

Death on the Doorstep of the Summit

August 2002

As thousands of delegates converge on Johannesburg for the World Summit on Sustainable Development, 13 million people face severe food shortages and famine in the neighbouring countries of southern Africa. This crisis has many causes. One cause is the failure of 15 years of agricultural reforms designed by the World Bank and IMF to deliver agricultural growth and food security. The international community must address the immediate food needs of the people of southern Africa. They should also embrace a new approach to agricultural policy-making that puts food security and poverty reduction first.

Summary

As thousands of delegates converge on Johannesburg to discuss the future of sustainable development, almost 13 million people in Southern Africa face severe food shortages and famine.¹

The focus of the UN summit is 'people, planet and prosperity', yet at the same time Johannesburg is the staging post for millions of tonnes of UN food aid. It is difficult to imagine a starker example of failed development than this crisis on the doorstep of the summit.

The food crisis has many causes, which vary in magnitude from country to country. Climate, bad governance, HIV/AIDS, unsustainable debt,² and collapsing public services have all contributed. However, one major cause of the food crisis is the failure of agricultural policies. This paper asks why, after years of World Bank and IMF designed agricultural sector reforms, do Malawi, Zambia, and Mozambique, face chronic food insecurity. The simple answer is that the international financial institutions designed agricultural reforms for these countries without first carrying out a serious assessment of their likely impact on poverty and food security. Far from improving food security, World Bank and IMF inspired policies have left poor farmers more vulnerable than ever.

The policies promoted by the World Bank and IMF aimed to rapidly replace inefficient and corrupt state intervention in agriculture with private sector provision. There is no doubt that agricultural reform was needed, or that the private sector and market should play a key role in generating agricultural growth. However, the 'one size fits all' liberalisation policies implemented have failed to lead to this growth. Instead, they have exacerbated the exclusion of the poorest from the market whilst further undermining their food security. Many of the world leaders meeting in Johannesburg share responsibility for these policies. They control the organisations that have recommended policies of rapid agricultural liberalisation. At the same time, they maintain massive subsidies to their own farmers, in a display of breathtaking double standards.

The ability of governments to tackle the crisis is further undermined by crippling debt repayments to the World Bank, IMF, and rich countries. In 2002, debt servicing will eat up 23 per cent of Zambian Government revenue. Malawi spends the same amount servicing its debt as it does on health.

A new approach to agriculture policy is required. Governments should take the lead in designing agricultural policies in the context of wider national development and poverty reduction strategies, and with the full participation of parliaments, small farmers' representatives and civil society groups. No structural reforms should be carried out without a prior analysis of the likely impact on food security and poverty. In giving future policy advice, the World Bank and IMF should start from a consideration of food security and the interests of poor people. Policy advice should be based on prior and ongoing assessment of the impact of policies on poverty and food security.

Recommendations

- 1 **Mandatory impact assessments:** Donors, particularly the World Bank and the IMF, should end all lending conditions that promote further liberalisation of agriculture in Malawi, Mozambique, and Zambia, pending thorough Poverty and Social Impact Assessments (PSIA) of agricultural policy reform in these countries. These impact assessments should examine policies that have already been implemented and those that have been proposed, and make recommendations on the best policy choices to guarantee long-term food security and sustainable livelihoods for poor women and men. Donors should support governments in commissioning and carrying out impact assessments.
- 2 **Ensure food security:** Donors, particularly the World Bank and the IMF, should recognise and support Malawi, Mozambique, and Zambia in developing transparent state-supported systems for ensuring food security and preventing future famine. These should include food reserves in Zambia and Malawi that are not commercially run, and that focus on food security.
- 3 **A role for governments:** Donors should acknowledge the need for governments to play an active role in developing market reforms that support rural development. Appropriate policies could include land reform, agricultural diversification, targeted farm input and credit supply, the development of marketing infrastructure, price stabilisation, and institutions that provide effective information and extension services.
- 4 **Deliver food aid:** Rich countries must deliver immediate food aid to avert the threat of starvation for millions of people across southern Africa. Donors have currently pledged less than one quarter of the food aid requested by the World Food Program.
- 5 **Suspend debt repayments:** Malawi, Mozambique and Zambia should be granted an immediate suspension of the debt repayments they are making under the HIPC initiative.
- 6 **Support the 'Development Box':** Industrialised countries should support the inclusion of a 'Development Box' in the WTO Agreement on Agriculture, which will allow poor countries to protect, through tariffs and support through targeted subsidies, key staple crops with the objective of ensuring food security and protecting rural livelihoods.
- 7 **End dumping:** Northern governments, especially the EU and US, must end agricultural export dumping. In particular, they must immediately agree a clear timetable for phasing out export subsidies and export credits.

