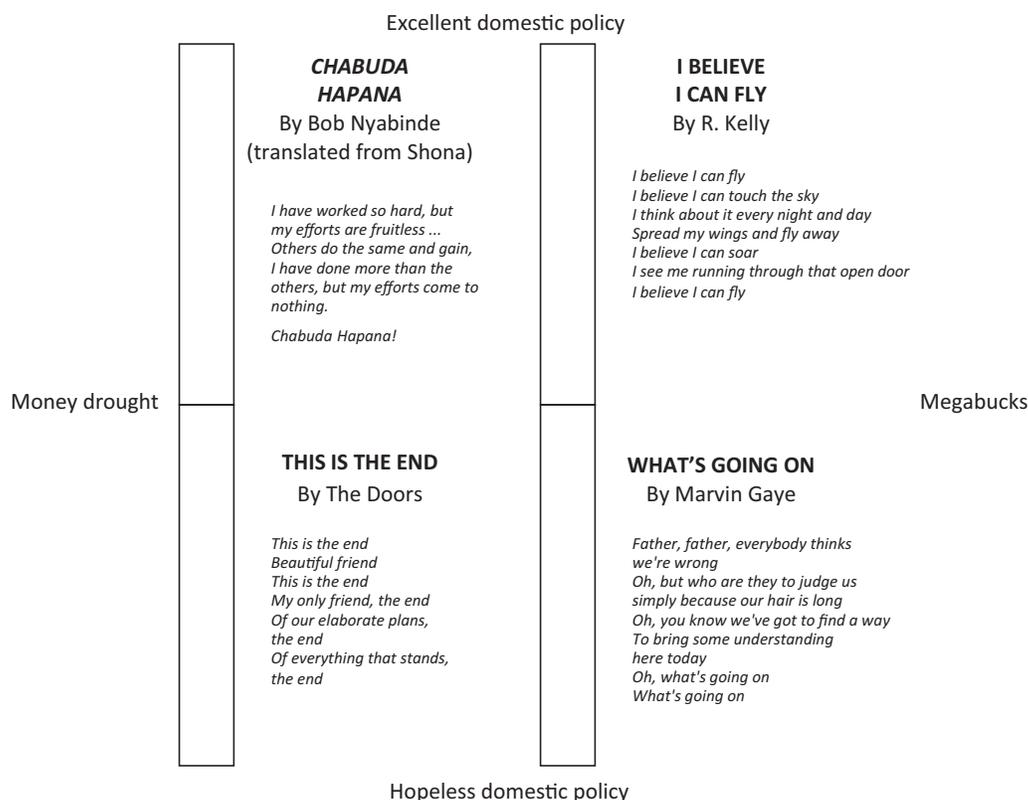
and

Megabucks for agricultural investment vs. a money drought

They were then expressed as opposite extremes to provide the framework for four possible scenarios (with descriptive song titles), as shown in figure 4.³⁸

³⁸ In the original, the title ‘What’s going on’ does not have a question mark at the end. A question mark has been added in its use elsewhere in this paper to express the sense of confusion that this song communicates.

Figure 4: Scenario framework



While the scenario titles were developed at the workshop, the descriptions were developed afterwards by the principal authors of this report. It is important to recall that they are proffered in the form of stories rather than as objective fact. They are presented in detail below.

**Scenario 1: 'I believe I can fly':
Excellent domestic policy and megabucks for agricultural investment**

It was a long hard slog with several false starts on the domestic fronts, but eventually, ten years down the line, the Southern African region can look back with pride to its agricultural and food security accomplishments. Like most of these developments, it is hard to pinpoint where it all started, but, paradoxically, it seems the effects of the 2008/09 global financial crisis played an initiating role—a sense of realism kicked in.

African politicians and policy-makers realized that they simply did not have as much room to manoeuvre when it came to nonsensical agricultural policy; food prices remained high; fiscal constraints kicked in; imports remained expensive, as well as hard to come by because of droughts in Australia and Argentina; and the domestic private sector proposals were the best deal on the table at the time. The major investment inflows and public infrastructure projects only followed later.

