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Political Process Study of the Kano Rice Wholesale and Retail Market

By

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SUMMARY

1. The “Promoting Pro-Poor Opportunities through Commodity and Service Markets Programme” (PrOpCom) has selected the Kura – Kano corridor rice market as a key focus of its work. Early observation of the market has revealed some unexpected behaviour. For example, wholesale price differences exist between Kano markets and those outside (such as Kura) which appear to exceed purely economic causes.
2. There could therefore be various options for market reforms that might bring better incomes to relatively poor farmers (or cheaper prices to consumers). These include efforts to reduce the number of middle-operators, and opening-up of Kano markets so that the higher prices there can be obtained by rural producers and traders. But in order for effective strategies to be adopted that could have these results it is necessary to understand first the causes of the discrepancies and behavioural anomalies observed. If these are not economic, they may very well be political.
3. Recent statements by the Secretary of State, and in the DFID White Paper, “Making Governance work for the Poor”, emphasise the importance of understanding political processes. DFID has been working towards a common approach to doing political analysis, initially through its DoC work, and lately under the heading of Political Economy. PE is mainly about assessing where power comes from, and how it is sustained, and then understanding how institutions have been manipulated by elite groups to serve their own purpose. So for example the way in which rice is processed and traded might be manipulated to serve political elites. It is necessary to understand whether these obstacles to change exist if we are to design effective support strategies.
4. Understanding the sources of power requires an historical perspective. Kano is an old city which developed on the back of trans-Saharan trade. It became a city protected by Kings (Emirs) who adopted the Islamic faith brought by traders from north and west. Their brand of Islam was infused with traditional practices. The Emirs retained many powers under the British, but were threatened after independence from various quarters. Not least the industrial growth that resulted from resource allocations by Military Federal Governments helped to ferment both socialist and more fundamentalist Islamic political movements, opposed to the leadership of the “royal blood”. The existence of these elements has meant that political leaders in Kano are more accountable than in many other states in Nigeria, and while there have been periods of considerably corrupt practice, there have also been periods of relatively responsible governance.
5. The effects of this history can be traced in the rice markets. Expansion in production followed investments made during the 70s and 80s when federal support for growth was at its height. Understanding the protectionism practised in the city’s markets, and contemporary state government policy towards the rice sector, is also enhanced when viewed in this political context.
6. So how does the rice value chain work? To begin with it is very fragmented, with maybe as many as 20,000 farmers cultivating rice (in rotation) in the Kano – Kura – Tudun Wada corridor alone. Farm sizes average less than three hectares, and yields are extremely low (less than half of those realised for example in Sierra

Leone). Qualities of paddy also vary between lowland, irrigated and upland rice (the upland tends to be the best).

7. Partly because of the size of operations, processing is performed by a large number of small mills. Some rice is then retailed locally, but Kano is a market for 5 million people, so a substantial proportion is sent there via wholesale. But local farmers and traders/processors do not normally sell their rice directly in Kano – instead it is bought by Kano traders and sold through their own markets. On occasion rice can pass through as many as five sets of hands between the farmer and the customer (farmer to agent to processor to local wholesaler to Kano wholesaler to Kano retailer to customer), but equally some farmers process, trade and sell their own rice. The variety of transaction patterns is considerable.
8. Rice quality is an important determinant of price, with high quality local rice selling at up to Naira 320 per Tiya, but poor quality for as little as Naira 190. Anecdotal evidence provides some indication of the different margins obtainable at different locations and by different actors in the process, but quite often apparently large margins are made by traders whose turnover nevertheless appears to be quite low.
9. The major retail market in Kano is Sabon Gari, but this place has very peculiar characteristics. Rice is sold through a cartel-protected association of 300 traders, but they only take up about 60 spaces in 11,000 in a market that sells almost anything imaginable. The price commanded is higher than in wholesale markets in Kano, or in most retail markets outside the city, but this is sustainable because of the multi-shopping trips made to the market. The association itself was only formed in 1985, following the growth in rice production in the area, and it is based upon a local community (development association). This is quite consistent with local tradition which has built up not just over years but over centuries. Anyone who is not a member is prevented from using the market to sell their rice via a variety of petty (and not very expensive) spoiling tactics.
10. Sabon Gari itself has a rich political history, stemming from its original formation by the British – a settlement established outside the old city walls to house non-indigenes. Sabon Gari developed a large market partly because trade was the occupation of its non-indigene, mainly Igbo, traders. But being removed from the direct, within-city influence of the Emir, it was also an obvious place for the growth of socialist and fundamentalist Islamic politics. Despite this history the rice market association does not appear itself to play a prominent part in the politics of the market – after all it is a very small part of it. Some significant rents are paid both to the council and to cubical Landlords, and there is obvious political involvement in the allocation of these units to owners as well as in the use of taxes paid to government, but once again this is well spread across the market as a whole and seems to have but a marginal influence over what happens in the rice market.
11. In fact because of the combination of the community origins of the association, and the relatively limited size of the market (it seems that only about 400 bags of rice are sold there each week), the protectionism at Sabon Gari is not what limits the numbers of people able to trade – it just limits their identity. Therefore removal of the cartel would not bring benefits to a larger number of traders – it would probably only allow some traders to enter the market at the expense of others.

12. In summary, the structure of political relationships, and the ways in which power is used to manipulate institutions, does not appear to have much impact on how rice is bought, processed and sold.
13. However, this is not the case with respect to *the production* of rice. Various inputs, including fertiliser, seeds, irrigation, plant hire and others are run in such a way as to satisfy those who are in government, not so as to enhance rice yield and quality. Bringing about improvements in production in these spheres will have to encounter these vested interests.
14. The implications for PrOpCom are that strategies to improve the operation of the rice value chain need to confront economic constraints, as well as the interests of the small cartels that operate in most markets. But there are no particular political interests that are vested in the operation of this chain so additional strategies to overcome such barriers shouldn't be necessary. This is not true for achieving changes in policy regarding a range of rice inputs. In these sectors ways need to be found of bringing pressure to bear upon political leaders so that it becomes their interest to improve rice production at the expense of the loss of patronage and corruption income.
15. It is not the purpose of this study to work out what strategies could be adopted, but the conclusion considers some of the options. Using the media to publicise the current policy failures is one method that could be considered. Such strategies have yielded mixed success however in other environments. However, one positive feature of the change environment in Kano is its politics. If we return to the broader understanding provided by the historical analysis at the beginning of this report (section 3, or paragraph 4 in this summary) we see that ideological power could be sufficient to encourage pro-poor policies such as a withdrawal of fertiliser subsidies. Also the political scene in Kano has contributed to an improvement in the freedom of the local press, so strategies to raise public awareness of the issue could work here.
16. Future work in this field could focus on developing PrOpCom strategies for achieving policy change in this relatively (for Nigeria) favourable political environment.

1.0 INTRODUCTION

1.1 Objectives

The “Promoting Pro-Poor Opportunities through Commodity and Service Markets Programme” (PrOpCom) has selected the Kura – Kano corridor rice market as a key focus of its work. Early observation of the market has revealed some un-expected behaviour. There seem to be an excessive number of middle-operators, involved variously in purchasing, transport, processing and sale, with the price obtained by the farmer for paddy (or for par-boiled) rice around half of that eventually obtained at the point of retail. Wholesale price differences also exist between Kano markets and those outside (such as Kura) which appear to exceed purely economic causes. Meanwhile rice traders in Kura seem to make no effort to sell their rice directly through Kano outlets, despite the apparently excess profits to be made there. The pertinent market question is whether the value added in the chain is reflected in the prices fetched in Kano, or whether the profits made by “middle-men” are artificially high.

There could therefore be various options for market reforms that might bring better incomes to relatively poor farmers (or cheaper prices to consumers). These include efforts to reduce the number of middle-operators, and opening-up of Kano markets so that the higher prices there can be obtained by rural producers and traders. It is presumed that such a result might increase rural incomes and encourage an expansion in rural production.

However, in order for effective strategies to be adopted that could have these results it is necessary to understand first the causes of the discrepancies and behavioural anomalies observed. If these are not economic, they may very well be political. Political processes in Nigeria are complex and commonly involve interference in commercial activities (some examples are presented in section 6 of this report). If this proves to be the case in the Kura – Kano rice corridor, then altering the way the market operates must overcome not just economic but also political obstacles. Equally if a PrOpCom strategy for change is ignorant of these political obstacles, then probably that strategy will be less successful (or even unsuccessful).

The core objective of the current study is therefore to discover what political influences there are over market behaviour. If it is discovered that such obstacles exist then it is proposed to conduct a further phase of work to help develop a strategy to overcome them.

The detailed terms of reference are included as annex 1. Annex 2 presents a report of compliance against these terms of reference.

1.2 Inputs

Work was conducted during a field visit to Nigeria between 12th and 22nd March. The consultant visited Kano between 13th and 20th March.

Throughout this visit the international consultant was supported by the PrOpCom Agriculture Commodity Specialist, Sabiu Auwal. The programme also provided transport and other logistical support.

1.3 Approach

Some written material was referred to in this short study, specifically the recently completed Baseline Survey of the Kano Rice Value Chain produced for PrOpCom.

However, the main source of information has been informal interviews with a variety of players in the rice markets, and a smaller number of project practitioners, political commentators or academics.

The intention was to discuss rice markets practices with individuals, as far as possible in a discrete environment that they would not find threatening. In some cases at least it was evident that interviewees divulged information which in a group arrangement they might have withheld. Annex 3 provides a list of those interviewed, together with a short reference list.

In this sort of work it is necessary to understand the background of those being interviewed because their point of interest will affect what they have to say. Naturally a cartel member may try to give an impression of openness that might not actually exist, or a government official a degree of accountability that is actually absent. Triangulation with known facts or alternative views helps to identify inconsistencies in the arguments proffered by interviewees. Sometimes it is possible to present these inconsistencies late during an interview to see whether the story changes or an alternative explanation that fits with the facts is presented.

Ultimately, however, there is an inevitable subjectivity in an analysis of this sort. This does not make it un-scientific, so long as the perspective taken (or theoretical position adopted) in making the interpretation is explained.

1.4 Structure of the Report

- Section 2: The next section in this report therefore describes the perspective taken in the current analysis. It places the study in the context of broader political process perspectives currently being developed by DFID.
- Section 3: A brief history of political life in Kano is developed in this section, providing a basic understanding of where political elites come from, so that we are in a position in the subsequent sections to trace how these interests may have manipulated the processes rice production and trade to serve their own purpose.
- Section 4: This section briefly describes the physical process of rice production and the various stages in getting Kura-area rice to the Kano market. There is nothing new in this section, but it is simply necessary to describe this structural environment as a precursor to understanding how the market works.
- Section 5: The report then examines various aspects of interference in the local rice markets – essentially the way in which the institution of how local rice is traded and sold operates. Both strong and weak cartel-like organisations exist, and what we were able to discover about how these work is described. The section also provides conclusions about the level of political interference in these markets.
- Section 6: Section 6 briefly makes comparisons with some other relevant sectors where political interference is more blatant. These are revealing about the market for rice, and in most cases they provide reasons why other aspects of rice production (concerning yield and quality for example) might be difficult to improve.