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Poverty - the main cause of this food crisis

Approximately six million people face critical food shortages in Mozambique, Zambia and Malawi.³ While the food crisis has undoubtedly been triggered by bad weather, the climatic shock was not atypical for the region; rainfall, although erratic, has been average for the 2001-2 season.⁴ More serious droughts were experienced in the early 1990s, for example.⁵

As such, this food crisis is not simply a natural disaster. **Its major cause is the fact that many women and men in these three countries are poorer and more vulnerable than ever before.** Between 1996 and 2001 the population living below the poverty line in Zambia rose from 69 per cent to 86 per cent. In Malawi it rose from 60 per cent to 65 per cent over the same period. Despite an increase in economic growth in Mozambique, 69 per cent of the population still live below the poverty line.⁶

Even when times are good, many poor farmers in these countries produce enough food to feed themselves for only half the year. For the other half they have to buy food – and with minimal income (mainly gained working for richer farmers) this often means months with only one meal a day. Many of the poorest families are headed by women and increasingly, (reflecting the impact of HIV/AIDS), by young orphans.⁷ Even in families with both parents, women are the first to suffer, feeding their husbands and children first.

Rapid agricultural liberalisation – a key cause of rising poverty and food insecurity

The failure of donor-supported agricultural policy is a key factor in the rise of poverty and food insecurity.⁸ During the past 15 years, Mozambique, Zambia, and Malawi have experienced radical and far-reaching reform of their agricultural sectors, moving rapidly from monopolistic state control to a system based almost entirely on the free market with minimal state involvement.

These reforms were introduced as part of lending conditions placed on governments by the World Bank and the IMF, with the backing of most major donor countries. For example, in the first half of the 1990s the World Bank and the IMF required that the state marketing board in Zambia be abolished, all maize and fertiliser subsidies removed,

and price-control ended.⁹ In Malawi, the currency was devalued in 1994, leading to a massive increase in fertiliser prices. All fertiliser subsidies were removed a year later as a result of World Bank and IMF lending conditions.¹⁰

These agricultural reforms were introduced as part of wider structural adjustment reforms, pushed through by the IMF and World Bank in the face of mounting debts and fiscal crises.¹¹ Some reform was undoubtedly necessary, especially in agriculture. The state marketing systems set up in the 1970s provided a huge drain on government budgets and prevented the development of the market. Moreover, they were inefficient and poorly run, often benefiting richer farmers more than the poorer. However, despite these deficiencies they played an important role in food security and agricultural marketing, and with rapid liberalisation the private sector has in most cases failed to fill this gap. In the agriculture sector, by completely dismantling the state's role over such a short period, the reforms succeeded only in 'curing the patient by killing them'.¹² The future for poor farmers in the region definitely lies in their being further integrated into the market, and becoming part of a process generating agriculture-led growth. Historically, market-led growth based on smallholder farming has played a key role in development and poverty reduction.¹³ However, development of effective markets has always required a proactive role for the state. Rapid agricultural liberalisation in Zambia, Mozambique and Malawi has failed to integrate poor farmers into the market, and instead has excluded them.

Rising numbers of women and men living in poverty in these countries is evidence in itself that IMF and World Bank policies have failed to deliver poverty reduction. However, there are also more specific links between agricultural liberalisation and rising poverty. These include an inability to protect the poor from rising prices, failure of input and credit supply, market failure, and the failed liberalisation of food reserves.

Falling World Bank investment in agriculture

This paper documents how the World Bank and IMF have persuaded developing country governments to have faith that markets and the private sector will drive agricultural growth and deliver food security. The other side of this story is a dramatic decline in World Bank investment in the agricultural sector. World Bank investment in agriculture is now one third of the level it was at 20 years ago.