Luckily sanity, transparency and good corporate governance prevailed and the initial successful models were mostly public–private partnership ones, with some Indian venture capital funding thrown in for good measure. Some of the most innovative models originated in Zimbabwe (of all places), largely because land ownership and

tenure had to be addressed from scratch, given the conditions attached to economic rescue packages and humanitarian bailout provided by the EU and United Nations. Malawi's successful experiment with agricultural input subsidies (fertilizers) also had a powerful regional demonstration effect.

From these initial examples of sustainable non-traditional production and value added products (a large percentage of which are exported these days), the message spread: 'It can be done'

The Gates and Rockefeller Foundations funded technological and agricultural research expertise, and somehow governments, universities, non-governmental organizations and some big food production companies (Nestlé and Unilever in particular) did too. SADC, which provided a forum for sharing, learning and capacity building, certainly also made a huge difference. Now Southern African small scale farmers with their eco friendly labour intensive production methods have contributed to turning the region into a net food exporter and earn a premium for their products on international food markets. Just ask M3: the Maputo Mushroom Millionaire! Of course, the big conglomerates are there too with their biofuel and cash crops, but they are well regulated and policed when it comes to water usage, biodiversity protection, labour policies and pesticide application.

The most remarkable of all is that five urban areas in Southern Africa are setting global best practice benchmarks in how to make a success of urban agriculture, producing fruit, vegetables and free range poultry on previously derelict plots of land and periurban wastelands—right there where the consumers are

Scenario 2: 'What's going on?':

Hopeless domestic policy and megabucks for agricultural investment

The Obama presidency lived up to African expectations and provided a spurt of new investment, especially for agriculture. However, it was only during the beginning of his second term that the other serious money entered the fray. Everything from private equity funds to donor aid to sovereign wealth funds poured money into the subcontinent. There was more than enough investment looking for a return, because the effects of the 2008/09 financial crisis only lasted about two years instead of the expected four to five. And with China, South East Asia and India all growing at double digit rates, investors were desperate for land and cheap labour. The Chinese even built a hydroelectric power station and associated irrigation system that could serve virtually all of Zambia and Zimbabwe, while Maputo's port became a world class asset.

But ... where is the food production?

At regional forums, academics and policy-makers debate the situation endlessly, but few are brave (or brazen) enough to highlight the key reasons for the discrepancy. It is because politically charged issues such as subsidies, farmer support, land tenure and reform are an utter mess. And this is not only the case for one or two countries, but *all* of them. In some cases there is too little state intervention, and in others too much, but the fact remains that not one Southern African state has even a remotely decent set of domestic agricultural policies. Some observers say it seems like a conspiracy of the gods, and that Africa will never get it right and will always be a basket case instead of a breadbasket.

And, as feared, the financial inflows went hand in hand with the usual charges and rumours of bribery and corruption—a leopard does not change its spots, after all Some brand new billionaires emerged by skimming it off the top, and what used to be coastal wetland is now sugarcane on steroids. It is ironic, and sad also, that nearly all Southern African countries still rely on (expensive) food imports and food aid.

Scenario 3: 'Chabuda hapana':³⁹

Excellent domestic policy, but a money drought for agriculture

The 2008/09 global financial crisis and its aftermath actually caused governments and institutions to pause and think, and as a result many Southern African states went back to the drawing board with regard to food and agricultural policy. There was scepticism initially, but with all stakeholders involved equitably and a regional forum at which to raise the issues, buy-in was eventually achieved. Some of the world's and region's finest minds contributed to the process, with the Rockefeller Foundation being instrumental in funding and facilitating the initial think tanks.

A myriad of complex issues were addressed, ranging from politically sensitive ones like land tenure and ownership through to the seemingly intangible ones like what motivates people to innovate and be productive. These gatherings were intellectually stimulating indeed. Most inspiring, though, was the demonstration of political will and long-term orientation that resulted in the effort to actually try and implement most of these enlightened policies—policies that would benefit those in the region that really needed it, while at the same time providing incentives for the private sector.

