



FANRPAN POLICY PAPER

**Identifying Policy Determinants of
Food Security Response and Recovery in the SADC Region:
The Case of the 2002 Food Emergency**

by

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Based on input from the FANRPAN country nodes

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ABBREVIATIONS AND ACRONYMS

ADMARC	Agricultural Marketing Parastatal (Malawi)
BAMB	Botswana Agricultural Marketing Board
CIMMYT	International Maize and Wheat Improvement Center (CGIAR)
CMA	Crop Marketing Authority (Zambia)
COMESA	Common Market for Eastern and Southern Africa
CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU
DFID	Department for International Development
DRC	Democratic Republic of Congo
ESAP	Economic Structural Adjustment Programme (Zimbabwe)
EU	European Union
FANRPAN	Food Agriculture Natural Resources Policy Analysis Network
FAO	Food & Agriculture Organisation
FEWS NET	Famine Early Warning Systems Network
FSRP	Food Security Research Programme (Michigan State University)
GM	Genetically Modified
GMB	Grain Marketing Board
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
HSRC	Human Science Research Council
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics (CGIAR)
IFAS	Institut Français d'Afrique du Sud
IFPRI	International Food Policy Research Institute
IITA	International Institute for Tropical Agriculture (CGIAR)
IMF	International Monetary Fund
JTF	Joint Task Force
Kcal	Kilo Calorie (energy)
MK	Malawi Kwasha
MoA	Ministry of Agriculture
MOU	Memorandum of Understanding
NEPAD	New Partnership for Africa's Development
NFRA	National Food Reserve Agency
NGO	Non-Governmental Organisation
ODI	Overseas Development Institute
RCSA	Regional Center for Southern Africa (USAID)
RSA	Republic of South Africa
REWU	Regional Early Warning Unit (SADC)
REWS	Regional Early Warning System (SADC)
RVAC	Regional Vulnerability Assessment Committee (SADC FANR)
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SADC FANR	SADC Food Agriculture & Natural Resource
SAFEX	South Africa Futures Exchange
SAP	Structural Adjustment Programme
SARPN	Southern Africa Regional Poverty Network
SGR	Strategic Grain Reserve
TIP	Targeted Input Programme
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
USAID	United States Agency for International Development
VAC	Vulnerability Assessment Committee
WB	World Bank
WFP	World Food Programme

EXECUTIVE SUMMARY

In response to the threat of a regional food security crisis, which began to emerge in early-2002, the Food Agriculture & Natural Resource Policy Analysis Network (FANRPAN) initiated a study to explore the policy and economic dimensions of the food emergency.

Despite poor rainfall conditions in some parts of the region, maize production in 2001/02 was not exceptionally low, particularly at the regional level. However, overall maize availability was in deficit due to low opening stock levels resulting from low production in the previous 2000/01 production season.

In countries hardest hit (Malawi, Zambia, Zimbabwe), the level of preparedness was low: no contingency plans were in place, strategic grain reserves were low or exhausted and financial resources were inadequate to import the required food. Authorities were also slow in acknowledging the deteriorating situation, despite early warnings. Governments then responded through *ad hoc* policies. To varying degrees, attempts were made to strengthen emergency management structures, which improved their capacity to mitigate the crisis. Loans secured by Zambia and Malawi facilitated timely food imports. Furthermore, a series of vulnerability assessments helped identify areas and socio-economic groups most in need of food aid, thus guiding the assessment of food aid requirements and targeting decisions, and improving overall efficiency. Some countries (like Malawi) that created a domestic environment to facilitate the work of humanitarian organisations were in general able to attract more donor assistance than others whose policies placed obstacles to humanitarian operations. For example, Zambia's ban on genetically modified food aid commodities and Zimbabwe's indecision resulted in unnecessary delays in food aid supplies, logistic complexity and higher costs.