Over the past few years, the World Bank has embraced the rhetoric of poverty reduction. Despite this, investment in the productive activity in which the majority of the world's poor are concentrated continues to decline sharply. Between 1997 and 2001 World Bank lending for agriculture declined by more than 30%.¹⁴

Increased vulnerability to rising prices

Given that the poorest women and men are net purchasers of food for at least half the year, they are very sensitive to the prices of staple crops such as maize. Prices can vary enormously during the year – very low after harvest, and peaking in the hungry months of February and March just before the next harvest. In the past, governments intervened through their marketing boards to smooth price fluctuations in the course of the year. In each country the maize price or price band was set after harvest and remained the same for the rest of the year.

For example, in the previous major food crisis in Malawi in 1992, the government controlled the price of maize after the harvest. Maize was imported to fill the food deficit and was sold at a subsidised price. Actions such as these were often expensive and poorly planned. However, there is no doubt that since subsidised state marketing boards have been abolished in all three countries¹⁵ and these policies abandoned, price instability and the amount the poorest people spend on food have both increased enormously.¹⁶ Now that price controls in Malawi have been removed, in an average year prices can vary by approximately 150 per cent, and are highest when the poorest can least afford it. In the recent food crisis the price of maize rose 400 per cent between October 2001 and March 2002.¹⁷ The government imported maize from South Africa in early 2002, but sold it at cost price without subsidy, which meant that for most poor people it was unaffordable.¹⁸

Collapse of input and credit supply

The combination of currency devaluation and subsidy removal has led to massive increases in the cost of fertiliser and other inputs. In Malawi, for example, the cost of one bag of fertiliser has risen by 200-250 per cent since 1990 (allowing for inflation). It is now the equivalent of half the monthly salary of a teacher.¹⁹ At the same time, rural banks and credit schemes in these countries were either closed or privatised in the early 1990s. Although wealthier farmers arguably benefited most from fertiliser subsidies and credit provision, poor farmers were the most hard hit by the transition to market prices.

A World Bank study confirms how the poor themselves repeatedly identify prohibitive fertiliser costs as a key cause of food insecurity:

‘Discussion groups from a number of rural communities in Africa, and particularly Malawi and Zambia, link increased hunger and food insecurity to the higher costs of inputs in recent years, especially of fertiliser. In Zambia where problems of fertiliser were mentioned more often than hunger among discussion groups a man from Nchimishi explains that “the major cause of hunger here is the lack of fertiliser”’.²⁰

Small farmers depend on credit for the purchase of vital inputs such as fertilizer and seeds. In Mozambique the privatisation of the People’s Development Bank (BPD) in 1997 under Structural Adjustment Reforms led to the closure of rural branches, and the collapse of credit facilities for smallholder farmers.²¹ Privatised banks have failed to offer credit to farmers, regarding it as financially unviable.²² Under adjustment, credit to agriculture fell from \$175m in 1990 to less than \$50m in 1995.²³

Market failure

With the rapid withdrawal of the state from agriculture, the assumption was that the private sector, supposedly suppressed by state involvement, would rapidly expand to fill the gap. This has simply not happened – except for a small number of richer farmers with good access to transport. In the past, governments maintained networks of rural markets, which purchased surpluses from farmers but often operated at a loss. Private traders have not taken on this role, particularly in remote rural areas. The transaction costs in terms of poor transport and inadequate seasonal finance are too high to encourage private trading, and the few private trading systems that do exist are often politicised and predatory.

In July 2002 Oxfam interviewed farmers in Thyolo in Malawi (see box below). Nabewe’s story of closed marketing board depots and unscrupulous private traders is all too common. Qualitative studies

carried out nationally by the Government of Malawi support Oxfam's findings:

'Both men and women have suffered from the closing of 'unprofitable' ADMARC marketing depots ... since high transport costs to purchase maize or to sell their produce reduces their disposable incomes and they perceive themselves as being exposed to unscrupulous traders who manipulate weights and prices to exploit them.'²⁴

In Zambia, the important role of remote state-run rural depots was given scant consideration during the agricultural reforms of the early 90's, with dramatic implications for the farmers who relied on them.

In the absence of either state or market provision, poor farmers are faced with a vacuum, leading to increasing poverty and food insecurity. They have nowhere to buy food when supplies run short, nor to sell food should they have a surplus.