Section 7: Finally this section considers possible ways forward for market development in the light of the analysis provided, and reflects on what we have learned from this analysis.

2.0 SOME PRINCIPLES

One motivation for conducting the current study is a concern to ensure that potential political influences over the market are taken into consideration when developing strategies for change. This theme is a topical one in DFID thinking. For example the Secretary of State recently stated that, “if we don’t as donors understand the politics of the places where we work, then our task will be all the more difficult”.¹ Also paragraphs 2.12 to 2.14 of the DFID White Paper, “Making Governance Work for the Poor,” make it clear that strategies for development need to take account of the different mixtures of political interest pertaining to different places and circumstances.

In association with these statements, terms such as Political Economy, and Drivers of Change, are commonly banded about. But what do these terms mean, and what implications can they have for rice markets in Kano?

This section provides a very brief explanation of these terms. For a little more detail, see annex 4.

2.1 Where Does Power Come From?

Political Economy is a complex body of theory with its origins in classical economics, developed over 150 years. Obviously it can’t be reviewed here, but there is perhaps one key principle that is worth emphasising. The study is largely about the question of where power comes from, and how those who hold it are able to sustain their control. There can be various sources, but the main ones are these:

- control over resources (such as land, materials or other capital);
- control over ideology (the power of ideas or beliefs, including religion); and
- control over the machinery of the State² (the power to make and enforce rules, to collect and spend public money, and to exercise police and military force).

The balance between these sources of power will vary between different places and at different times, but generally the relationship between them will be strong. For example it is quite commonly those who control resources who will also influence the State (in their own interest), or else an elite group that has obtained control over the State will use this power also to obtain access to resources.

It follows from this interpretation that the State quite often behaves in the interests of an elite group, and also therefore at the expense of those that are relatively disadvantaged. A major challenge in sustaining this power is therefore how to maintain public legitimacy of the government when resources are being used to serve the interests of a few. A wide range of strategies are used here, sometimes centring on delivery of misinformation, but also sometimes extending to the use of force in the face of resistance.

¹ The Rt. Hon. Hilary Benn in a speech on 2nd February 2006.

² “The State” is a term used in this literature to refer to the machinery of the Government – not just the Government therefore, but also the judiciary, legislature, administration, police, military and other organisations that the State controls.

2.2 Use and Misuse of Institutions

There is a common confusion that institutions and organisations are the same thing. They aren't. This may seem pedantic, but in understanding how to achieve change it is an important distinction.

Institutions are about "how" things are done in a society, such as "how public money is collected and spent", or "how people are employed or contracted". With respect to this study it could be, "how rice is traded and sold".

It follows that such institutions are not the result simply of the activities of one organisation, but of a process of social and political negotiation between a variety of interests. It also follows, given the paragraph above, that this process of negotiation is commonly skewed in the interests of those who hold more power and influence. This indeed is the basic tenant of the so called "New Institutional Economics", that institutions are generally moulded and devised so as to serve and support the interests of elite groups, and indeed to sustain their grip on power.

In this case we need to understand how institutions have developed through these generally political economic processes if we are to catalyse changes in them.

This work has considerable implications for conventional institutional strengthening programmes, because these programmes have commonly focussed on working only within government organisations. Yet these organisations have normally had a generally negative influence over institutions, whereas different interests outside government are normally better placed to induce the pro-poor changes desired.

2.3 Understanding History

Because institutions have developed through a process of social and political "negotiation", it follows also that their current state is the result very often of years of interplay between different groups and over different issues. In order to understand where power comes from and how it is sustained, therefore, it is necessary to delve back into that historical process. It is not enough to describe current circumstances and expect that this will reveal the nature of interest and power.

Our analysis of institutional change therefore needs to be historical, commonly looking back over a period of at least 50 years, so that we may understand how the position we see today was arrived at, and so that we may understand better where the opportunities for change might lie.

2.4 Political Economy of a Rice Market

How can we apply these principles to the study of a rice market?

Technically the rice value chain runs all the way from the point of production of rice (farms) to the point of retail purchase. It includes cultivation, harvest, packing, transport to point of process, processing, re-packing, transport to point of wholesale (or storage), possibly re-packaging, transport to point of retail, and sale. Along the way the article may change hands (ownership) a number of times.

The range of institutions that have a potential bearing on such a process is considerable. It certainly involves the administration of land, the supply of inputs (including fertiliser and water), conditions or traditions of labour, the regulation of transport, potentially the regulation of prices, possibly the regulation of food standards, and the regulation of market places, to name a few.

This list is a long one to consider in the course of a one-week study. Fortunately the terms of reference provide a clear focus on the processes concerning transfer of rice from point of production and/or processing to the point of sale, including the market places themselves, and especially on whether there are activities by government or broader political interferences in this part of the chain. It is therefore this part of the rice market (institution) on which this study focuses, at the expense of considerations of (for example) land and the regulation of other inputs. However, without a brief consideration of these broader policy and political circumstances the study would be deficient, so they are considered briefly in section 6.

But it is also necessary if we are to understand the institutions, to have a handle on the history through which the current elite groups managed to grasp power. This will help us to explain how they have manipulated those institutions in their own interests. A brief history of Kano politics is therefore provided in section 3, providing the context in which the institutions of rice production and trade can be understood.

Following this we describe, in section 4, the value chain from the time when the rice moves off the farm to the point at which it reaches the consumer, while the next section (section 5) examines the way in which this institution is influenced by political interests as opposed to just economic expediency. Interestingly because the market is so fragmented it seems to provide a poor set of opportunities for political actors to infiltrate. However, some of the other institutions that impact on rice production are better suited to this interference, and these are considered briefly in section 6.

3.0 KANO'S POLITICAL HISTORY

Note that the material in this section is drawn from an earlier report conducted for DFID in 2006.³

3.1 Early Islamic Influences

Kano has for some centuries been a key trading post on the southern edge of the Sahara, located at the cross-roads of north – south and of east – west trade routes. Religiously and culturally the whole of what became Northern Nigeria came under the influence of Islam, which rode with the trans-Saharan traders. But it was adopted by an existing traditional and feudal structure which was not itself swept away through that adoption.

The Islamic Jihad of Usman Dan Fodio was aimed at re-asserting the Islamic principles and law through Shari'ah, and established the Caliphate of Sokoto in 1804. But many complained that they did not need the Caliphate to tell them about Islam, which had existed for seven hundred years before that in Borno, and about five hundred years in Kano. The supremacy of the Emirs as *both* Islamic and Traditional leaders was retained. Indeed it is fair to say that the primary Emirs in Kano, Katsina and Zaria remained independently powerful. There was little that the Caliph, or for that matter the Sultan later on, in Sokoto could enforce over these regional traditional leaders.

From this time (indeed long before the Jihad) two main Islamic sects may be traced. (Paden⁴ describes four main sects or brotherhoods in present day northern Nigeria.) These are the Kadiriyya and the Tijaniyya sects. The sources of these can be traced

³ The Political Economy of Kano State, Simon Foot, March 2006.

⁴ John N. Paden, *Muslim Civic Cultures and Conflict Resolution*, 2005, Washington, Brookings Institute Press.

to routes of Islamic immigration from Persia, via North African trade routes (Kadiriyya), and from the West in Senegal (Tijaniyya).

In the past few decades, Suni religious scholars, led in Nigeria by Alhaji Gummi, (or Shaikh Abubakar Gummi) questioned many of the traditional and mystic inclusions in the Kadiriyya and Tijaniyya (Sufi) sects. These they saw as including innovations (traditions) that are heretical and un-Islamic. They returned instead to the teachings of the prophet, and to the four original “right-guided” Caliphs. (Adherence to these principles defines also the difference between Suni Islam, and Shia, the latter following the teachings of the fourth right guided Caliph, Ali.) In Nigeria this more fundamentalist position is encapsulated in the Izala movement or sect.⁵

Notably these teachings provide also a challenge to the Emirate traditional rulership. The traditional hierarchy is an “innovation”, not part of fundamental Islam, while parts of Islamic life in the Emirates, including for example some of the celebrations around naming and marriage, are seen to derive from local tradition rather than from Islam. Similarly some have argued that education of the masses was discouraged by many Emirs owing to the fear that this would help people to question the legitimacy of their royal rule, whereas education and learning generally in a true interpretation of the Prophet’s teaching is a core principal.

Nevertheless it was a predominantly traditional form of Nigerian Islamic rulership that the British encountered when they colonised the region.

3.2 The British and Early Political Party Development

The regions of Nigeria “became” protectorates of the British Crown at different times. For example the Delta region was declared a protectorate in 1885. But by 1914 the Delta, the Western Region and the North had been brought together under the governorship of Lord Lugard.

Amalgamation of the regions made little or no sense domestically – except for the purposes of the British. Cultural and economic differences made it hard for the groups to live together and organise any collective resistance to colonial rule. So the differences were used by the British to ease the task of controlling the colony.

Early political alignments were almost inevitably regional, with the Nigerian Youth Movement in Lagos splitting into the Action Group (AG) lead by Awolowo in the West, and the National Council for Nigeria and Cameroons (NCNC) lead by Azikiwe in the East. In the North, political movements were separate from those in the West and East from the outset, a position facilitated by the different form of colonial rule in that region. But the movements began to reflect the class differences which infused northern Islamic society. The Northern People’s Congress (NPC) was essentially pro-establishment (pro-Emirate) whereas the Northern Elements’ Progressive Union (NEPU) formed later was aligned with emergent more radical Islamic ideas. As noted above, the NEPU therefore reflected interests that were more orientated towards

⁵ Note that from the perspective of the chronology of our discussion, the Izala sect is a relatively recent development. Though Alhaji Gummi was making his arguments as early as the 1950s, he was still close to the establishment, even up to 1966. Others, including Amino Kano, can be identified with fundamentalist criticism of the Sufi sects. But only later was the argument seen to become openly hostile to the establishment when the Izala movement was formed in 1978, this at a time of growing influence from other similar movements around the Middle-East.

welfare of the poor and the general education of the populace within a more radical form of Suni Islam.

By the time of independence therefore political lines were already divided regionally and ethnically, and to some extent along religious lines. Within the northern region they were also delimited along *class lines*.

3.3 Independence, Corruption and Institutional Manipulation

The period from 1960 to 1966 is crucial for understanding the basis for Nigeria's political system, and therefore for the development of the trends we see in institutional performance today. In particular it saw the introduction of a British system of democratic government into a society that was not suited to it. There was actually no societal basis for the sustenance and legitimacy of such a government system.