Most countries made some effort to include the commercial sector in the emergency food security response. In countries that comprise the Southern African Customs Union (SACU), the commercial sector has a well-established role in food marketing. In Zambia and Malawi, while efforts towards market liberalization ensured a role for the commercial sector, policy decisions and signals from government may have limited their ultimate contributions. In contrast, Zimbabwe introduced policies that banned domestic free market trading of maize, reintroduced a centralized state-run grain marketing system and introduced price controls for basic consumer goods, limiting the role of the commercial sector in the filling the food gap.

In some SADC countries, inefficient domestic markets may be cited to justify direct government intervention in the marketplace. While most SADC governments have liberalized markets for cash crops, food markets remain restricted to varying degrees. In fact, inappropriate and constraining policies may in some cases be the very reason for market failures. In contrast, those countries with minimal government interference in domestic food markets are amongst the more food secure in the region. Accordingly, liberalization of domestic markets should be extended to cover all food crops. Additionally, well targeted policies should be designed to address social concerns related to high and volatile food prices, which limit access by poor households. Many governments still intervene in the marketplace through consumer subsidies and/or price controls. Untargeted subsidies tend to be costly for governments, have less direct impact on poor households in need of assistance and could limit the participation of the commercial sector. Low consumer prices through subsidization may also serve as a disincentive to farmers.

In addition to policies that constrain domestic markets, many countries are still uncertain whether regional trade integration would enhance their national food security status. Despite opportunities for mutually beneficial cross-border trade, some countries impose export or import barriers in times of food shortages, in an effort to protect domestic producers or consumers. These countries would need to develop their understanding of the complex implications of regional trade agreements on their food economies and recognize that achieving food self-sufficiency will not necessarily enhance their food security status.

National strategic grain reserves are used in a number of SADC countries as a key tool to ensure food security, either to offset supply shortages or to stabilize prices. Yet most government reserves were at record low levels at the beginning of the 2002/03 marketing year. SADC countries must revisit their SGR policies (functions, management and financing systems). Moreover, countries need to explore alternatives to holding

large physical reserves, such as holding foreign currency reserves, insurance mechanisms, and use of futures markets and options.

In terms of food security recovery, policies have focused mainly on the implementation of subsidized agricultural input provision programmes. While there is usually consensus in favour of these programmes as recovery measures, there is debate about their scope and long-term role. Other options have been explored and successfully piloted (cash payments, seed fairs). In the case of Zimbabwe, a tight input pricing policy regime was introduced, which threatened the viability of private agro-industry and contributed to the development of a parallel market for agricultural inputs. Moreover, if recovery programs were to lead to a bumper harvest of maize, it is questionable in some countries whether the maize would expeditiously find its way into national grain markets, as announced or anticipated producer prices and market regulations could encourage farmers to restrict their food production plans and channel their surplus outside formal markets.

Long-term policy determinants that require renewed attention include investment in agricultural development, HIV/AIDS, poverty, national governance and macro-economic stabilization.

In conclusion, the paper tables a set of policy recommendations addressing these various issues.

1. Introduction

In May 2002, when it was evident that a number of SADC countries faced the threat of a serious food security crisis, the Food Agriculture and Natural Resource Policy Analysis Network (FANRPAN), in collaboration with the SADC Food Security and Rural Development Hub, the Famine Early Warning Systems Network (FEWS NET) and with financial support from the USAID Regional Center for Southern Africa (RCSA), initiated a study to explore the policy and economic dimensions of the food emergency. The objectives of the study were to gain a comprehensive understanding of the current food security-related policy environment in all SADC countries; to analyze the policy constraints and opportunities in selected key countries that could affect the humanitarian response and recovery efforts of governments, the commercial sector and international and domestic partners; and to ensure that the existing national and regional food security policy environment is well understood by senior decision-makers, along with options and opportunities to relieve the major policy constraints over the short and long-term to improve national and regional food security.

The study was organized into three back-to-back phases. Each phase had its own objectives, activities and outputs/results. The outputs of each phase served as key inputs into the subsequent phase. The phased approach helped ensure that intermediate outputs were available to feed into key regional fora and decision-making initiatives that aimed to address the anticipated food shortages, agricultural recovery efforts and longer-term agricultural development initiatives required for food security.