Liberalisation of food reserves

Zambia, Malawi, and Mozambique all used to have grain reserves to store maize in case of food shortage. They also used them for intervening in the market. Due to their poor transport links, and the fact that they are land-locked, Malawi and Zambia in particular were concerned to keep these reserves. However, they were very costly to maintain, inefficiently (sometimes corruptly) managed, and a major drain on government resources. Under liberalisation, the food reserve in Mozambique has been closed, on the grounds that proximity to the sea and to South Africa makes it unnecessary. In Zambia and Malawi, the reserves have been scaled down to focus solely on emergency relief. In Malawi, World Bank and IMF lending conditions and 'advice' from them and other donors ensured that the National Food Reserve Agency (NFRA) was given the impossible role of providing disaster relief (i.e. free or cheap food) while having to borrow money commercially to purchase maize and even to pay staff salaries.²⁵ This meant that reserves had to be sold to pay off outstanding bank loans in the absence of any government subsidy, as the IMF was adamant that the NFRA should not become a 'burden on the budget'.²⁶ Arguably, this contradictory role, combined with inadequate technical and management support for the food reserve agency, compounded subsequent corruption around the sale of the maize reserves in 2001.

Impact of liberalisation on food security

Chipho village, Thyolo, Malawi

Nambewe is the head of a family that lives at Chipho village in Thyolo district, situated in the southern part of Malawi. She is single and heads a family of 6 children, 2 boys and 4 girls. She is a smallholder farmer whose livelihood revolves around 0.4 hectares of land, which she inherited from her late father. In the current year, things have been particularly bad because of the food shortage in the country. She has not been able to produce enough food to last the family for more than four months: *'Nowadays life is becoming unbearable. I cannot afford to buy fertiliser let alone maize seed for my garden. The prices have just gone so high'* she recounts. This has affected her ability to produce and provide for her family.

Her other problem has been access to these inputs and maize in time of shortage like this year. *'Even if you have the money sometimes you cannot get the maize you need. Either it is not there where you can get it or the prices being charged are exorbitant. Since the closure of the local ADMARC depot we travel long distances to buy maize and we do not have any reliable markets to sell our produce. The private traders buy our produce at very low prices because they say they have travelled long distances to this place and yet they bring the same maize in times of scarcity and sell at very high prices. How do we survive when they bought the same maize from us cheaply and they expect us to pay more, where will the money come from?'*

The current food shortage has brought untold misery to Nambewe and her family. They do not have food and they cannot afford to buy the maize from a trader at the nearest trading centre. *'We were selling this maize to this trader at MK1.5 per kg and yet he is selling it back to us at MK32.00 per kg instead of the recommended MK16.00. How can we survive with this?'*

This is but one story from one female-headed household. Approximately 30 per cent of Malawian households are female headed and the majority of them live below the poverty line.

Despite evidence of failure, the same policies continue

The World Bank and the IMF are continuing on the same course – either introducing further liberalisation reforms, or failing to rectify the negative impact of previous reforms.

In Zambia, the World Bank's own study in the year 2000 found that the removal of all subsidies on maize and fertiliser under IMF/World Bank Structural Adjustment loans led to 'stagnation and regression, instead of helping Zambia's agricultural sector'.²⁷ However, the current Zambia Poverty Reduction Strategy Paper (PRSP) continues to maintain that 'there is little disagreement within Zambia that the

policy of liberalisation is correct for revitalising agriculture'.²⁸ The creation of the unsubsidised emergency food reserve in Malawi was carried out over the last two years under the advice and lending conditions of the World Bank, IMF and the European Union; and following the massive scaling down and 'commercialisation' of its role, the aim is to fully privatise the state marketing board in the next year.²⁹ Despite the failure of the private sector to provide rural credit in Mozambique, the current PRSP envisions no role for government in promoting credit beyond improved banking supervision.³⁰

There are signs that the international financial institutions are acknowledging some of these issues. The Government in Zambia has recently made moves towards greater proactive involvement in agriculture. This has the potential of reversing government policy in some areas such as the provision of subsidies to promote agricultural production. So far the IMF and World Bank have been very quiet about this issue.³¹ Equally, the IMF recognises Malawi's need to have a larger budget deficit to fund food aid.³² The World Bank in Malawi is also carrying out a pilot Poverty and Social Impact Assessment (PSIA) of the impact on poverty of fully privatising the state marketing board. These signs of flexibility are encouraging, but minimal. For example, the Malawi impact assessment is being carried out without informing or consulting civil-society organisations and other key stakeholders, and is only looking at how to sequence privatisation, not at whether or not it should go ahead.