Home places across Nigeria, comprising small clusters of maybe four or five villages, actually constituted, and still constitute, a basis for rural democracy. Anyone who leaves, whether to go to a city or even abroad, still owes allegiance to their home place, and normally they will send money back to the local community association. Corruption in these organisations is relatively rare – who would steal money from their own village? However, they also command allegiance from any of their members who might gain civic office, whether in local, state or federal government. These representatives are expected also to send money home. But there immediately ensues a mismatch between traditional and civic constituencies, because the boundaries of the latter are always larger. Even local politics descended quickly into a struggle between local communities attempting to get their own person elected to office.

It has been argued that this mismatch between the traditional and civic constituencies, therefore establishing a break in accountability, provided the basis for rapid growth of corruption following independence in 1960 (when the parliamentary form of government was imposed. Holders of public office were under pressure to remove public resources back to their home community, and when applied to different levels of government where more and more resources were available, divisions merged not just between local interest groups, but also between the regions within federal politics.⁶ Control of the centre became a necessary target for regional elites with a view to channelling resources back to their own region.

In the North the end of colonial rule presented additional political challenges for the establishment and the Emirs. Before the British the Emirs had ruled over an area of the North delimited by their own sphere of influence, and raided other areas. Under British rule they managed to sustain their supremacy over others in the construct of Nigeria. But from independence they were now to be incorporated in a new government structure which included other non-Muslim factions across the Northern Region, and in a Federal scheme which included other regional power bases. The traditional establishment's pre-eminence under British rule would now have to be sustained under a Nigerian democratic system in which competition with other regional interests, *both within and outside* the Northern Region, would be less skewed towards them.

The political response was to attempt a spread of Islamic, and more specifically the Fulani Emirate, hegemony across the northern Region, a new "Jihad" that was led by

⁶ See Peter Ekeh, "Colonialism and the Two Publics in Africa", *Comparative Studies in Society & History*, 17, 1975, pp. 91-112.

Amadho Bello, leader of the Northern Assembly and Great Great Grandson of Usman Dan Fodio. Ultimately it was the fear of a spread of Islamic influence through federal government across the rest of Nigeria, a fear felt especially by Igbos in the South East, that precipitated the military coupe in January 1966, and the ensuing civil war.

By 1966 corruption was already well established within the system, brought about by the need to satisfy local demands on civic politicians, and most significantly this way of running politics required the manipulation of key institutions. The processes of budget management and expenditure control, procurement, staff appointments, land management, and the control of oil revenues (especially as oil came on stream and prices rose through the mid-1970s) and the banking system, were manipulated in order to favour the elites, especially of the North and the SW (at the expense of those in the South East and South South following the war). These mechanisms were used, in combination with direct military coercion where necessary, to reward the supporters of the system and to sustain the various elite groups' control over resources.

3.4 The Years of Economic Growth

Despite, or in some senses because of, the political breakdown of the 1960s, the economy of Kano did expand significantly, at least up until about 1990. This included development not just of commercial trading activity, but also of industrial production in textiles, metal fabrication, plastics (especially shoes), groundnut oil, and later on batteries and car assembly. Indeed Kano became the second most concentrated industrial production centre in Nigeria, though substantially behind only Lagos. For example, while employment in manufacturing was just 6,000 in 1960, by 1977 it had risen to 61,000.⁷ This did not include the formal commercial sector, or the jobs available in the informal trading markets and growing transport sectors. Kano was a relatively booming economy.

One reason for this growth was the encouragement that early governments gave to the creation of industries needed to replace imports. (A reliance on imports had been a deliberate ploy of the colonialists.) To some extent this growth was encouraged by a strong exchange rate, but there is also evidence that much of the growth was artificial rather than being a response to a particularly conducive environment for private investment. Instead it was mainly instigated by direct government projects, or by investments by international companies with significant incentives or inducements provided by the federal government. These were more or less focussed in the North, a flow of resources from the south achieved through skewed northern political control over federal resources and facilitated by northern dominance through military government.

Of direct relevance to the current study are the investments made at this time in the dams and irrigation channels in the Kura – Kano Corridor, as it was these that provided the initial impetus to rice production. But it is well worth appreciating the general political and economic context in which these initial investments were made.

Nevertheless, relative to developing prospects in other parts of the country, the North possessed an economy which offered fewer prospects to obtain substantial economic surpluses. Especially as oil production expanded, these opportunities were concentrated in the south south and in the Lagos-Ibadan axis. Northerners must

⁷ Ibrahim Bashir, *The Growth and Development of the Manufacturing Sector in Kano's Economy, 1950 – 1980*.

have realised the importance of maintaining financial avenues into wealth created in other parts of the country.

It is also worth noting that this period of growth spawned the development of a number of large, predominantly Fulani, family businesses. These made their money originally in the growing industrial sectors in Kano, but it may be presumed with some degree of confidence that they benefited from links to the Fulani establishment and their growth relied at first on lucrative state government contracts. Today some of these family businesses are amongst the largest and most influential business empires in Nigeria, their financial and market influence spreading well beyond the boundaries of the North. Prominent names include Dantata, Dangote (these two are themselves related), Rabi'u, Sambajo, Adhama, Maiturare and Tofa.

3.5 The PRP and Class Politics

It also had a profoundly negative impact on the electoral process.

The victors in the 1979 Federal elections were the National Party of Nigeria (NPN), which included members from around the country, but had a controlling Northern interest at its heart. Furthermore the leader, Shehu Shagari, was firmly from within the “blood royal” of the traditional northern elite.

By 1979 there were 19 states, but out of the 10 in the former Northern Region, the two states with urban centres of Kano and Kaduna were the only ones won by the People's Redemption Party (PRP). The main political figure in the PRP was Malam Aminu Kano, the former NEPU activist. The PRP he helped to form drew together a fundamentalist line of thought from Islam – the thinking represented by Alhaji Gummi – together with a socialist, pro-poor (or Talakawa) agenda. The PRP's success in 1979 in Kano was largely owing to its greater appeal to the urban poor (or Talakawa).

One particular policy the PRP implemented is worth hi-lighting. This is the abolition of the Haraj Tax, previously been levied by the Emirs as a form of local poll tax. Similar poll taxes, remnants of the colonial administration, were levied in other parts of the country, though under different titles. Following their abolition by the PRP governments in Kaduna and Kano, the NPN extended the abolition across the country.

Thus the emergence of the PRP in Kano was not just a matter of religious fundamentalism. It also had much, if not more, to do with class, and with social homogeneity. Such a circumstance would naturally have encouraged a less corrupt approach to governance, and there is some evidence to suggest that indeed this was the case.

Elsewhere in the country corruption and patronage were used extensively to hold the political system together – a necessity one might argue given the withdrawal of direct military coercion. (Indeed this same effect is evident in Nigeria today.) The level of corruption was one excuse used by the military to resume control in late 1983.

In fact Kano is unique in that it has never re-elected a single Governor. In 1983 the PRP incumbent was eventually voted out as he had become embroiled in Federal politics. A new Governor was “elected” under Babangida's Third Republic in 1991, and the PDP victor (Kwonkwoso) in 1999 was beaten by the ANPP (Shekarau) in 2003.

The significant point is this. That in Kano there is a broad constituency to which any governor must listen. It seems it is not enough to be supported by the establishment alone, or by financial interests alone. At the least it is necessary to have support from the poor, though acceptance by the establishment is also probably necessary.

3.6 Structural Adjustment and its Impact on the Kano Economy

By the mid-to-late 80s the national economy was in crisis. A collapse in the price of oil, combined with the excesses of the Shagari government (which borrowed heavily to pay for political patronage) placed pressure on the balance of payments and the currency. It was also the time of the Structural Adjustment Programmes (SAP), and Babangida's government (while still needing to borrow heavily) agreed to reductions in import duties and a devaluation of the Naira in order to obtain the much needed support of the IMF.

It took a while for these measures to impact upon the Kano economy, but when it came the impact was drastically negative. Between 1990 and 1992, the three largest factories in Kano (Union Carbide, Fiat and Bata) all closed.⁸ Between 1989 and 2000 the total number of factories fell from 327 to 143. (Of the remaining 143, 61 were foreign owned.) The crisis hit the textile industry particularly heavily. Even those companies that remained in operation did so at sometimes epileptic levels of capacity utilisation. These averaged 22.6 percent in 1998.

For Kano this has presented a deepening problem which now influences political change quite significantly. Whereas until 1990 the Kano economy had appeared relatively healthy, over the course of the 90s employment declined sharply. Meanwhile in-migration continued. The result has been an ever expanding reservoir of unemployed, especially young, people, a situation that was conducive to the emergence of different groups, some religious and others divisive, and which thereby also contributed to the serious civil and inter ethnic/inter religious unrest of the 90s and early 2000s.

3.7 The Current Government

In 2003 the incumbent PDP Governor, Kwonkwoso, lost the election to the ANPP.

The ANPP is not a party that has any particular visionary platform, unlike the PRP for example. In the North it has been the party of established interest and money, but for people in this arena who are unable to live with (or are unable to gain entry to) the PDP. The Party (which from 1998 to 2002 was called the All Peoples Party – APP – rather than the All Nigeria Peoples Party) is sometimes referred to as “Abacha Peoples’ Party”, and indeed some prominent members made their money through links with Abacha. (So did some prominent members of the PDP.) But equally the ANPP gets much of its money from middle classes (civil servants and mid-sized businesses), so has a somewhat broader remit than the nick-name link with Abacha money implies.

This broad, though generally elitist, platform allows for the inclusion of a range of interests. It is evident that Buhari, along with some of the more liberal thinkers in the ANPP, saw that in Kano the only chance for victory was if they fielded a candidate who also reflected a more rigorous standard, and one that was aligned with a pure Suni or Izala as opposed to Sufi understanding of Islam. In essence they knew that a

⁸ The Economy of the Kano Region of Nigeria in 2001: The Rise and Fall of Manufacturing, Alan Frishman, African Studies Association, Texas, November 2001.

candidate that appealed to a range of interests across Kano, as the PRP had done in 1979, would stand a good chance of defeating Kwonkwoso.

Shekarau's background was important. He had been a teacher for much of his career, though was a senior civil servant (Permanent Secretary) in the Kano administration by the time of Kwonkwoso's tenure. More to the point he also had a reputation of being a well versed Muslim scholar. Shekarau is not a member of the Izala sect, but his leanings are thought to be towards a purist following of the Koran, and unlike some other leading Muslim civic leaders,⁹ he is granted with some credibility as a Suni.

