



Do Institutions Block Agricultural Development in Africa?

by Juan R. de Laiglesia

- ◆ A coherent institutional framework that supports investment, exchange and representation mechanisms is a key precondition for agricultural development.
- ◆ The importance of customs and traditions for the process of agrarian transformation has been overlooked.
- ◆ Changes in formal institutions must be complementary to cultural norms and accommodate or foster the evolution of customary practices.

Agriculture accounts for about 20 per cent of GDP and supports the livelihoods of two thirds of the population of sub-Saharan Africa. A typical African farmer will have to travel through seven checkpoints every 100 km in a rented imported vehicle (taxed up to 100%) to reach the market uncertain of whether prices for his produce will make his trip worthwhile. He lacks the political voice to push government to ease transport, the legal security to set up futures contracts and the market information mechanisms to bargain for better prices. This typical farmer is fictional. His problems, unfortunately, are not. Understanding and addressing the obstacles faced by African farmers will require looking beyond markets, into the courtrooms, polling stations, villages and farms where the real economy lives.

Institutions are the rules and constraints that shape economic interaction. They include formal laws and rules and their enforcement mechanisms, but also customs, informal norms and traditions. Low population density, inadequate infrastructure, the faint presence of the state and historically strong tribal ties make the dichotomy between formal and informal institutions especially pronounced in rural sub-Saharan Africa.

Institutions and market reforms

It is widely acknowledged that “institutions matter” for economic development. Indeed, structural adjustment policies entailed substantial institutional change, but they concentrated too narrowly on market mechanisms. Market

reforms suffered from the absence of market-specific rules, such as established grades and quality standards. But institutional frameworks conducive to the creation of dynamic agricultural markets require deeper reforms that provide an accessible, trustworthy means of *contract enforcement* – to enable farmers and traders to go beyond the cash-in-hand “flea-market economy”— and *political institutions* which allow farmers to organise themselves to address local problems collectively and which give them a voice in the policy formulation process.

Custom and the law

Cultural and informal norms remain the most overlooked institutions. Property rights, for example, are the result of the interplay of formal law and customary norms, often part of local culture. Custom evolves slowly and is deeply embedded in behaviour patterns. It determines traditional authorities’ decisions, but also influences the actions of government officials and the decisions of judges.

Custom and formal law should not be seen as exclusive realms: they mutually and deeply influence each other. Despite a lack of consensus on the form it should take, it is clear that if land tenure reform is seen as merely a ‘technical fix’ and ignores prevailing practice, it can fail to have any effect or even create legal uncertainty that undermines the rights of the vulnerable.

Social norms and the “tax on success”

Social norms determine what constitutes acceptable or expected behaviour in the household, the clan or kin group and the community. Such social groups are essential for farmers in allowing them to pool risks and to obtain credit and information and constitute safety nets in case of bad harvests or disease. However, such norms can also have perverse effects. Egalitarian norms that impose compulsory redistribution act as a tax on asset accumulation and thereby discourage productive investment. Norms that discriminate against certain individuals or categories (foreigners, women or the poor) or that prohibit certain transactions (typically in land) distort factor allocation, thereby limiting agricultural productivity and holding back the process of agrarian transformation.

Social norms are typically part of a people’s cultural traits and evolve only slowly – but do respond to policy and to changes in the economic environment. Amongst the Akan in Ghana, for example, improved returns to female labour, increasingly frequent land gifts from husbands to wives, and legislation explicitly allocating part of intestate property

to surviving spouses have shifted social norms and strengthened women’s traditionally weak land rights. We need to understand the economic significance of prevailing cultural norms if we are to anticipate the effects of policy.

Policy lessons and the way forward

Institutional barriers exist in cases where necessary formal norms, such as grades and standards, are missing or when their enforcement and implementation are imperfect. They are also created by formal institutional frameworks that are contradictory and by clashes between formal rules and customary norms, both common in the case of land property rights and dispute-resolution mechanisms.

Social norms need to be neither glorified as a panacea nor vilified as backward but must be acknowledged as part of the institutional environment that bears on economic decisions and outcomes, particularly in rural settings.

Policy needs to take cultural norms into account. The case of the evolution of inheritance amongst the Akan is but one example of how changes to formal institutions can be complementary to changes in cultural practices and accommodate or foster their evolution.



Further reading:
WP 248: *Institutional Bottlenecks for Agricultural Development: A Stock-Taking Exercise Based on Evidence from Sub-Saharan Africa* by Juan R. de Laiglesia

Development Centre *Policy Insights*
www.oecd.org/dev/insights

Development Centre *Policy Briefs*
www.oecd.org/dev/briefs

Development Centre *Working Papers*
www.oecd.org/dev/wp



Readers are encouraged to quote or reproduce material from OECD Development Centre *Policy Insights* for their own publications. In return, the Development Centre requests due acknowledgement and a copy of the publication. Full text of *Policy Insights* and more information on the Centre and its work are available on its web site:

www.oecd.org/dev

OECD Development Centre
2, rue André-Pascal,
75775 Paris Cedex 16, France
Tel.: +33-(0)1 45.24.82.00
Fax: +33-(0)1 44 30 61 49

E-mail: dev.contact@oecd.org