However, nothing came of all the effort, goodwill and intellectual capital, because there was just never enough investment to build critical mass. This was not only due to the lack of credit. Donor money was scarce because so much of it was, and still is, targeted at climate change refugees and natural disaster relief. The private money flowed to Latin America—in particular Brazil—where genetic technology, disregard for the environment and commercial farming practices offered spectacular returns. On top of it, the EU and U.S. agricultural subsidy issues are still not resolved and these cause market distortions that are impossible to overcome.

The world is just so unfair, but there is a small ray of hope: domestic investment in agriculture has picked up recently, and where the local money goes, other money may follow

Scenario 4: 'This is the end':

Hopeless domestic policy and a money drought for agriculture

It is strange how so many observers and academics assumed things would go better with Southern African food production. Not necessarily As the rest of the world grappled, and started succeeding with, the 'new' agricultural revolution, GMOs and sustainable production methods, Southern Africa stuck its head in the sand and embroiled itself in petty politics: (crucial) land reform issues; the conditionalities attached to donor funds; the science brain drain, water access and availability; regional tariffs; stupid subsidies; and the width of cross border train tracks. This was accompanied by a superb knack for blocking attempt after attempt at concluding what was in essence a user friendly Doha agreement.

Five years after the 2011 Windhoek food and agriculture summit, still no progress had been made with increasing local production and decreasing dependency on cheap imports. As a matter of fact, the only lasting legacy of the summit was the spat between Zimbabwe, which insisted that state land ownership was the only viable model, and Mozambique, which had sold large tracts of land to a Brazilian conglomerate for biofuel production.

Infrastructure continues to deteriorate, or at best limps along, while even the subsistence farmers are up in arms because inputs are scarce or unobtainable. And the farmers that do manage to get product to the market are faced by ridiculous pricing regulations or imports from South East Asia, Canada (now that the tundra has warmed up) and South America. Donor money that used to be an option before 2010 is now concentrated on the plight of urban refugees, and food aid has dwindled.

³⁹ Literally translated: 'Nothing comes out of it'.

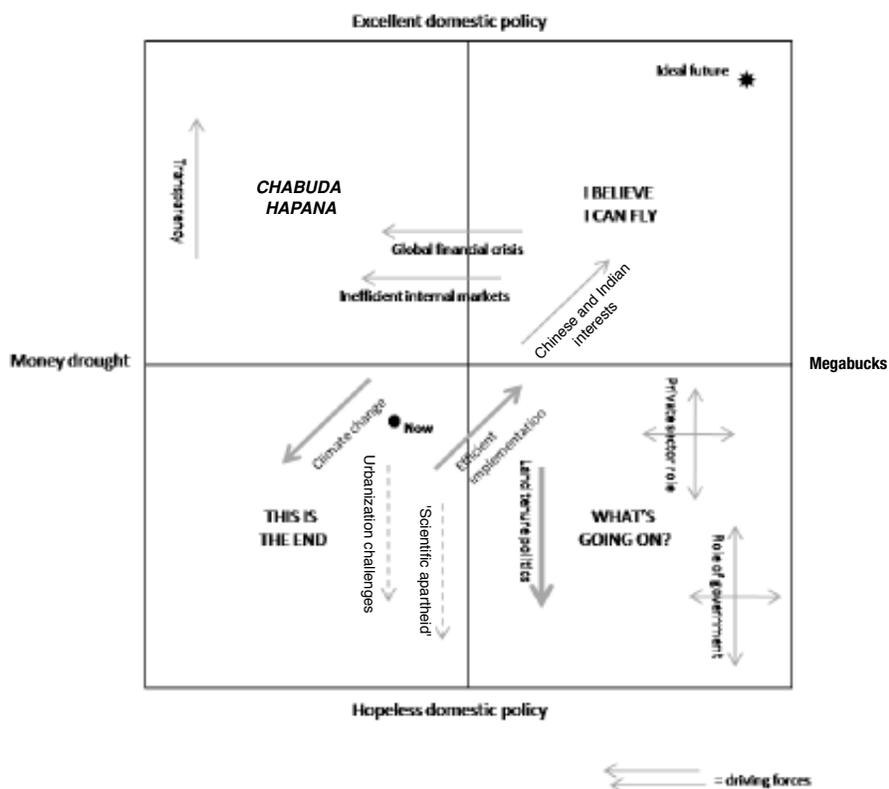
The more diplomatically inclined put the disaster down to the familiar 'lack of capacity', but in reality no one seems to want to do anything to offer the citizens of Southern Africa better opportunities and a better life through getting food production right.