As the four-year tenure draws to a close, there are a number of positive indications from the new government's performance. Significantly these indications are consistent with an interpretation that the Shekarau Government is responding to a social constituency. These include:

- Pro-poor hand-outs, mainly through a more formalised Zakat;
- Significant investments in key services, especially in water;
- Evidence of reduced corruption;
- A significant budgetary re-emphasis on education (notable as a Suni rather than a Sufi priority);
- Reductions in armed crime (especially through appeasement of Daba groups and a reduction in the political use of thugs);
- A commitment to growth (though real economic challenges have hindered progress); and
- Increased freedom of the press.

Despite these improvements of course, there have been many negative features to the government, not least the line taken for a period against polio vaccination, perceived to be a political gesture to the radical left. Other allegations persist, including allegations of corrupt civil servants remaining in the system (no exhaustive retrenchment has been carried out at any level), some of which could be driven by a number of the Commissioners that have been appointed for political reasons.

3.8 Summary

This section has provided a brief history of the development of politics in Kano. The implications for rice production and trade may not be immediately obvious, but in fact they are many. As we shall see in the sections that follow, the initial growth of production can only be understood in the context of the political economy of the 1970s and 1980s. The specific way in which rice and other markets developed and are protected in Kano can also only be fully appreciated against this historical and political backdrop. Finally the prospects for change in policies that affect rice production also depend quite heavily upon current perceived political commitment to the poor, but also upon the circumstances for and outcome of the impending elections.

4.0 PRODUCING AND MARKETING RICE IN KANO

Most readers of this section will find nothing new, as it is simply a review of information that is already known. However, in order for the rest of the report to make

⁹ For example the Governor of Zamfara state, who was the first to declare Shari'ah in a post 1998 Nigerian state, is not credited with the standing to have been able to make any such declaration legitimately.

sense it is first necessary to describe some of the basic characteristics of the rice chain.

4.1 Some Structural Characteristics

Farming land use around Kano is characterised by great fragmentation. The PrOpCom baseline study provides some evidence of farm sizes – though these vary between localities – with averages of about 3 hectares. However we think that in the Kura – Kano corridor farm sizes are somewhat smaller.

Historically there is some evidence that this originated in the period of British colonialism. The British were not keen to allow the Emirate aristocracy to retain large tracts of land, while they were also bent on encouraging small the expansion of small-scale cash-crop farming. Since independence farming plots (held on lease from government) have been further sub-divided as land has been passed from fathers to sons.

The baseline also suggests that total rice paddy (unprocessed) production in Nigeria today is approximately 3 million tons. Much of this is produced across the north, and while far from all of it is produced in Kano state, Kano is one of the main rice market in the country.

Nevertheless our estimate of the number of bags passing through Dawanau market (the largest wholesale location) was about 1,000 bags, or 100 tons, per day (36,500 tons of processed rice per year). Allowing for a loss of 50 percent in weight during processing, this means that Dawanau deals with only 2.5 percent of Nigeria's production. It may be therefore that estimates of the volume of Nigerian production are excessive.

Nevertheless there are a great number of rice farmers across Kano State. The Kura – Kano proposal estimate for the corridor is about 20,000 farmers, with another 6,000 (on slightly larger plots) in upland areas. (Each of these grows rice in rotation mainly with tomatoes and onions, and often substituting with maize.)

According to many people we spoke to, rice is not regarded in Nigeria as a staple product. In the south the main food sources are yams and maize, in the north millet and maize. Rice is a product that can be eaten by some families say two or three times a week for convenience (home processing requirements are low), or just on special occasions. When the price is high compared with other basics (as is the case at present) it is common for poor families either to eat very little rice, or else to go mainly for relatively low qualities.

Good processing can raise rice quality to the level of imported rice, but there is a perception by some better-off urban dwellers (which is reflected in the price) that imported rice is preferable. Some local producers and traders dispute this claiming that local rice tastes better, but they nevertheless face a marketing challenge to compete with imports.

4.2 Rice Quality, Processing and Yield

The vast majority of processing (par-boiling and milling to remove the husk, followed by drying and in some cases polishing) is undertaken by very small processors, perhaps handling only a few bags a day. (Operations are often limited by poor power supplies, though many processors use small diesel fuelled engines.) Poor boiling practices result in broken and discoloured rice, while drying on bare floors and road sides allows for the invasion of stones and dirt into the product. Care in the

processing task costs little or no extra, other than more effort and technique and some inexpensive purpose built equipment, but can lead to significant price improvements. The cheapest rice we saw was at Kura and sold at Naira 190 per Tiya (a local measure approximately equal to 2.5 Kg), while the most expensive was at Garko and sold at Naira 320.

Different localities have a reputation for different qualities of rice. The upland, rain fed rice around Tudun Wada produces a better quality paddy than that grown in the irrigated perimeters around Kura. Of course different rice varieties also have an impact, though many farmers are growing with seed that is 15 years old and is therefore producing poor quality and yield results. In addition there seem to be either different attitudes to processing effort, or different levels of knowledge about the benefits of using better techniques. Fulani women around Garko for instance invest considerable, and certainly competitive, effort in processing, and they adopt far better techniques, so their rice fetches a high price as a result. In Kura the processing is done more by men and both the effort and the sophistication of technique is less. Kura processors would probably gain, and probably want to gain, from learning and adopting better processing techniques.

4.3 Mid-Level Trading

Probably owing to the dispersed character of on-farm rice production, there exist around Kano a number of markets trading rice both for local retail and for onward wholesale to Kano and other places. During the input we visited four of these: at Tudun Wada (about 120 km south east of Kano); Kura (about 35 km south of Kano); Kwanar Dawaki (10 km south of Kano); and Garko (about 70 km south east of Kano).

A variety of processes take place around these markets:

- Some farmers will par-boil and possibly even de-hulling their own paddy, and then sell on to a local rice trader or to a rice-traders agent, who will normally arrange transport to the local market.
- In some cases agents travel from farm to farm buying up paddy and hiring transport to take it to the local market, where they sell on to (or collect a commission from) a rice trader.
- Some traders will then use an independent processor to par-boil and de-hull the paddy, but many processors are also themselves traders.
- At all markets some sales are then made direct as retail to customers, though at most markets the volumes of this trade are quite small.
- The majority of rice (though this varies between markets) is then sold on to traders from Kano or from other trade centres such as Gusau (in Zamfara) or Kaduna. (We were not able to establish whether traders from as far a-field as Lagos make direct purchases in the Kano area other than through the Kano markets themselves.)
- Processed rice purchased from the local markets is then transported either to retail or wholesale markets in Kano, or in some cases to retail and wholesale markets in other parts of the country.

Significantly, very few of the traders based in the local markets take their rice direct to Kano for sale themselves. Instead they rely upon Kano (or in some cases other urban) traders and/or their agents to come to the local market and make purchases there. It is this practise (together with the price differentials, described in the next sub-section below) that has raised the suspicion of PrOpCom about possible interference in the market.

4.4 Costs, Margins and Volumes

Making a study of the various prices, costs and margins at different stages of the chain was not the objective of this study. (A detailed financial survey of these characteristics by PrOpCom is currently nearing completion, but its results were not available to the current study.) But anecdotal evidence was collected from the various markets visited to provide an impression of these differences.

Making comparisons of cost and margin between locations and chains is made a little difficult by differences in quality between markets. However, with this in mind three tables are presented below that describe three generally typical versions of the chain.

Table 1 Costs and Margins, Kura to Sabon Gari

Stage	Cost or Price	Margin obtained
Retail price obtained at Sabon Gari Market in Kano/ Margin received by these traders	9,200	1,340
Estimated costs incurred at the Sabon Gari Market	60	
Cost of transport, loading, agent and bagging, Kura to Sabon Gari	200	
Price received by Kura traders selling rice to Sabon Gari traders/ Margin over costs of purchase and processing	7,600	950
Processing costs and other local fees incurred by Kura Trader	450	
Price paid to producer for paddy/ Margin over production costs including local transport	6,200	3,300
Cost of production including bagging and transport	2,900	

Notes: All prices/costs are in Naira per 100 Kg bag.
Purchase price of paddy is for two bags, assumed to be the amount required to yield 1 bag of processed rice.
Costs of paddy production are taken from the PrOpCom baseline study. Note that this study shows local transport costs as part of the cost of production, but actually these are commonly born by the trader. Nevertheless as a result the price actually paid for paddy tends to decline as distance from Kano increases.

Table 2 Costs and Margins, Tudun Wada to Dawanau

Stage	Cost or Price	Margin Obtained
Wholesale price obtained at Dawanau market in Kano/ Margin received by these traders	11,000	1,000
Estimated costs incurred at Dawanau (inc. a small amount for costs of warehouse rent/construction)	100	
Cost of loading, agent, bagging and transport from Tudun Wada to Kano	300	
Price received by Tudun Wada traders selling rice to Dawanau traders/ Margin over costs of purchase and processing	9,600	3,150
Processing costs and other local fees incurred by Tudun Wada Trader	450	
Price paid to producer for paddy/ Margin over production costs including local transport	6,000	3,100
Cost of production inc. bag and transport	2,900	

Notes: As for table 1
The quality of rice represented here is higher than that in table 1 sold from Kura, hence the higher price paid for processed rice.

Table 3 Costs and Margins, Garko

Stage	Cost or Price	Margin Obtained
Retail price obtained at Garko Market/ Margin to Garko trader	12,000	5,300
Processing and local fees	500	
Price paid to producer/ Margin to producer	6,200	3,300
Cost of production inc. bag and transport	2,900	

Notes: As for table 1

The quality of rice represented here is higher than in either table 1 or table 2, hence the high retail price.

As the notes to the tables above explain, the quality of rice sold through each chain is different, and this makes direct comparison tricky. It also needs to be recognised that the *turnover* between the different markets, and indeed at the various stages in the chains, are widely different. Therefore the margins at different stages are not directly comparable. However, we may generally conclude that:

- While the margin per bag is reasonable for farmers, they are small producers and so the income represented is not great;
- Quality makes a big difference to the trader but it is not obvious that this gets through to the farmer;
- Although an important retail market the turnover at Sabon Gari may be as low as 700 bags per week. Therefore while the margin looks high compared with the traders at Kura, the total profit is not excessive;
- By contrast turnover at Dawanau is much higher, probably in excess of 7,000 bags per week, so the profits are considerable (however, see below in section 5.3 for comments on the number of traders involved);
- Prices at Garko are very high owing to high quality, in turn a result of strong techniques and hard work by Fulani women there. But the market is only once a week with retail sales possibly as low as 40 bags. Little if any wholesale trade is conducted here.

In summary, while there may be some incentive for Tudun Wada traders to try to squeeze out Dawanau traders, their margin and turnover are already considerable, and in any case they sell also to other locations from their locality. However, the market in Sabon Gari is potentially very attractive to traders in Kura.

The following section looks specifically at these markets in Kano itself, to establish whether there is any market distortion in operation.

5.0 PROTECTION AT KANO MARKETS

The section looks separately at the retail markets, especially Sabon Gari, and the wholesale market at Dawanau.