Liberalisation is compounded by double standards

While advocating market liberalisation for Mozambique, Zambia and Malawi, donor countries happily follow the opposite path at home, providing subsidies to their agricultural sector and farmers.

The EU spends \$41bn each year on agricultural subsidies – the equivalent of \$16,000 per farmer. The US is just as culpable, spending \$20,000 on average on each of their farmers. Following the recent farm bill in the US these subsidies are set to rise by 80 per cent – an extra \$8bn per year in subsidy.³³

These subsidies are hypocritical, and a stark demonstration of the way in which the cast-iron market principles that developing countries have been forced to apply are far more pliable in the North. Yet again, there is one rule for the rich and another for the poor.

The role of national governments

National governments have an important role to play in ensuring food security and promoting pro-poor growth. Poor governance contributed to the current food crisis. Certainly, governments in Mozambique, Malawi and Zambia are weak, and suffer in particular from problems of corruption, capacity, and bias towards vested interests. The capture of public resources for private gain is commonplace, with major corruption scandals around banking in Mozambique for example, and around education in Malawi.³⁴

The capacity of governments to implement policy, especially in the context of HIV/AIDS, is also a critical issue. In one area where Oxfam works in southern Malawi, three out of the 16 agricultural extension agents have died of HIV/AIDS in the past year.³⁵ Countrywide, over half the agriculture extension posts are vacant.³⁶ In addition, government agricultural policy and practice continues to be biased towards the richer groups and vested interests in society, rather than focusing on the poorest.

These issues of corruption, capacity, and bias are critical, but should not prevent investment in agriculture in these countries. For example, in recent years donors and the international financial institutions have shown a welcome and renewed interest in investing in health and education. With this increased investment, the same challenges – of corruption, capacity, and bias in governments – have had to be faced. However, rather than scaling back investment and the role of the state, donors have pursued a process of engagement. They are working with line ministries to promote accountable and efficient implementation of policies that are based on broad ownership and a focus on the poorest. There are no easy answers, but best practice is being generated around technical assistance, regulation, public expenditure management, and independent monitoring in order to ensure accountability.³⁷ Donors can and should pursue a similar process of constructive engagement in agriculture, to reverse the current situation in which investment has halved in the last ten years.³⁸

At the same time, governments have a responsibility to generate agricultural policy that is based on broad consultation and ownership, that is implemented accountably and efficiently, and that focuses on the needs of the poorest for food security and market access.

What should be done

A new approach to agricultural policy that prioritises poverty reduction and food security is essential. Governments should take the lead in designing agricultural policies in the context of wider national development and poverty-reduction strategies, and with the full participation of parliaments, small farmers' representatives, and civil-society groups. No structural reforms should be carried out without a prior analysis of their likely impact on food security and poverty. In giving future policy advice, the World Bank and the IMF must start from a consideration of the interests of the poorest farmers. Policy advice should be based on prior and ongoing assessment of the impact of policies on poverty and food security.

Donors should support agricultural policies that promote food security and pro-poor agricultural growth. Specific interventions will vary between countries, and should be based on evidence and country ownership of reform rather than imposing standardised prescriptions.³⁹ Whatever the policy, donors must accept the crucial role the state should play in ensuring food security and supporting market development. They should take critical issues of governance and accountability into account, but tackle them by engaging with the state and encouraging civil society, not reducing the state's role to nothing.

At the international level, the EU, US, and other rich countries must end double standards in trade policy by radically reducing their massive subsidies. At the same time they should support the right of developing countries to protect and support their agriculture sectors on the basis of food security and rural development.

