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“Solidarity in a competing world —
fair use of resources”

Micro-Level Impacts of Private Sector Investments in the Agriculture and Food Sector in Sub-Sahara Africa

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Abstract

Our study presents a review of empirical literature on the impacts of private sector investments along agricultural value chains in Africa on the local population. Processes of liberalisation and globalisation have led to profound market transformations including growing export orientation, the consolidation of processing and retailing along with related organisational and institutional changes. These changes were accompanied by a rising importance of foreign direct investments into the African food and agriculture sector. While the negative attitude towards the engagement of private companies has changed at least partly, private sector investments still face severe criticism regarding potential negative consequences for smallholder farmers, local communities, or environmental damages. Against this background, our study aims to illustrate what is really known about these impacts. Based on a conceptual framework covering the potential impacts of private sector investments, we review studies with primary data collected since 2000 using different search engines and the snowball method. Much of the empirical literature focuses on the production level (in particular contract farming), whereas other parts of the value chain are found to be neglected research areas. At the production level, the findings of our review show that benefits mainly arise via labour and product market channels. Positive impacts on the incomes of contract farmers, outgrowers and employees are found. Access to contracts is often biased to better-off households. However, the study also identifies severe research gaps on other levels of the value chain. For instance, the role of private sector investments in the seed and fertilizer sector, or in the food processing industry. Little is also known about the impacts of private sector investments on public goods and resources such as infrastructure, land, water and ecological impacts. Further research on institutional arrangements is required to be able to relate observed impacts to the institutional setting of the investment projects.

Keywords: Impacts, investments, private sector, sub-Sahara Africa