Perhaps it is time for change and an Obama-like refrain of 'Yes, we can ...'!

4.2 The Scenario Gameboard

Above we describe the four scenarios developed after our workshop in Harare. In this discussion, we explicitly did not take a view on which scenario the region is likely to experience. This is what we turn to now. The process, also conducted in our Harare workshop, consisted of identifying where on the scenario 'gameboard' the region is currently situated (marked 'Now'); the ideal future for the region (marked 'Ideal future'); and the key driving forces together with their direction of causality that might push the region towards one outcome or another. Clearly, this is a highly subjective process, but this is the point of the exercise: to stretch our thinking and to challenge conventional wisdoms. In the Harare workshop, there was a surprising degree of consensus on all of these elements when we populated the scenario gameboard. It was played out as shown in figure 5.

Figure 5: The scenario gameboard



As can be seen, there was a ‘Harare consensus’ that the Southern African region (as a whole) is currently in the most undesirable quadrant: ‘**This is the end**’. Mostly, this is because domestic policies and implementation are currently poor (as reflected in the list of key uncertainties cited in appendix C) and these collectively have high impacts. Furthermore, it was generally agreed that state capacities and governance in general are weak, and that this applies particularly to the agricultural sector. Fortunately, participants were of the view that the region is not in the southwest corner of this quadrant (note the position of ‘**Now**’ in the quadrant), so all is not lost! Whether we can get to our ideal future in the northeast corner of the ‘**I believe I can fly**’ scenario depends on how the driving forces play out. Some salient points around those drivers and the gameboard, identified and discussed in Harare, include the following:

1. The money axis may be somewhat dependent on the policy axis, because, as policy improves, it is more likely to attract investment. Therefore, in ‘scenario speak’ the route to the preferred future may involve entering ‘*Chabuda hapana*’ (despite the driving forces pushing against it), after which it may be easier to get to ‘**I believe I can fly**’.
2. Land tenure politics embedded in post-colonial societies and pre-colonial cultural practices are a heady cocktail in a rapidly globalizing world. Increased global demand for land will sharpen these contradictions.⁴⁰ Therefore, this driving force is a bold one, whose direction participants agreed is a major brake on the region’s development.
3. Climate change has both a direct impact (weather) and potential policy impacts (protectionism; higher costs). It has major implications for the money axis, since funds would have to be dedicated to managing its consequences, and poses major policy challenges in the form of adaptation. Consequently, this driving force is marked by a bold arrow.
4. Offsetting these two major negative driving forces (climate change and land tenure politics) is the potential for ‘efficient implementation’. Participants agreed that if regional governments get this right (in other words, if states function optimally), this would be a major positive driving force. To repeat a well worn cliché: governance matters.
5. In this respect, the roles of the private sector and government can go in any direction—agricultural stakeholders must therefore identify where business and government can be ‘managed’ and partnered with to become driving forces pushing towards ‘**I believe I can fly**’.
6. Such a positive governance spiral would be reinforced by sustained attempts to improve transparency in policy processes. Transparency is the enemy of corruption and opaque governance; hence, we agreed it could be a positive driving force.
7. ‘Chindia’ (the confluence of Chinese and Indian economic emergence) holds huge potential for increased demand for food imports from Southern Africa and foreign direct investment (FDI) into the region, but this must be well managed (especially the FDI) in order to avoid negative governance impacts. Nonetheless, workshop participants concurred that ‘Chindia’ offers substantially more opportunities than threats.