Recommendations

1. **Mandatory impact assessments:** Donors, particularly the World Bank and the IMF, should end all lending conditions that promote further liberalisation of agriculture in Malawi, Mozambique, and Zambia, pending thorough Poverty and Social Impact Assessments (PSIA) of agricultural policy reform in these countries. These impact assessments should examine policies that have already been implemented and those that have been proposed, and make recommendations on the best policy choices to guarantee long-term food security and sustainable livelihoods for poor women and men. Donors should support governments in commissioning and carrying out impact assessments.
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3. **A role for governments:** Donors should acknowledge the need for governments to play an active role in developing market reforms that support rural development. Appropriate policies could include land reform, agricultural diversification, targeted farm input and credit supply, the development of marketing infrastructure, price stabilisation, and institutions that provide effective information and extension services.
4. **Deliver food aid:** Rich countries must deliver immediate food aid to avert the threat of starvation for millions of people across southern Africa. Donors have currently pledged less than one quarter of the food aid requested by the World Food Program.
5. **Suspend debt repayments:** Malawi, Mozambique and Zambia should be granted an immediate suspension of the debt repayments they are making under the HIPC initiative.
6. **Support the 'Development Box':** Industrialised countries should support the inclusion of a 'Development Box' in the WTO Agreement on Agriculture, which will allow poor countries to protect, through tariffs and support through targeted subsidies, key staple crops with the objective of ensuring food security and protecting rural livelihoods.
7. **End dumping:** Northern governments, especially the EU and US, must end agricultural export dumping. In particular, they must immediately agree a clear timetable for phasing out export subsidies and export credits.

Notes

¹ Figures are from USAID Southern Africa - Situation Report 9, 26 July 2002. The total for the region is 12.7 million people.

² Malawi, Mozambique and Zambia are all HIPC countries and have received debt relief. However, Zambia still spends 30 per cent more on debt servicing than health, and Malawi spends equal amounts on health and debt servicing. In 2001, Mozambique paid \$48m, Zambia \$158m and Malawi \$59m in debt service.

³ USAID Southern Africa - Situation Report 9, 26 July 2002. Exact figures are Malawi 3.2 million, Zambia 2.3 million, and Mozambique 0.5 million people. Figures for Malawi are almost certainly an underestimate. Figures for last year showed that by February, 82 per cent of farmers were using one or more coping strategies (ie. going without meals, selling assets etc). Given that this year's harvest in Malawi was 10 per cent less than last year, it is likely that similar figures will be the reality by January, which would equate to almost eight million people (Barahona, C. pers. comm).

⁴ Clay, E. *Climatic variability in Southern Africa*. Summary of presentation to ODI Southern Africa crisis meeting, 10 July 2002

⁵ In 1992, rainfall was 60% of average for the region.

⁶ UN Office for the Coordination of Humanitarian Affairs (OCHA), Regional Humanitarian Assistance Strategy in Response to the Crisis in Southern Africa, July 2002.

⁷ Adult infection rates for HIV/AIDS are 16.4 per cent in Malawi, 21.5 per cent in Zambia, and 13.2 per cent in Mozambique.

⁸ This contention is supported by a recently released report by the International Food Policy Research Institute (IFPRI). 'Eleni Gabre-Madhin, a research fellow with IFPRI, said that donor agencies, including the World Bank and the IMF, had urged the government to reduce its role in the production and distribution of food without assuring the emergence of a private sector strong enough to fill the resulting gap. 'You now have a situation where neither the government nor the private sector is in place to provide what is necessary,' says the report. Gebre-Madhin, who spent two years surveying 1400 Malawian farmers and traders to determine whether poor communities had benefited from policy changes, said the roots of the crisis go back to reforms adopted by Malawi at the behest of the IMF and the Bank.' IRIN News Bulletin, 1 August 2002.

⁹ The sequence of agricultural liberalisation in Zambia is detailed in McCulloch et al. *Poverty, Inequality and Growth in Zambia during the 1990s*, IDS Working Paper 114. The main lending instrument was the Policy Framework Paper drawn up between GoZ and the IMF in 1990, and the two related Enhanced Structural Adjustment Facilities in 1991 and 1995.

¹⁰ The sequence of Adjustment for Malawi is detailed in Devereux, S. *Household Food Security in Malawi*, IDS Discussion Paper 362, University of Sussex 1997. The first key commitment was in the second Structural

Adjustment Loan in the 1980s. Agricultural liberalisation has played a part in all major World Bank lending during the 1990s (see for example Fiscal Restructuring and Deregulation Programmes 1-3). Lending conditions relating to agriculture, especially the reform and privatisation of ADMARC, have also played a part in IMF lending during this time. However, in all three countries the influence and responsibility of the major bilateral donors on this issue is also very relevant, and particularly 'the shortsighted and erratic activities which characterise...what the major donors term as policy' Blackie, M pers. comm.