5.1 Sabon Gari and the Retail Markets

5.1.1 Some Basics about the Sabon Gari Market

Approximately 300 rice traders sell retail rice at Sabon Gari, most of it purchased wholesale from the surrounding rural areas, but imported rice is also sold. (Whether this is brought direct to Sabon Gari from abroad – perhaps smuggled – or whether it is purchased wholesale from Dawanau, we did not ascertain.)

But Sabon Gari does not only sell rice. It is a huge (the biggest by far) multi-product retail market in the centre of Kano. While the 300 rice traders do their business through about 60 small shops (roughly 2 metre-wide numbered units with metal shuttered doors), there are 11,000 of these units through the whole market selling just about anything anyone could wish to buy. If the ratio of traders/retailers to units is the same across the market as it is for rice (in fact some traders require less space for the wares than the rice sellers so it could be higher), then the number of traders and sellers making a living at Sabon Gari would be as high as 55,000.

The image of this market is as staggering in reality as it is in imagination. But then it is the main retail centre for a city estimated to have a population as high as five million, and these people purchase their needs through mainly very small traders rather than at large western-style retail outlets. Furthermore the market evidently supplies the surrounding region as well, with shoppers from neighbouring states and even from neighbouring countries coming there to buy.

It is a significant characteristic of Sabon Gari therefore that it is a multi-shopper location. Evidently many people come to buy a range of goods, and do so in the knowledge that they are paying a higher price than they would need to pay elsewhere. But they are willing to do so because they do not need to drive around in search of the required variety. Assuredly the term “one-stop-shop” should have been coined here.

5.1.2 History of Kano and Sabon Gari

Sabon Gari, meaning a place for non-indigenes to live and do business, is actually not just a market but a neighbourhood in the city, and as intimated in section 3 of this report, it has played a prominent role in the history of Kano for close to one hundred years.

Following Lugard's violent entry into Kano in 1903, the approach of the British to ruling what became in 1914 the north of Nigeria, was the use of typical divide and rule tactics used across the rest of the empire. As part of these tactics the British established the area now called Sabon Gari outside the previously walled city (Lugard broke down the walls). “Sabon Gari” means settlement for non-indigenes (“Nasarawa” is a settlement for foreigners), and there remain areas in many Nigerian cities today bearing these names. Sabon Gari became the area where other Nigerian ethnic groups were sent to live, and it was especially a place for Igbo palm oil traders from the south. Physical separation between ethnic groups was therefore formalised.

Of course this explains both the location of Sabon Gari and the way in which the trade guild tradition was altered. Guilds or associations with interest in particular commodities also possessed an ethnic quality. This also created a separation between these traders and the aristocracy, and a location where generally poor and working class, often non-Muslim people congregated.

As the city grew, especially through the 1970s and 1980s, it became a place for political organisation and mobilisation. Amino Kano's socialist movement, manifest through the Northern Elements' Peoples' Union (NEPU) was founded through Sabon Gari (it could hardly have operated in the aristocratic heartland of the old walled city near the Emir's palace). And alternative Islamic sects, such as the Isala sect, professing closer adherence to the teachings of the Koran than was pursued by those closer to Emirate traditions (Kadiriyya and Tijaniyya), also developed allegiances there. Probably owing both to its ethnic mix and to its political leanings,

the area was the focus of apparently inter-ethnic strife and conflict and has witnessed repeated scenes of rioting, burning and killing right up until 2003.

5.1.4 The Rice Market and its Association

The period from 1970 to the mid-1980s was one of considerable growth for Kano. The Federal Government during that period was heavily influenced by Northern interests, and oil money from the Delta was beginning to come on stream. As described in section 3, a considerable number of investments were made in industrial infrastructure, partly with a view to creating employment. Factory investments were made for example for the construction of cars (Fiat), batteries (Eveready) and textiles. It also saw the construction of many dams and irrigation channels across the Kura-Kano corridor, with a resultant expansion in this area in farm production of irrigated crops including tomatoes, onions and rice.

Of course an additional impetus behind this flood of investment was the opportunity for corruption that it brought to political leaders, so the investments were not always that economically sensible or sustainable. Many of the plants opened during these years in Kano are now closed. The dams and irrigation channels did lead to a growth in rice production which is sustained today, but the maintenance and extension of these schemes is a problem.

The market itself in Sabon Gari dates back to the early 1900s, following the arrival of the British. By contrast the rice market association was apparently founded only 21 years ago, in 1986. Naturally this reflects the period of growth in rice production. It appears that the association was instigated by people from a particular rural Community Development Association, based around a village called Tamburawa, which is near Kwanar Dawaki, some 10 km south of Kano. (Remember that in section 3.2 the nature and social cohesiveness of village communities in Nigeria was described, as well as the negative impact the division between this level of accountability and civic structures had over the development of corruption in Nigerian politics.) It appears that this particular association, flushed with new cash as its members began to trade rice in the early eighties, managed to muscle its way in to the growing Sabon Gari market. But in accordance with the traditional protection of their own members' interests they have managed to develop various methods which make it extremely difficult for any traders from outside their community to gain entry.

5.1.5 Methods of Market Protection

We spoke to a small number of traders who had tried to "enter" Sabon Gari to sell their rice. One of these recounted a tale dated eleven years ago, and he had not tried since. It seems that a range of techniques can be used, including the following.

- If a non-association member brings their rice into the market, the association sends someone to loiter around the selling point and put potential purchasers off buying the invaders rice, for example by suggesting to the purchaser that the rice might have been stolen;¹⁰
- Another reporter suggested that rice taken in to the market was liable to be confiscated, and returned only towards the end of the day, by which time it would be too late to realise any positive margin;
- Most rice bought by Sabon Gari traders (say from Kura or Tudun Wada) is purchased with a partial deposit and then credit for the rest. Payment is made to the seller only once the rice itself has been sold through the market. If the Sabon

¹⁰ This is what happened to the seller who tried to go to Sabon Gari eleven years ago – by the end of the day no rice had been sold, only costs incurred.

Gari association decides it needs to punish a particular trader all they need to do is block the sale of that person's rice and eventually return it unsold. Naturally if any such seller therefore makes the mistake of trying to sell rice direct at the market place, they can easily be excluded from future sales completely.

It is apparent that none of these measures involves the use of violence, and indeed the rules seem to be well understood by all concerned. It is unlikely therefore that there is much in the way of payments made by the Sabon Gari association to other bodies to allow them to continue their practise. Nevertheless, the acquiescence of the police, and quite probably the Emir's local office, would be desirable just in case some dispute should arise. A couple of commentators felt it was likely that small payments are made to these bodies, but nothing so great that it would significantly cut in to the Association's members' margins. It is also certain that some payments are made to the Local Government Area Council (LGA), but these are described separately below (under "market rents").

The final barriers to market entry are simply practical ones of space and volume. The total area being used for rice sale was approximately 800 square metres (including 60 small storage sheds, two small shops, and approximately 150 2 metre square stacking bays.) At 300 members this means that each member has approximately 3 square metres of space through which to conduct their business. With respect to volume, we estimated (by looking at the Association's trade record book) that the market is dealing with about 750 bags of rice a week, or just two and half bags per week per member. Quite simply there is neither enough space nor enough volume to support a greater number of traders than the 300 that already deal.

Therefore it may be concluded that while the cartel certainly operates, its purpose is to restrict entry to the market to a specific ethnic-come-local group, not particularly to restrict the actual *numbers of traders or volume of rice*. What allows for the sustenance of higher trading margins is the multi-shopper attraction of the market, not particularly the fact that entry to it is protected. Consequently, any attempt to break this cartel could result in a redistribution of margin between traders, but quite probably not any greater access to higher margins for a substantial number of farmers or traders.

5.1.6 Payment of Market Rents

The shop units that make up the Sabon Gari market are mostly small shuttered storage houses. There are also some small shops, and some areas that might be described as dealing bays – one-metre wide covered spaces against a wall. It seems that most, if not all, of these units are owned or leased by individuals, who then rent them on to the traders. The typical annual rent for shuttered store is Naira 25,000 per year, and for a dealing bay about 7,500. These rents are typically paid to the owners of those units, though they in turn must pay about Naira 5,000 and Naira 2,500 on to the LGA in local market taxes.

Very roughly therefore the 300 association members pay (60 x 25,000) for the storage units, and (150 x 7,500) for the dealing bays per year. This is a total of (1,500,000 + 1,125,000) or Naira 2,625,000. In order to cover this the association charges Naira 15 per sack of rice brought in by its members. Assuming 750 bags of rice per week this makes an annual income for the association of about Naira 4,100,000. More or less therefore these numbers add up, but they also suggest that the Association has a small surplus of about 1,500,000 left over. What money it does have to spare it uses (they say) to provide some security (the LGA provides security also but the Association does not trust these people) and some limited support to

those of its members who have fallen on hard times. (Note however that we did not investigate the community association aspects of the rice association, and it is quite likely that they also receive additional funds from overseas.)

As stated in section 5.1.1, the rice market represents only about 60 units out of a total of 11,000 across the Sabon Gari market. (There are not very many dealing bays.) The total annual rent income therefore to those who own or hold leases on the stores may be (11,000 x 25,000) which is Naira 275 million, though extractions from this in rates to the LGA will be about Naira 82.5 million.

Needless to say this revenue flow is significant, and most of it is surplus to the pockets of those who receive it. Landlords are almost certainly civil servants or people with political linkages. They will be taking patronage benefits from the market space allocations have received or, more likely, paid for. Here is no obvious service provided in return. Meanwhile the LGA does not provide any obvious service either.¹¹

It is evident therefore that the Market in general provides a very significant opportunity for political profits to be made, and various powerful interests will have a vested interest in retaining the market in its current guise. However, this does not mean specifically that the rice market falls under this kind of influence. It is such a small part of the market (apparently about a half of one percent by space) that there is hardly likely to be any kind of resistance to a shift or decline in the rice market volume at Sabon Gari.

5.2 Other Markets in Kano

Of course Sabon Gari is not the only retail market in Kano. There are others of a similar multi-stop variety, including for example Rimi, Yankaba and Tarauni Markets. But do these markets compete with Sabon Gari?

The answer appears to be no, and this is true in two respects. First, the volume of rice traded is not as great. We have no data on this of course, but verbal estimates put the volume of the other markets put together at less than half of that traded through Sabon Gari. Secondly we were told by one commentator that the associations at the other markets regularly compare notes with Sabon Gari and establish their retail prices either on a par with or even above the level at the largest market. Probably the potential for these markets to attract substantial additional custom by reducing prices is outweighed by the benefit obtained by keeping margins high.