The first phase of the study aimed at gathering and synthesizing key policy information at the national level in order to gain a comprehensive understanding of the current food security-related policy environment in SADC countries. The focus was on trade, marketing and related policies that would affect both the availability and access of food commodities (the response) and essential agricultural inputs (recovery). This was accomplished by completing policy matrices, which provided a framework to gather a consistent set of policy information across SADC countries. The information gathered included basic policy statements covering the key issues, how these policies were implemented in practice, the food security implications, and recommendations for enhancing the food security impact of the different policies. Matrices were completed for nine SADC countries and were synthesized into one-page country tables.

The second phase of the study was a more in-depth analysis of the policy-related information gathered and synthesized under Phase 1. The country policy matrices were used to conduct a rapid food security policy analysis for selected countries, which included those facing exceptional production shortfalls (Zimbabwe, Malawi and Zambia), those that would be key in helping to fill the shortfalls (South Africa and Tanzania), and Mozambique, which fell into both categories (shortfalls in the south and surplus in the north). Country analyses were to be undertaken within the specific context of anticipated food shortages in 2002/03, response efforts and recovery requirements. This phase resulted in food security policy briefs for the six selected countries, which would be used to promote national and regional policy dialogue.

The third phase of the study was aimed at ensuring that the existing national and regional food security policy environment and constraints were well understood by senior decision-makers, along with options and opportunities to relieve the major policy constraints over the short and long-term to improve food security conditions. National policy dialogues were held in the six countries, followed by a regional meeting September 2002 to discuss the national papers. This provided the basis for preliminary preparations for a regional synthesis (the current paper) and organization of a regional policy dialogue where results and recommendations would be presented and discussed by key stakeholders and partners. With a focus on policy advocacy, the regional dialogue will enhance understanding of the impact of national policies both on domestic food security, and on the food security of neighbouring countries in the SADC region. Policy recommendations will be formulated for presentation to the SADC Council of FANR Ministers. Plans will be laid for follow-up medium and longer-term activities to continue with the policy work initiated through this FANRPAN-led activity.

This paper presents a synthesis of the work completed to-date. It provides a brief background to the 2002 food emergency in the SADC region. The paper reviews the state of national and regional preparedness to address the potential humanitarian crisis, and the policy reactions of the most affected countries. The key policy determinants of the food security response, recovery initiatives and longer term requirements to

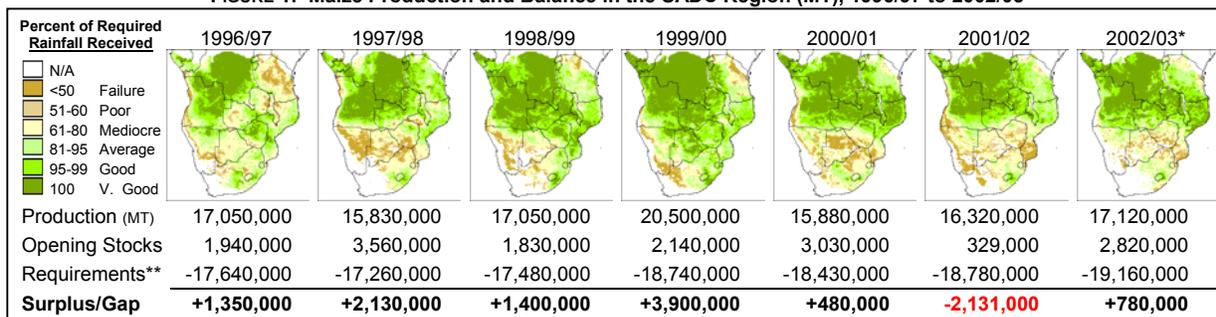
ensure food security are identified. The paper stops short of providing in-depth policy analysis of the key issues identified, which will be included in the regional policy dialogue through a series of short topical papers and presentations by national, regional and international policy experts. The paper concludes with policy recommendations to enhance the food security response, food security recovery and efforts towards achieving long-term food security in the SADC region.

