Learning From Experience and Emerging Research

David Tschirley & Research Teams in Mozambique and Zambia

*Prepared for the Roundtable Discussion “Regional Trade, Growth and Emergency Response: Strategic Options for Dealing with Recurrent Food Crises in Southern Africa”*

17 November 2005

---

**Key Points**

- Trade played predominant role in 2002/03 response
  - Could have played a larger role
- Prospects for trade even better this year
- Governments tend to “backslide” during crises
  - For legitimate political reasons
- Promising new “action research” on market approaches to emergency response
  - Will donors support them?
  - Can Governments figure out how to benefit politically from them?
2002/03 Crisis – Key Findings

- Early warning worked
- Markets worked
  - More than 75% of total inflow of grain to affected countries was through trade
- Markets could have worked better than they did
  - Multiple errors in Malawi
  - Unclear signals in Zambia
  - Open borders in Mozambique
    - Most stable prices of any country in its deficit Southern region
- Food aid needs were overestimated

Differences this Year

- Regional stocks much higher
  - High enough in RSA to cover entire regional deficit
- Prices in RSA much lower, though they have risen substantially since June
Nominal SAFEX White Maize Cash Prices, March 1996 – Nov 2005

SAFEX Prices in Real *Mozambican Meticais*, 3/96 – 11/05
Differences this Year (2)

- Real prices in Southern Mozambique are comparable to or a bit below 2002/03 at this time

- Informal flow from Mozambique to Malawi is lower this year
  - FEWSNET monitoring shows this now
  - SIMA windshield survey in Mozambique could have been used to foretell it in May:
    - lower production, higher prices in northern Mozambique
    - heavy demand from Malawi
Differences this Year (3)

- Local purchase more problematic this year
- Regional purchase, in RSA, should be very feasible and help reduce cost of response
- Overall, prospects for trade are better now than in 2002/03

Will trade play a larger role?

- Will it be allowed to?
- Governments often backslide during crises
  - Export bans
  - Direct involvement in commercial imports
  - Inconsistent execution
  - Lack of transparency in food aid plans
- Creates uncertainty regarding supply and prices
- Private sector does not act in a timely fashion
Will trade play a larger role? (2)

- A vicious circle
  - Policy makers believe the private sector will not respond …
  - … so continues to behave in ways that discourage such response

Will trade play a larger role? (3)

- Why does this happen?
  - Authentic lack of understanding of markets
    - We (Ag Economists) talk a lot about this
  - Rent seeking?
    - Ok, but …
  - Political dynamic
    - Governments need to show their citizens that they are "doing something" to help them
    - This is legitimate!
    - But the law of unintended consequences often prevails
Will trade play a larger role? (4)

- We need to think more creatively
  - Actions that would resonate with citizens while enhancing rather than diminishing the role of markets during food crises

Emerging Action Research

- WFP’s own guidance on selection of response options
  - Clear that cash transfers will in most circumstances be preferred to free food distribution
  - But donors have to support such approaches
    - So in-kind distribution continues to dominate

- Various agencies are moving ahead
  - Oxfam
  - Save the Children
  - Horn Relief (Somalia)
  - DfID
  - ODI
Emerging Action Research (2)

- Fears about cash transfers
  - Difficult to target
    - “everyone wants money”
  - More vulnerable to theft
    - Whether through corruption or assault
  - Women may not have control over the income
  - May be spent on the ‘wrong’ things, such as tobacco, alcohol, or drugs

Emerging Action Research (3)

- Oxfam
  - “Such concerns are often raised … in countries where there is no previous experience …
  - … Following five years of field experience and six evaluations …, Oxfam has concluded that many of the perceived risks … are unfounded”

- Horn Relief:
  - “Concerns over security and inappropriate spending proved largely unfounded …”
    - This in Somalia
Emerging Action Research (4)

- Potential advantages
  - Choice: food is not the only “necessity”
  - Cost effectiveness
  - Dignity
  - Economic Recovery: spending of funds in local economy

Key Questions

- More research is needed
- They are not a panacea
- But clearly these approaches have great promise
  - And seem to be gaining momentum

- How can donors find ways to support them?
- How can governments find ways to benefit politically from them?