It is also true that rice is sold through innumerable retail road-side or shop-front outlets. One of the trader-processors we met now brings his paddy from rural markets, processes it to a high standard in Kano, packages it in transparent, high quality packets, and then retails it through three or four grocery store outlets on the street. Quite probably this is a marketing model that can bring better prices to some of the traders and processors without having to go through Sabon Gari and the other established markets. But in this study no cost comparison of this method has been attempted. Nor is it clear how extra incomes might be realised through this method by up-stream farmers.

¹¹ This conclusion is based on hear-say. We did not conduct any survey of the services such as drainage, water supply, toilets or refuse collection which perhaps the LGA should or could be providing.

5.3 Dawanau Wholesale Market

Dawanau Market was established in 1981 after a large fire gutted much of Sabon Gari. Some of the rice traders of the time, together with other agricultural commodity sellers, moved to the new location. (This was before the rice market had become large however, and before the Sabon Gari rice traders association had been formed.) However, Dawanau is on the outskirts of the city, maybe 20 km distant, and does not compete with the central markets as a retail facility. Dawanau concentrates on wholesale rice marketing, although some retailing is also done.

The size of the market is considerable, though in a different way from Sabon Gari. It sells a great deal more than just rice, but the concentration is on bulk wholesale agricultural products, so the range of goods on offer is much less than at Sabon Gari and it does not possess the same multi-stop retail attractions. Indications are that approximately 7,000 bags of rice pass through the market every week, so probably about ten times the volume being handled at Sabon Gari. Rice is purchased mainly from the surrounding region (Tudun Wada is a major source), but there is also imported, or apparently imported, rice there. Similarly rice is sold to retail marketers in Kano (including Sabon Gari), and to retail markets elsewhere, some even being sold for export. With respect to exports some credit was given by marketers to recent donor support for the installation of internet services in the association office, enabling the market to track prices internationally and to make contact with potential customers abroad (for example in Ghana).¹²

The rice traders in Dawanau require relatively large storage facilities for their trade. This is partly owing to the volume of rice going through the market, but also because the traders here evidently take advantage of their ability to purchase rice when it is cheap, and sell it on at times of relative shortage when prices are higher. Obviously the margins vary from time to time, but being a wholesale market we think the margins are less per bag than at Sabon Gari. (See tables 1 and 2.) The key to trader profits is the magnitude of turnover.

The market is not a local government market, but was constructed by private entrepreneurs. The buildings are either owned by the members or they are leased by them from other private owners, so there are no rates payments to the LGA to speak of. Nor is the grant of leases to building owners in the gift of politicians.

The rice market association in Dawanau has approximately 500 members. We were unable to identify any evidence or report that the association in this case is based upon a community association as with Sabon Gari. However, it seems quite possible that it is. The answer to this question probably lies in an investigation about the way in which the association grew at the time when the market was opened. It seems probable that at that time there was a need for those who established the market to keep it amongst themselves. If they did not then this would be inconsistent with previous practise.

However, there are other reasons why the protection at Dawanau might not now be as rigid as at Sabon Gari:

- The price margins at Dawanau are not as great, so the pressure from small traders to gain entry to the market is probably smaller;

¹² The people we interviewed also spoke glowingly of a food security facility they run (again with donor assistance), from which they recently supplied rice to Niger. However, we did not discuss the volumes involved or the degree of subsidy they provide on this food.

- Most of those who do sell to Dawanau sell in bulk, and they also sell to other places (in Tudun Wada we found significant bulk sales going for example to Gusau in Zamfara);
- Meanwhile the cost of gaining entry to Dawanau would involve setting up storage facilities, which would presumably be both difficult and expensive; and
- Although it is a large wholesale market, the current size of membership means that on average each member is trading only 14 bags of rice per week, so the potential size of the association is probably already at or close to its economic limit.

We did not learn as much about Dawanau during this assignment as we did about Sabon Gari. However, on the basis of what we do know, our conclusion about the protectionism at Dawanau is not dissimilar. Evidently there is an association which limits entry. But there is less evidence of deliberate controlling measures, and equally less evidence of attempts by other traders to gain entry. (One trader in Tudun Wada expressed no interest in gaining access to Dawanau.) It seems therefore that membership may very well be controlled, but that pressure from others to gain entry to the market is not that great. Certainly the members benefit from their association, but if the market was more open to others this would probably result in an alteration in the membership, not necessarily an increase in the numbers of people benefiting from access to this part of the chain.

Meanwhile there is little or no evidence that there is any political interest vested in this market.

5.4 Summary

In summary, it appears from our investigation of the markets in Kano that there do exist cartel-like organisations in most of the markets. They are stronger in the retail markets where the multi-shopping retail locations allow margins per bag that are greater. However, the options for other traders to take advantage of these markets is limited not just by the exclusions set up by the cartels, but also practically by the size of the rice trade overall. Although some excess profits are made, nevertheless the various stages of the value chain are not simply creating artificial margins, but at each stage value is actually added (a service is being provided).

Meanwhile the political interest in these markets is generalised, and is not particularly specific to rice which represents just a small part of the Kano market scene.

6.0 POLITICS IN POLICY AND TECHNOLOGY

While there is little evidence of direct political interest and interference in the highly fragmented rice value chain, this is not true of the various elements of policy that influence rice production and marketing. This section briefly examines a series of these. Note though that this study is not able to go into any depth in any of these policy fields, and many aspects of the development of each of these will have been omitted. The purpose of the section is merely to illustrate the kind of corrupt and patronage-driven interference that is present. (But it is worth remembering, while reading this section, the deep-rooted historical causes of these kinds of behaviour, as described in section 3.)

6.1 Rice Imports

Rice imports bring a generally higher quality product to the Nigerian market which is sold at higher prices (maybe an average of Naira 350 per Tiya). The volume traded is

not known though because of a variety of imperfections in the import market. These include:

- Rice smuggling across borders with Benin, Niger and Cameroon;
- The process of repackaging Nigerian rice in packets that say the rice has been imported; and
- Probable imperfections in the recording of rice imports through Nigerian customs owing to the continuation of corrupt practices there.

For some years there has been a threat by the Federal Government to place a ban on the import of rice, but this has never been enacted. However, there is a relatively high tariff in place of 120 percent. We have not attempted to conduct any financial analysis to demonstrate whether such a tariff can be sustained by the difference between import costs and the retail selling prices, but in any case it is likely that various methods are used by importers to avoid making these payments in full.

It is probable that the continuation of rice imports contributes to discourage larger rice processing companies from setting up commercial milling operations. Fourteen licenses have been issued by the Government for this purpose, but as yet only one has been taken up, and even this involves a relatively ineffective take-over of a rice mill previously owned by a state government and allegedly also involves some politically motivated incentive.

Meanwhile there is considerable interest in the exercise of obtaining import licenses for rice (or any commodity for that matter). Import licenses not only permit the holders to bring in large volumes of foreign produced rice for profitable internal sale, but also qualifies them for access to foreign exchange supplies whether they then use these for rice importing or not. Also, although we did not ascertain the number, there is, relative to the number of domestic traders, a small number of importers. There is for these reasons some considerable premium placed on the obtaining of a license. This in turn means that they command some political capital, and licenses for rice and other more lucrative import licenses are therefore generally handed out to political allies and supporters.

One policy option could be to provide protection to the domestic rice sector by offering more effective protection. It is not being argued necessarily in this report that encouraging such a policy is advisable, but if it was decided that it is, this strategy would face political resistance. No particular alteration in the Government's policy towards rice imports can be expected soon, and there is an obvious political barrier to obtaining such a change.

6.2 Subsidised Rice Seed and Fertilizer

One of the main reasons for poor yields in rice (see section 4) is a lack of required fertilizer input, and the fact that many farmers are using seed that is many years old. Old seed loses productive quality, while there is also a delay in the use of new more productive strains.

State Governments in many states in Nigeria provide subsidies for farmers, especially in the supply of fertilizer. At least in Kano State there are also subsidies on rice seed. Yet while the apparent intention of these subsidies must be to provide inputs at cheap prices with a view to addressing the problems described above, they actually have the reverse affect. This is because:

- Supplies of these subsidised inputs are inadequate both in quality and in timing; and
- The price subsidies do not always find their way to the farmers – government officials benefit instead by trading the subsidised inputs at prices closer to the real market price for their own financial benefit.

The process of subsidy therefore prevents many farmers from investing in these inputs as they should. They are tempted to wait for the promised subsidised products, but they either never receive these, or they receive them too late, or they have to pay close to market prices for them anyway. In many cases there are also questions about the quality of the product because unscrupulous dealers who do not depend upon a market reputation to make their profit will tend to tamper with it.

Recently a national fertilizer strategy was developed by the Federal Ministry of Agriculture, with the support from various agencies including the International Fertilizer Development Centre (IFDC). But there must be reason to doubt the potential for this policy to be implemented. This is both because of the vested interest in providing subsidised supplies, and because the major subsidisers are state governments. (State Government in Nigeria is highly autonomous, and they tend not to take very close notice of Federal legislation when it doesn't suit them.)

6.3 Processing Mills and Tractors

In Kano the State Government provides limited tractor-hire services. We also heard in discussions with the Ministry of Commerce that there are proposals to provide clusters of processing mills (small pieces of equipment similar to those currently in use) to co-operative groups in the Kura-Kano corridor at reduced prices or on a credit basis.

As with fertiliser and seeds supplies, the plan or practise to provide these services at reduced prices may seem laudable on the surface. However, there must be the suspicion (though it is no more than this) that the intention is really for people in government to make small profits from these services. Purchased at cost by the State Government, they are sold on at subsidised rates, but those in government responsible for managing the task take a cut.

It is probably true that these services do little to help Tudun-Wada-Kura-Kano rice farmers and processors. In fact they probably serve merely to undermine private markets which otherwise *might* supply these services at a competitive cost and in adequate volume.

6.4 Dams and Channels

As described earlier, there was considerable investment in irrigation infrastructure during the 1970s and 1980s, an investment which was a significant catalyst in the take-off of rice production in the area. This was part of a politically driven initiative following the civil war to direct growing oil revenues towards investments in other, non-oil producing parts of the country. The politics of this exercise were heavily driven but regional and ethnic interests.

However, since that time three inter-related things have happened to alter the environment for this investment.

- First there has been a gradual decline in the political influence of the north, partly because of its relative economic decline, but also because of the need to relinquish control of the Presidency in 1999.

- Secondly, the economic conditions faced by the country from the mid-eighties onwards forced the Babangida regime to adopt austerity measures, which had a generally negative impact especially on northern business and economic development.
- Finally, and probably most significantly, the extent of corruption in government has deepened (though there is some evidence of a recent reversal in this trend in Kano). This has happened during, but even since the removal of, the formal military government. The corrupt institutions have made it increasingly difficult to direct and track expenditure on infrastructure items, and allocations and releases to infrastructure maintenance have fallen to a trickle.