40 D. Mackenzie, “Rich countries carry out ‘21st century land grab,’” *New Scientist* (4 December 2008).

8. Yet the global financial crisis confronts the region with a host of challenges, notably regarding access to finance. Recapitalizations in developed countries implies major pressures on funding and demand; trade credit has been severely squeezed; the potential for increased protectionism, especially in agriculture in developed markets, is on the rise; and FDI is likely to decline substantially. It is to be hoped that these cyclical factors will reverse soon so that this driving force could be removed from the gameboard.
9. Internal markets in the region are notoriously unintegrated. There are many barriers to internal trade, especially in agricultural products, and many transport bottlenecks across and within borders. Currently, this constitutes a negative driving force that will take some years to reverse.
10. Urbanization over time will create larger internal markets; the risk is that this is overwhelmed by poor governance. The balance between these two countervailing tendencies is therefore represented on the gameboard as a weak negative driving force.
11. Similarly, while the region remains mired in its governance challenges and locked into current production patterns, the developed world and some emerging developing countries are forging ahead with developing the scientific base of their agricultural sectors. Consequently, the knowledge gap will widen for the foreseeable future, which one participant in the Harare workshop likened to ‘scientific apartheid’. Given that much knowledge is easily transferable via electronic means, this negative force is represented as weak; in other words, in the relatively short time horizon captured in this report, it will not have a decisive influence. Over the longer term, though, this is a major driving force.

It is important to reiterate that the external trade regulation environment—such an abiding concern of many civil society actors and societal elites in the region and abroad—does not feature in our rankings or on our scenario gameboard. That is not because Harare workshop participants do not think this constraint set is important; rather, the driving forces specified above were regarded as more decisive. Nonetheless, it is important to recall Collier’s warning, as recounted in section 3, that good policies are not sufficient if the international environment does not provide opportunities for growth.

Overall, the picture emerging from this gameboard is on the gloomy side. But this does not mean that it is impossible for the region to get to its preferred future. In the next part of the process, the principal authors of this report developed a high level risk and opportunity analysis in order to delineate possible paths to obtaining that preferred future.

5. Risk and Opportunity Analysis

The route to a preferred future is very rarely a direct one. If regional agriculture should end up in ‘*Chabuda hapana*’ or ‘What’s going on?’, we identified various risks and opportunities in these plausible futures, using the driving forces discussed above. These are outlined below, followed by a brief assessment of risks to ‘I believe I can fly’.

5.1 *Chabuda Hapana*

1. It will make it easier to attract investment if excellent policies are in place and efficiently implemented. Therefore, policy development processes and state implementation capacities have to play a central role. Getting this right is, of course, not an easy task, given the political economy challenges described in section 3 of this report.

2. Demand from and FDI supplied by 'Chindia' constitute a major potential opportunity, albeit subject to the global financial crisis in the short to medium term. As described above, and in a burgeoning literature on 'Asian drivers' of African development, managing these interactions will increasingly challenge African state capacities. Furthermore, the financial crisis will place great pressure on relatively small groups of reformers in states in the region. Again, the political economy challenges, notably building effective institutions, loom large.
3. Incentivizing the domestic private sector may be the most dynamic medium-term opportunity. This would seem to hinge on successfully managing land tenure politics, given that land is central to commercial agricultural production, which in turn is central to building food production and, beyond this, export capacities. However, much also depends on the domestic policy environment and the incentive structures bequeathed by an inequitable developed country set of agricultural trade regimes.

On balance, access to external financing, while important, may not be the most critical variable in this scenario; rather, domestic governance is. So what dynamics are present when the external financing constraint is lifted, but poor governance weighs down progress?

5.2 What's Going On?

In this scenario, money is not scarce, but governance is very weak. This is potentially a lethal combination. The following points seem applicable:

1. The 'Chindia' option still presents a significant opportunity set, but in the context of weakened domestic governance. This could be positive if relative financial abundance forces external partners, including 'Chindia', to proffer more attractive projects and project terms. On the other hand, too much money in weak institutional settings could be a recipe for maladministration.
2. This logic would also apply to private sector opportunities for leveraging finance; in other words, the governance implications are not clear.