¹¹ For example, in Mozambique see the Rehabilitation Credit Project 1989, Economic Recovery Credit Project 1992, Second Economic Recovery Project 1997 (all World Bank). The latest credit in agriculture, the Mozambique Agriculture Public Expenditure Program (PROAGRI), which is ongoing and is the basis of the PRSP agriculture section, makes no mention of grain reserves, free inputs, or any role for the state in marketing other than the provision of information. While the project document concedes 'while market liberalization is virtually complete, private sector engagement...is limited so far' (World Bank, Project Report No. PID7087) it does not support any form of state intervention beyond regulation and improved extension services.

¹² Kydd, J. 'Southern African Crisis: The Rural Development Challenge', Presentation to ODI meeting on Southern African crisis, 10 July 2002.

¹³ For an interesting discussion of the role of the state in promoting market-led growth see Kydd, J. and Dorward, A., *A policy agenda for pro-poor agricultural growth*
<http://www.wye.ic.ac.uk/AgEcon/ADU/research/projects/ppag/ppagaes.pdf>

¹⁴ World Bank Draft Rural Development Strategy, 2002-08-25
<http://inweb18.worldbank.org/ESSD/essdext.nsf/11ByDocName/StrategyDraftRuralStrategy>

¹⁵ In Zambia and Mozambique the marketing boards were simply closed overnight. In Malawi ADMARC has for a number of years been 'commercialised' and no longer plays any official role in price support (although the government still intervenes on an ad hoc basis despite donor disapproval). The full privatisation of ADMARC has constantly been postponed, but is still very much on the agenda. The latest deadline was the end of 2002.

¹⁶ In Zambia, the cost of a basic food basket has doubled in nominal terms since 1996, largely due to the depreciation of the kwacha (local currency) but the nominal income of workers has nowhere near doubled leading to a dramatic increase in the gap between expenses and income (figures from the Jesuit College for Theological Reflection, Structural Adjustment Monitoring Unit). In Malawi, the proportion of the poorest people's income spent on food rose from 48 per cent in 1989 to 78 per cent in 1998 (Devereux 1999, p.22; Malawi National Statistical Office Household Survey 1998).

¹⁷ Devereux, S. *State of Disaster: Causes, Consequences and Policy Lessons from Malawi* ActionAid Malawi, June 2002. In some areas it was as much as 600 per cent.

¹⁸ Against the wishes of many donors, the government did eventually subsidise ADMARC to open hundreds of rural markets to sell maize at the import price of 17 Malawi Kwacha per kg, which, although high, was less than the private traders' prices of around 25MK/kg (Devereux 2002, p.13).

¹⁹ Devereux, S. Presentation on Malawi crisis made to ODI meeting, 10 July 2002 and IMF Malawi: Selected issues and statistical appendix. The price of fertiliser rose from 50 malawi kwacha to 1200 in 2000 which is a factor of 24. At the same time the figure for non-food item inflation rose by a factor of 11. As such the real increase was 218 per cent. The average salary for a teacher (with housing allowance) is around 3,000MK, and a 50kg bag of fertiliser is currently sold for around 1500MK.

²⁰ World Bank (2000), *Voices of the Poor: Crying out for Change*.

²¹ Hanlon, J. (2002) *Bank corruption becomes a site of struggle in Mozambique* Review of African Political Economy.

²² Hanlon, J. (1996) *Peace without Profit* (p.59) International African Institute.

²³ Government of Mozambique, Boletim Estatístico, September 1995, quoted in *ibid* (p.60).