The combination of these changes means that effective attention to irrigation works (not just their construction but more particularly their maintenance) has fallen away over the past twenty years. But perhaps notably (and the significance of this is considered below) there have been some irrigation channel maintenance works carried out near Kura recently.

6.5 Transport Cartels

Transport is a peculiar input because it has been used in the past to move political activists between meetings and to places where enforcement tactics have been used. This means there has been a particular interest of political parties in ensuring that they have some influence over those who provide these services.

We know that there is a well organised cartel operating in this sector, and margins are vigorously enforced. During previous assignments in Kano and Kaduna reference has been made to the use of violent threats to ensure that truckers do not break the agreed margins, and surplus payments are made to those who control the association. Meanwhile some kind of mutual arrangement exists between these leaders and political parties, the one supporting political activities while the other allows the cartel to continue.

The details of this relationship were not, however, investigated during the current assignment. However, we can say with some confidence that any effort to establish self-managed transport as a service to the majority of rice farmers and traders would meet with significant politically-connected obstacles.

6.6 Summary

The key conclusion from section 4 was that while there may be market barriers to entry to certain parts of the value chain in rice processing and trading, there does not appear to be any direct interference by political interests. For PrOpCom this means that work to reduce the number of value chain steps, while it might face some market barriers and resistance from existing cartels in specific markets, might not face political resistance to such measures.

However, this is evidently not the case in sectors that otherwise influence the environment for rice production and sale. Efforts to:

- assist farmers or farmers groups and cooperatives to improve their yield;
- reduce the competition from high quality imported rice;
- reduce costs of transport (though these appear to be very marginal anyway); or
- improve government policy in these areas;

would most probably meet with stiff resistance, and indeed a lack of co-operation from state government(s). In short, achieving improvements in these fields is *not*

particularly a technical matter, though they also involve technical challenges, but *are more particularly political problem*. In this case it is not sufficient to devise simply technical interventions, and to qualify them with the assumption that political commitment is required (because apart from anything else it is evident that political commitment to changes in these areas is doubtful). It is necessary instead, *if PrOpCom wishes to influence the market in these fields*, to devise practical strategies for influencing the political debate around them.

7.0 CONCLUSIONS AND RISKS

7.1 Developing Strategies for Change

PrOpCom is working on various strategies to achieve improvements in the operation of the value chain for rice, including for example:

- trying to get farmers to work together so as to pool their entry to lower parts of the chain;
- advise them on the adoption of better processing techniques so they can obtain a better price through wholesale (and with lower volumes at retail) markets; and
- adoption of better packaging techniques; and
- possible efforts to retail through street-front outlets as opposed to through the larger multi-product markets.

As suggested above there are no particular political reasons why these strategies should not work. Limitations may lie instead in the market, but it is not for this assignment to comment on whether these technical approaches might or might not be successful in directing more income towards poor farmers or consumers than to wealthier traders.

With respect to questions of policy and improving the environment for production, however, there would be a need to look to influencing the political agenda. Two comments need to be made here about the potential for doing this.

7.1.1 Information and Publicity

The strategies that have been tried for influencing this kind of challenge in other places in Nigeria and elsewhere have involved raising the public profile of a particular issue that is believed to be of broad public interest. The assumption is that if information that reveals how a poor policy is having a negative affect on peoples' lives is widely published, and if examples of good practise are also placed prominently in the media, then it will be harder for political leaders to resist pressure for change.

In fact the evidence that this strategy works in this simplified form is flimsy. In Nigeria the press is relatively free. (Though it is generally owned by individuals who have a political objective, this is a characteristic of the press in the UK and US as well.) It publishes many stories about the excessive and commonly illegal behaviour of the country's leaders, yet this behaviour continues, allegedly, unabated. It is evident that other parts of the "system" of accountability, especially mechanisms for turning public opinion into political expression, are missing. Merely publicising information is unlikely therefore to have the desired effect.

It is therefore probably necessary not only to publicise information, but also to ensure that the issue being publicised is one that is of interest to a group in society that also has some considerable influence. Indeed political change is normally achieved through the actions of those who not only want to see change but who also have the

power (perhaps through control of resources or ideology, as indicated in section 2 of this report) to influence decisions. Unfortunately there is not much evidence to suggest that the development of the domestic rice sector is one that is of great interest to any influential groups in northern Nigerian political life.

PrOpCom has been developing ideas for improvements in the flow of market and other information direct to farmers, for example through a mobile phone messaging service that provides information about prevailing market prices. Perhaps this could help cooperative groups to negotiate better prices for their rice. However, it is not obvious from the current study that farmers are currently ignorant of the prices their rice fetches further up the chain. Improvements might depend as much upon collective organisation as upon distributing better market information.

But this sphere for transparency and dissemination is also not particularly about raising pressure for policy change. Better information about market prices might help to expose some protected markets to entry by others, but it is not a strategy that could be counted upon to reduce the risk of a lack of political will to alter policies surrounding rice production.

7.1.2 Favourable Politics in Kano?

This all seems quite negative for the prospects for achieving change in the Kura – Kano rice corridor. However, there is one positive condition that is peculiar in Nigeria to this particular place, and that is that for quite deeply entrenched historical and political reasons the prospects for policy change in Kano State are probably greater than in any other state in the Country.

Towards the end of section 3 the point was made that accountability in Kano is better than in most other Nigerian states. This is owing to the development of both relatively fundamentalist Islamic thinking and to socialist political organisation in what had become a large and relatively industrialised city. Shekarau's government has more reason than most to be cautious about its performance in service delivery, including economic and agricultural growth. More than this, it is dedicated ideologically to delivering a broader understanding of Shari'ah than other Governors in the North.

For these reasons – both the greater accountability in Kano, and the ideologically-driven source of power behind the current regime – there is greater potential for achieving policy change here than anywhere else. In other words a reasoned approach, say on fertiliser or seeds policy, to the current Kano State Government, stands a better chance of success than in many other places. The interests of those who benefit from corrupt trading in these subsidised products *could* be jettisoned in favour of an effective development policy for the poor.

Of course while the political environment in Kano appears to be relatively positive at the moment, an election is imminent and the outcome is uncertain. What will not change in Kano is the existence of a relatively involved and traditional political accountability. However, the current Governor's position is compromised by his continued selection as the candidate for the ANPP. His association therefore with the ANPP federal Presidential candidate, General Buhari, and the resulting intrigue surrounding federal infiltration in Kano politics, could result in his defeat at the polls in April. If this happens it is less likely that the victor will be committed to an agenda driven by socialist principles and a sincere set of Shari'ah priorities.

7.2 Next Steps

This study was potentially the first of two pieces of work. The second would be aimed at developing specific support proposals intended to influence the political barriers to change in the rice market. However, because there are no apparent political barriers, the second piece of work is not required.

However, if PrOpCom aims to bring improvements to rice production through changes to policy in the fields described in section 5, there could be cause to:

- carry out some further analysis in order to improve the assessment of the political involvement in these spheres; and
- develop strategies that might be expected to shift the degree of political interest in implementing new policies.

7.3 Reflections on the Approach

Section 2 of this report provided a basic outline of what a political economy approach entails. It described how analysis of structural interests and sources of power can help reveal how institutions are used to serve these particular interests.

Section 3 delves briefly into some of the basic history of Kano and how different groups have obtained special influence over government and institutions. But section 5 also describes how the institution of how rice is bought, processed and sold has not been distorted in order to serve these particular interests. On the other hand institutions of how other rice input commodities are traded (section 6) are heavily used to help sustain political networks.

Without this kind of analysis there exists the danger that technical solutions could be proffered without recognising the existence of interests that not only sustain current poor practise, but that have indeed been responsible for its original development. In the face of these obstacles the chances of such technical fixes being successful would be very much reduced. In fact in the case of the rice value chain around Kano, this risk appears to be minimal.

Annex 1

Terms of Reference

1. Statement of Work

1.1 Background

Promoting Pro-Poor Opportunities in Commodity and Service Markets (PrOpCom) is an innovative project funded by the Department for International Development of the United Kingdom (DFID) to facilitate functionality and efficiency of Nigerian commodity and service markets in such a way as to assure these markets benefit the poor. It is implemented by SAll Associates Ltd/Gte, an associate company of Chemonics International Inc., a Washington, DC-based consulting firm.

PrOpCom's goal is to improve livelihoods by facilitating growth and pro-poor outcomes in commodity and service markets and to contribute to the overarching (DFID/Nigeria) goal of poverty alleviation in support of NEEDS and the attainment of the Millennium Development Goals. PrOpCom will use a "Making Markets Work for the Poor" (M4P) approach to address the systemic reasons that prevent commodity and service markets from functioning effectively for the poor in Nigeria. In doing so, it will contribute to delivery of the vision for growth in the non-oil economy outlined in NEEDS. The project purpose is to support systemic change in markets on which the poor rely to produce pro-poor outcomes and opportunities such as:

- Enhanced incomes;
- Increased jobs;
- Improved access to markets;
- More options and choices; and
- Reduced risks.

During the first two-year pilot implementation phase, PrOpCom will focus on rice as the primary commodity and soya bean or cashew as secondary commodity.

PrOpCom is mandated by DFID to facilitate, not implement, change. The programme facilitates change with and through local structures, firms, and individuals. Effort will be made not to displace existing organizations. PrOpCom is therefore just a catalytic agent. Like all catalysts, it merely speeds up the process while leaving the intended beneficiaries (local market actors) to run the show. It is about Nigerians taking charge of their own development. For this Nigerian ownership to occur, the programme aims to create a vision that can motivate and direct the programme's Nigerian partners to reach goals that are mutually agreed upon.

PrOpCom would contribute to removing constraints to efficient market operations and linking market actors to work together and serve each other on a sustainable basis. PrOpCom would rather not dole out inputs and grants that could lead to perpetual dependence on hand-outs. PrOpCom therefore emphasizes market development over and above granting of subsidies.

The programme will address poor market functioning along selected commodity chains, with the objective of improving access and returns to the livelihood assets of the poor. PrOpCom will not however directly support the poor; rather programme

activities will work with business associations, service providers and other intermediaries who already serve functions along market chains in which the rural poor have a stake. By facilitating fundamental changes in the functioning of markets and the rules of the game governing access by the poor, systemic change will be encouraged.

PrOpCom will also address cross-cutting issues that are of major concern to DFID such as: gender, conflict, the environment and HIV/AIDS that are. Therefore all our activities will attempt to ensure that these issues are adequately identified where they exist in the economic or social sector being targeted. To ensure this, all contractors and facilitators will be required to address these issues as and when appropriate and relevant.

1.2 General Scope of Work

Kano as a central trading centre has been in operation for over a thousand years. During this time a number of institutions and procedures (trading norms and conventions) have been established.