Overall, the risk in this scenario is of a downward governance spiral (too much money in a poor institutional environment). Offsetting this is the potential for a virtual spiral of finance rich environments acting as a magnet for investment. If well managed, this could create a positive circle of capital reinvestment in institutional and production capabilities.

5.3 Risks in 'I Believe I Can Fly'

Assuming that the region attains its ideal future, there will still be risks to maintaining this position:

1. Policy reversals could occur. This could most obviously be driven by the global financial crisis and underpinned by shifting development orthodoxies in light of developed country actions to stabilize their financial systems and minimize economic contraction. The danger here is that old style interventionist policies are revived in the context of weak states ill-equipped to implement them.
2. Potentially compounding this is the behaviour of the private sector, both domestic and foreign. If a virtual investment-growth cycle does get under way, it will inevitably invite unscrupulous operators into the region. As described above, state capacities to manage this are limited.

3. Climate change is a risk in our time period, although we doubt that it would manifest to a significant degree.
4. Land tenure politics are problematic, if relatively contained. Wrong moves on this front could nonetheless destabilize countries and the region more broadly. The extent to which Zimbabwe's ongoing crisis resonates in the region is a case in point.

To reiterate: the general fragility of states in the region is the overriding risk factor. There are, nonetheless, several opportunity sets that, if grasped, could ignite the virtuous growth–investment circle or, to turn Collier on his head, unlock the traps he refers to. Much depends on leadership. Therefore, our final section is devoted to putting forward some recommendations to regional leaders.

6. Options and Recommendations

Workshop participants concurred that the current regional situation is in the ‘**This is the end**’ quadrant, albeit not irretrievably so. Given this context, the pressing question is: How can the region get to ‘**I believe I can fly**’ and what are the options for getting there?

As described in the political economy analysis above, we are not confident that the governance dimension in general can be altered. It is worth recalling Herbst's analysis of the obstacles to concerted state action in the African context, as recounted in section 3, and his advice that external support might best be targeted towards those countries best placed to succeed. Nonetheless, we can consider the potential for changing existing ‘rules of the game’: of the long list developed during the Harare workshop, the authors of this report identified five candidates:

1. *There is historic underinvestment in agriculture in the region. Public investment, as well as research and development investment, is lacking.*

Increased investment in African agriculture is a medium-term possibility, since historic underinvestment has been recognized by, *inter alia*, the World Bank and regional governments as a problem. Hence it is likely that—and assuming that the liquidity crunch currently being experienced is relatively quickly overcome—more money will be made available. The real task will be to ensure that such funds are well spent. Fiscal probity and efficiency have been the subject of structural adjustment programmes in many countries in the region for several decades now, although results seem mixed (an assessment is beyond the scope of this report). At the very least, it is likely that agriculture will receive relatively more attention in such programmes in the years ahead, owing primarily to the recent international food price crisis.

2. *Foreign owned land and foreign investment for cash crops are not necessarily good for food security (although generally good for exports).*

Given the region's land abundance and international interest in this, it is imperative that regional governments work out transparent and sustainable terms under which foreign governments and companies gain access to land. This is particularly important in light of the centrality of land tenure politics to the region. Correctly managed, this could result in a virtuous circle of investment, job creation, exports and reinvestment of export proceeds into regional infrastructure, thus alleviating supply side constraints and boosting domestic agricultural production to feed growing urban populations. If not managed correctly, a negative political cycle is likely to ensue, undermining already fragile institutions and governance.

3. *Long-term planning for existing subsidy programmes (e.g., Malawi) may not be optimal.*

Malawi seems to have successfully invested in input subsidies to boost domestic agricultural production. While there are some concerns about the fiscal sustainability of this programme (currently it is donor funded), it is nonetheless an intriguing model for the region to explore. Therefore, more attention should be paid to lessons that other countries could learn from Malawi's experience, with a view to adapting it to national conditions as appropriate.