2. Background to the 2002 Food Security Emergency in Southern Africa

Maize Supply and Demand in the SADC Region

Within the SADC region, maize is the major staple food crop in most countries. The combination of maize production and opening stock levels determines overall availability, which is an important determinant of food security in the SADC region. The maps below (Figure 1) provide a geographical indication of maize production levels based on the Water Requirement Satisfaction Index, with actual production estimates from the SADC Regional Early Warning Unit (REWU). From the regional production data it is seen that maize production during the 2001/02 season, preceding the 2002 food emergency, was only about 5.5% below the previous five-year average. Since 1990, regional maize production has been lower than 2001/02 production levels in five of the 12 years (in 1991, 1992, 1995, 1998 and 2001). What stands out in 2002 were the unusually low levels of opening maize stocks within the region.

FIGURE 1: Maize Production and Balance in the SADC Region (MT), 1996/97 to 2002/03

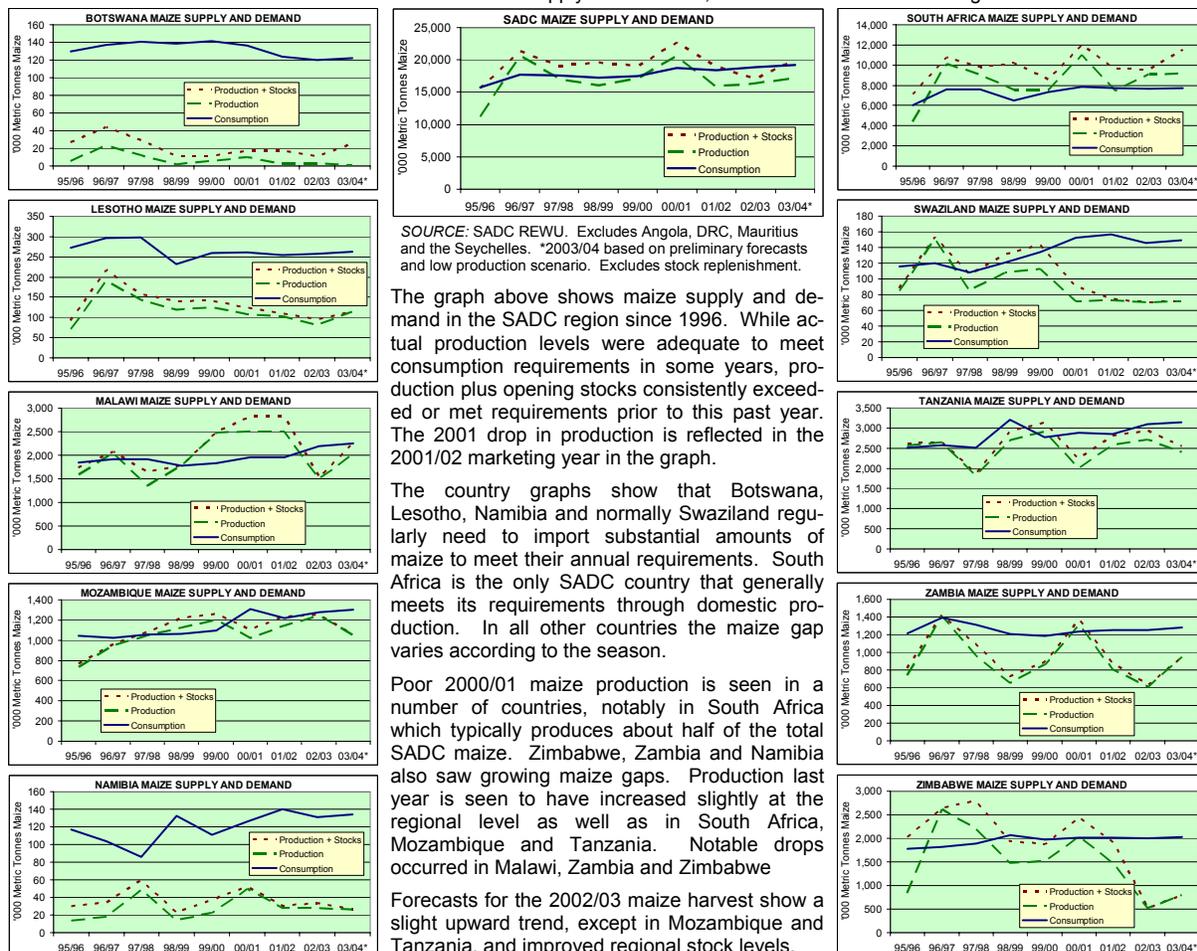


SOURCE: SADC Regional Early Warning Unit. *2002/03 based on forecasts as of 15 February 2003, subject to change. ** Requirements exclude stock replenishment. All figures are rounded.

To understand the origins of the 2002 food emergency it is necessary to go back two years to the 2000/01 cropping season, when production was actually lower than it was last year. Early warnings were issued of the impending production shortfalls, and in August 2001 the SADC FANR Ministers convened an extraordinary meeting in Harare to discuss strategies to ensure that the low regional production levels did not precipitate a food crisis. However, from a regional perspective high levels of opening stocks in 