²⁴ Malawi National Economic Council, *Qualitative Impact Monitoring of Poverty Alleviation Policies and Programmes in Malawi*, 1999

²⁵ Devereux, S. *State of Disaster: Causes, Consequences and Policy Lessons from Malawi* ActionAid Malawi, June 2002. The IMF in a recent statement (*Malawi fact sheet on the food crisis July 2002*) reiterates the point that donors wanted the role of the NFRA to only be one of disaster relief, but that despite this the government of Malawi also used the NFRA to engage in price stabilisation and market intervention which donors were against. To do this it borrowed money to purchase 167, 000 tonnes rather than the recommended 60,000 (IMF 2002). However, although the value of this additional role in price stabilisation is indeed hotly disputed, this point misses the issue which is that the NFRA even if aiming solely at emergency relief was expected to keep a revolving stock of maize of 60,000 tonnes and to do this by purchasing and selling maize on the market, and that it was to do this by borrowing money commercially and not by recourse to government subsidy. It is hard to see how this market involvement backed by commercial debt can be combined with providing cheap or free food in times of emergency.

²⁶ IMF July 2002 '*Malawi: the Food Crises, The Strategic Grain Reserve and the IMF*'

²⁷ Deininger, K. and Olinto, P. (2000) *Why Liberalisation Alone has not Improved Agricultural Productivity in Zambia*, World Bank.

²⁸ Government of Zambia *Poverty Reduction Strategy Paper*, 2002.

²⁹ Privatisation of ADMARC was a condition of the World Bank FRDP 2 Structural Adjustment Loan to Malawi in the mid-1990s. The end of 2002 was originally the deadline.

³⁰ Government of Mozambique *Action Plan for the Reduction of Absolute Poverty 2001* and Hanlon, J. *The Land Debate in Mozambique*, Oxfam International, 2002.

³¹ Father Henriot, Jesuit College for Theological Reflection, pers. comm.

³² IMF *Malawi - The Food Crises, The Strategic Grain Reserve and the IMF*, July 2002.

³³ All figures taken from *Europe's Double Standards* Oxfam Briefing Paper 22, June 2002.

³⁴ Corruption is by no means limited to state structures however, and privatisation and liberalisation are not a panacea for poor governance. In fact in many cases they can make it worse. The very rapid privatisation of the banking system in Mozambique, without regulation or scrutiny, is arguably what compounded the problems of corruption in the banking sector (see Hanlon, Review of African Political Economy March 2002). What is needed is transparent, accountable, and regulated systems, backed up by an effective rule of law, if corruption is to be reduced whether in the private or public sectors.

³⁵ Dan Mullins, Oxfam Southern Africa Regional HIV/AIDS advisor, pers. comm.

³⁶ Malawi Civil Society Agriculture Network (CISANET) *Budget Monitoring Report 2002*

³⁷ Civil society organisations recently engaged in the successful independent monitoring of extension services in Malawi, for example, which is one way of increasing accountability and scrutiny of government (see CISANET 2002)

³⁸ Friis-Hanssen, E. *Agricultural Policy in Africa after Adjustment* CDR Policy Paper September 2000.

³⁹ One recent positive example with definite potential for wider application was the 'Starter Pack' in Malawi, which distributed a small package of fertiliser and seed to all smallholder farmers, and had a very positive impact in 1999 and 2000 but was then scaled down due to falling donor support. By targeting smallholders it encouraged production, while ensuring that far less of the money ended up subsidising the large estates (as had been the case with blanket subsidies in the past).

The programme was beneficial for food security at household and national levels. At the household level, it was estimated to add two months food supply to the average household. At the macro-level, it contributed to bumper harvests in both years. The contribution in 1999-2000 has been calculated at 350,000 metric tonnes. This had reduced the overall price of maize, which is critical given that 67 per cent of farmers have to buy food for six months of the year.

Unfortunately in 2000 the programme was scaled down, firstly to half of all farmers, and then in 2001 to one-third, due to pressure from donors. The contribution to production has therefore fallen dramatically.

Critics of the Starter Pack highlighted its unsustainability and supposed high cost. In 2000 the total cost was \$18m, and it contributed 350,000 metric tonnes. In contrast, the Government of Malawi had to borrow \$30m commercially to import 150,000 tonnes of maize during the food crisis of 2001-2002. On average it costs 3-4 times more to import food than to produce it. At the same time, encouraging production enables poor people actively to work to reduce their poverty rather than risking dependency. See 'Briefing Notes: Starter Pack and TIP: What does the evidence tell us?' Sarah Levy and Carlos Barahona, University of Reading/ DfID July 2002, and also Blackie, M. pers. comm.

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