4. *There is a strong up side to GMOs that needs to be managed in light of the strong potential down sides.*

There are many other technological options that could be pursued. Von Braun notes that 'international agricultural research projects with substantial payoffs for a large number of beneficiaries should be given investment priority'.⁴¹ In this light, our Harare workshop participants were of the view that GMOs in particular seem to offer major potential for boosting agricultural yields and 'climate proofing' crops. Clearly, potential downsides to these technologies (e.g., small farmers potentially being dependent on foreign seed providers) need to be managed. Furthermore, the attitude of the region's major trading partner, Europe, to imports of genetically modified foods or the 'threat' of 'contamination' of food imports by GMOs also has to be carefully managed.⁴² Nonetheless, the region would benefit from a serious, non-emotional debate about the costs and benefits of this technology, given its potential.

5. *Supermarkets and the commercial sector will grow and spread their influence in terms of the supply chain, middlemen, commercial farmers and food manufacturers.*

Other than in South Africa, there are very low levels of market penetration by supermarkets in the region. This is bound to change in the future as the increasing presence of supermarkets is driven by economic growth, demographic changes (urbanization, population growth and women in the work place) and changing nutrition patterns. Supermarkets strongly influence and determine the type of products that are grown and supplied—having strawberries on the shelves drives the demand for strawberries. Who will supply them—a local farmer close to the domestic market or an exporter in another country? The spread of supermarkets, with their concomitant cold chains, and the food manufacturers that add value to basic agricultural produce could be a major boost for regional agriculture if managed proactively, opportunistically and in the interests of regional agriculture.

In addition to harnessing the above rules of the game, it is important to enquire whether the driving forces identified in the scenario gameboard can either be channelled in constructive directions where they are negative or harnessed where positive. We begin with the former.

- *Climate change* is a major puzzle. At first glance, it is difficult to see the up side. However, opportunities may arise from investment relocation if the developed world and major developing countries adopt serious climate mitigation policies. In principle, such relocation should reinforce external interest in African land and agriculture potential. Furthermore, the region benefits from preferential market access arrangements to the major developed country markets. Therefore—at least on the demand side—it is possible that a virtuous investment cycle could ensue in the medium term. But, clearly, there are many dangers inherent in this path, not

⁴¹ Von Braun, p. 8.

⁴² P. Draper and N. Khumalo, *Trade in genetically modified foods: Decoding Southern African regulatory approaches* (Johannesburg: South African Institute of International Affairs, 2007).

least climate protectionism in those same developed country markets and the direct impacts of climate change on regional agriculture.

- *Land access politics* are so fraught in the region that it is difficult to see opportunities here. Nonetheless, as investment interest in the region grows, so governments will have to find creative ways to address the issue in order to unlock sustainable production. This is a tall order for most states, but it is possible to find innovative mechanisms to boost agricultural production.
- *Inefficient internal markets* are clearly in the control of national governments in the region. Solving this substantially depends on securing sufficient investment in infrastructure, which in turn is subject to the funding cycle. It also depends on establishing regional trading arrangements that facilitate agricultural trade and connect surplus regions with deficit regions. Both opportunities are within the reach of national governments.
- *The global financial crisis* has its own dynamic. There is little that regional governments can do to change its course, and no obvious opportunities present themselves.
- *Urbanization* presents a set of opportunities for domestic producers. Harnessing these opportunities depends on, *inter alia*, resolving problems related to inefficient internal markets and access to land.

As already mentioned in the risk and opportunity section (section 5), the interests of China and India can be a positive driving force, as long as this FDI and the practices accompanying it are well regulated and governed in the interests of the civilian population and development opportunities, and not to benefit a few elites or corporate profits.

The strongest positive driving force is effective implementation. Developing and supporting the institutions, capacity and ability to implement good agricultural policies will make a major difference. Good examples and benchmark practices in the region must be identified, studied, shared and, where possible, replicated.

Finally, increasing transparency, and increasing calls for more transparency, will enable actors (especially domestic private sector actors and farmers) to take advantage of opportunities, while at the same time help limit unsavoury, unproductive and unfair practices when it comes to who is producing what for whom in the region.

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