2001 were more than adequate to offset the production shortfalls. Although regional production the following year (2001/02) was about or slightly less than average, opening stock levels were at the lowest levels for over a decade and could not make-up for the production shortfalls, leaving a food gap of over two million metric tonnes that would need to be imported from outside the region. While this analysis masks the significant country variations (see Figure 2 below), thus began the 2002 food emergency.

At the country level, maize shortages began to affect consumers towards the end of 2001, particularly in Zimbabwe, Zambia and Malawi, but also in Lesotho, Mozambique and Swaziland. Prices began to rise, reducing poor households' access to adequate supplies through local markets. Humanitarian agencies began to gear-up to provide food assistance to those most in need. Towards the end of the first quarter of 2002 it became clear that production in Zimbabwe, Zambia, Malawi, Lesotho and Swaziland, as well as in Namibia and Botswana, would suffer further production drops due to a prolonged late-season dry spell that started in December and January. By April/May 2002 governments and humanitarian agencies began gearing-up to meet the potential food crisis in the six most affected countries. The expected magnitude of the emergency was confirmed in early June by the joint FAO/WFP Crop and Food Supply Assessment Missions undertaken in the six countries. At the end of June the WFP Regional Emergency Operation was launched, with the aim of providing some 10.2 million people with almost one million metric tonnes of food assistance between July 2002 and March 2003. A few weeks later, the Regional UN Consolidated Appeal was launched.

FIGURE 2: Trends in SADC Maize Supply and Demand, 1995/96 to 2003/04 Marketing Years