The Dawanau market in Kano is the largest agricultural commodity market in Nigeria and probably in all of Africa. There are reportedly more than 50,000 traders operating in the market, providing grain and other food staples to traders throughout Nigeria and much of West Africa and Central Africa. Although they are likely linked, it is not necessarily the case that commodities sold in the Kano retail market transit this larger Dawanau market which serves local, national and international markets. It is not clear that the Kano retail markets have the same institutional structures as the Dawanau market. Although Dawanau has a local retail market component, it appears that it competes with other retail markets in Kano. Given the long-distance nature of many Dawanau transactions, one suspects that it operates primarily as a wholesale market, with larger transactions and lower prices per unit than in the local retail markets. There is no data base on prices and volumes of agricultural commodity transactions in the Dawanau or other Kano markets.

The Kano wholesale and retail market is the largest in Nigeria and one of the largest in West Africa. Rice is a relatively new commodity in the Kano market but has become an important part of overall market transactions. From anecdotal evidence it appears that the markets have one or several institutional structures (cartels, market arbitrators, etc.) that limit access to the markets or result in increased transaction costs in the sale of rice. It has been observed that traders from the Kura area (some 35 km from Kano) supposedly do not sell directly in the Kano markets even though the price in the Kano market is substantially higher than in Kura. However, Rice from Kura does enter the Kano market but is not sold there by the traders from Kura. They appear to be constrained to sell their product to other players who are present in the Kano markets. Local Kura traders claim to be disinterested in the Kano market and unaware of the price differential. On the face of it this appears inconsistent with their economic advantage. It is likely therefore that there are local political interests at work that prevent Kura traders from directly participating in the Kano markets, but exactly what the nature of these interests is, and the mechanisms through which they take effect, are not known. For example, it is not known whether (or how):

- market cartels in Kano establish and maintain a ban on Kura traders entering the market;
- such cartel leaders might rely upon support from other established bodies such as the courts or the police or other local vigilante groups to sustain this position; and

- such mechanisms might be linked to controlling political interests and groupings, perhaps with payments for protection being made in one direction or another.

Naturally, in order to have a positive impact on development of rice markets, ProOpCom needs to understand what these interests and mechanisms are.

Objective

For this reason it has been decided to undertake a preliminary Political Economy analysis of the rice markets in Kano State and beyond (if this proves necessary). The purpose of this analysis is to:

- Provide an understanding of why the behaviour of rice traders across the state is non-economic (or not solely determined by economic factors), with a specific need to identify what power and political interests and mechanisms exist that determine the patterns of trade and prices observed; and
- Develop a practical strategy for the development of the market which takes advantage of the knowledge gained about the political economics of the market. The strategy will include a risk assessment, and it will demonstrate how proposed activities might be expected to mitigate the political and the economic risks or obstacles identified in the analysis. It is conceivable that the risks involved may be too great to mitigate adequately through the ProOpCom programme alone.

Approach

A two stage process in this analysis is envisaged.

Stage one will comprise the core of the PE analysis of the rice market.

- The definition of political economy used in this analysis should be broadly consistent with the descriptions of the approach provided in DFID Nigeria's DoC and the Coalitions for Change Programme Document, and should also be consistent with relevant sections of the joint DFID/WB country strategy and with relevant statements about political process in the recent DFID White Paper.
- This part of the study may also draw upon a recent assessment carried out for DFID on the Political Economy of Kano State.
- It seems likely that efforts to obtain the information required may raise suspicions or resistance from those who currently protect the market. Therefore the means of investigation will need to be discrete. It is proposed that one international consultant should work with the assistance of a known local consultant, and that small one-on-one or two-on-two meetings will be held in an effort to obtain written sources or spoken information.
- The time required for this part of the study is expected to be two days of preliminary work to start the process of setting up meetings, followed by ten days in the field to conduct the analysis.

The second stage will be aimed at developing the outline of a workable strategy for positive intervention by the Programme to support development of the rice market with the expected pro-poor outcomes.

- Stage two will follow only if the results of stage one are sufficiently promising to justify design work. This is likely to depend upon the perceived balance of existing interests between those who currently control the market and those who wish to see it altered.

- If it is felt that there is potential for change in this sector, then the second stage of the exercise will focus on the group that favours change, identifying what they need to do and where they can usefully use assistance. The range of possibilities might be broad, including direct work with the group itself, but possibly including media work to improve transparency around the current institutions, or work to alter the legislative or regulatory environment.
- This stage of the exercise would include a preliminary risk assessment.

The time required for this part of the exercise is expected to be two weeks. It will include consultation both with stakeholder groups, and also with the ProOpCom.

Should the programme determine to continue with Phase II, a separate Services Agreement will be executed.

1.3 Specific Tasks

For the first phase of the work the service provider will gather information on the Kano wholesale and retail market for rice to determine at least the following:

- The nature and structure of marketing cartels within the Kano rice market;
- Principal actors (if not by name then by background and connection) in the cartels;
- The relationship of cartel leaders and other social and political leaders in the Kano area (and beyond where necessary);
- Existing mechanisms within the market to mitigate and/or resolve conflict before it reaches a state of crisis
- Other actors that make and/or enforce or sustain “market rules” in the Kano market;
- Relationship, if any, among cartels for other commodities in the Kano market;
- An estimate of the costs and risks to cartel operators of maintaining the current system;
- Which groups are excluded from the market and the costs they incur (or losses they suffer) as a result, and the linkages or shared interests that *they* have with other actors in the system;
- Where the potential weaknesses or opportunities lie to develop and broaden the market so as to achieve wider benefits.

1.4 Indicative Timeline and Level of Effort

PrOpCom estimates that the timeline for completion of the assignment is about 13 days for Phase 1.

1.5 Period of Performance

This Agreement is effective during the period from March 12, 2007 to March 28, 2007.

1.6 Location

The Service Provider shall perform this work in Abuja and Kano State.

1.7 Reporting

The Service Provider shall primarily report to Programme Manager, Donald Brown, or to the designated representative of the PrOpCom Technical Team as appropriate.

An electronic report, including a 2 – 5 page summary will be provided by 28th March.

Annex 2

Compliance with the Terms of Reference

The table below lists the main objectives and tasks in the terms of reference on the left, and describes the work done against each and references to the relevant locations in the report on the right.

Task or Objective	Work Done and References
<ul style="list-style-type: none"> Provide an understanding of why the behaviour of rice traders across the state is non-economic (or not solely determined by economic factors), with a specific need to identify what power and political interests and mechanisms exist that determine the patterns of trade and prices observed. 	<p>See especially section 4 of the report which describes the price differentials we observed, and section 5 which describes the protectionism used in each market and the general lack of direct political interest in these surplus profits owing largely to the fragmentation of the rice value chain which makes it tricky to infiltrate.</p>
<ul style="list-style-type: none"> The definition of political economy used in this analysis should be broadly consistent with the descriptions of the approach provided in DFID Nigeria's DoC and the Coalitions for Change Programme Document, and should also be consistent with relevant sections of the joint DFID/WB country strategy and with relevant statements about political process in the recent DFID White Paper. 	<p>Section 2 of the report describes this approach to political economy. Section 3 then describes the sources of power in Kano, and sections 4 and 5 look at the way in which these relationships have, or rather have not, manipulated the institution of rice processing and trading.</p>
<ul style="list-style-type: none"> The nature and structure of marketing cartels within the Kano rice market. 	<p>These are described in section 5 of the report.</p>
<ul style="list-style-type: none"> Principal actors (if not by name then by background and connection) in the cartels. 	<p>This was achieved for Sabon Gari, but not the other markets. See section 5.</p>
<ul style="list-style-type: none"> The relationship of cartel leaders and other social and political leaders in the Kano area (and beyond where necessary). 	<p>There are no obvious links between the rice cartel leaders stemming from their rice selling activities and political leadership. See section 5.</p>
<ul style="list-style-type: none"> Existing mechanisms within the market to mitigate and/or resolve conflict before it reaches a state of crisis. 	<p>This part of the ToR was not achieved.</p>
<ul style="list-style-type: none"> Other actors that make and/or enforce or sustain "market rules" in the Kano market. 	<p>Reference is made to these in section 5, but again it appears that the cartel itself is able to enforce its own protection.</p>
<ul style="list-style-type: none"> Relationship, if any, among cartels for other commodities in the Kano market. 	<p>This part of the ToR was not achieved, but it was possible to establish that there is a relationship between the rice traders at Sabon Gari and at other retail markets in the city.</p>

<ul style="list-style-type: none"> An estimate of the costs and risks to cartel operators of maintaining the current system. 	<p>See trading costs estimates in section 4, and information on rents payable in the market in section 5.</p>
<ul style="list-style-type: none"> Which groups are excluded from the market and the costs they incur (or losses they suffer) as a result, and the linkages or shared interests that <i>they</i> have with other actors in the system. 	<p>Again see the costs estimates in section 4, and compare with the costs of operation in the different markets in which they would wish to operate. Again, and partly because of its fragmentation, there are no obvious links between these traders and political leaders.</p>
<ul style="list-style-type: none"> Where the potential weaknesses or opportunities lie to develop and broaden the market so as to achieve wider benefits. 	<p>Recommendations for future action based upon the analysis in this study are provided in section 7.</p>

Annex 3

People Met

PropCom

Don Brown	Programme Manager
John Litchie	Commodity Advisor
Sabiu Auwal	Agriculture Commodity Specialist

Rice Market Operators

Alh. Turadu Dantata	Chairman, TADCO Nigeria Ltd.
Alh. Shehu Bashir	Kura Rice Trader
Alh. Ahmed Imem	Secretary General, Dawanau Market Development Association
Alh. Ahmed	Secretary, Dawanau Rice Traders Association
Alh. Musa IBB	Chairman, Dawanau Rice Traders Association
Alh. Ali Gadanya	Rice trader and miller, Kwanar Dawaki
Mallam Magaji Dandiga	Member, Rice Association, Tudun Wada
Alh. Ado Tamburawa	Chairman, Sabon Gari Rice Market Association
Alh. Mahmuda	Secretary, Sabon Gari Rice Market Association

Aid Projects and Donors

Dr. Ahmed Falaki	Project Coordinator, Sasakawa Global 2000
Abba Bello Yahasai	BPO Manager, Markets Project
Dr. Audu Gremma	Head, DFID Kano
Renwick Irvine	Governance Advisor, DFID, Kano

Others

Dr. Sidiq Radda	Department of Sociology, Bayero University
Dr. Hussaini M. Auwal	Department of Agronomy, Bayero University
Dr. Haruna Salihi	Assistant Director, Centre for Democratic Research and Training, Mambayya House, Bayero University
Alh. Lawan Garba	Ex Civil Service Director
Abdullahi Kwaru	Director of Commerce, Kano State Government
Bashir Adamu	Commissioner Project Monitoring and Implementation, Jigawa State Government
M.L. Gwadabe	Director, The Seed Project Co. Ltd.