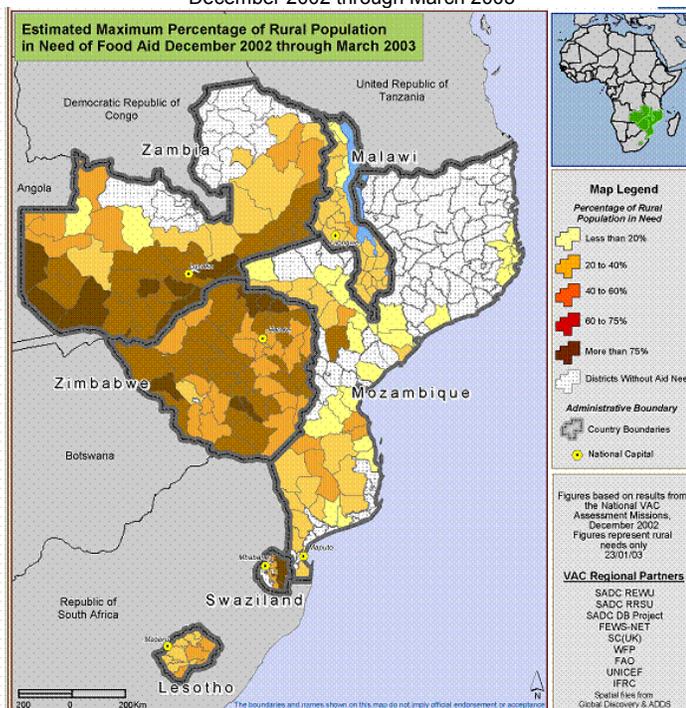


The 2002 Food Security Emergency

The peak of the emergency, when the largest number of people would require the largest amount of food assistance, was between December 2002 (when limited household stocks from the previous season and other household resources would run out), and March 2003 (prior to the 2002/03 harvest). According to emergency food security assessments undertaken in December by national Vulnerability Assessment Committees (VACs), more than 15 million people, or 26% of the total population of the six countries included in WFP's Emergency Operation, would require some 734,000MT of food aid through March 2003.

The 2002 southern Africa food security emergency is complex in nature. It is not a typical drought emergency where the return of normal rains can be expected to resolve most of the problem. Instead, an

FIGURE 3: Percent of Population in Need of Food Assistance, December 2002 through March 2003



erratic rainy season, that not many years ago would have had only a minor impact on food security, led to substantive food shortages that are threatening food security in a number of countries across the region. Economic downturn, high levels of poverty, ineffective and/or inappropriate government policies, and the HIV/AIDS pandemic have all contributed to create a structural problem that requires very little additional negative impetus to throw household food security into complete disarray. The increasing complexity of the situation, combined with the rapidly decreasing resilience of poor households to respond to shocks using their own overstretched resources, demands an in depth analysis and understanding of the underlying factors if these are to be recognised and addressed in time to avert a major humanitarian crisis within the southern Africa region.

3. The State of Regional and National Preparedness to Address the 2002 Food Emergency

Early warning systems worked: Most SADC countries have operational early warning systems and were aware of impending food shortfalls. Timeliness and accuracy of reporting varies across countries. National Early Warning Systems tend to focus on cereal production and the impact of hazards, primarily drought. While this may be sufficient to warn of impending food shortages, in most cases the information and analysis is insufficient to actually guide response planning. In Zambia, government did not take heed of early warnings by the local farmers union and millers to take timely action to mitigate the impact of impending food shortages. Millers and traders began to withhold stocks in anticipation of the food shortages, resulting in increased maize meal prices due to shortages in the market. Government and the international community in Malawi were also slow to react to early warnings from NGOs. Despite timely early warnings in Zimbabwe, government was slow to acknowledge the impending production shortfalls and in the launching an official appeal for assistance.

Absence of disaster management and contingency response plans: Few countries had disaster management contingency plans in place prior to the onset of the emergency to guide response efforts. Most countries were not adequately prepared for a large humanitarian response, which led to significant response delays in some countries, such as Zambia. In contrast, contingency response plans were ready and were quickly put into action in Botswana, where government, the commercial sector and key partners were well placed to respond timely and efficiently to the production shortfalls. In most of the severely affected countries, humanitarian agencies had been active at least since 2001 and were able to scale-up activities fairly quickly. The UN systems in Zimbabwe had established detailed contingency plans which were put into operation. The response in Zimbabwe was further delayed by Government's reluctance to embrace NGOs in emergency relief operations, preferring to confer a de facto monopoly to poorly resourced state agencies. This led to serious delays and distractions to humanitarian food aid efforts.

Strategic grain reserves were at low levels: Strategic reserves were at very low levels in most countries at the onset of the emergency, as they had been largely run down due to production shortfalls in the preceding year. In some cases this increased the amount of food aid required. In Malawi, officials were apparently unaware of or surprised by the absence of significant SGR stocks, indicative of lack of a transparent policy on the management of strategic food reserves. In contrast, stock levels of the Botswana strategic grain reserve were regularly monitored through monthly early warning reports. Cereal stocks were maintained, while early warning systems ensured a timely response.

Low level of regional preparedness: At the regional SADC level, the state of preparedness was not much better than in most countries. The SADC Regional Early Warning System played an important role in informing national, regional and international authorities of the impending food shortages by providing effective and timely early warnings and updates of changing conditions throughout the emergency. However, this did not translate into early response and action at the regional level, as no regional contingency or response plans were in place. SADC was not adequately prepared to play a role in a large humanitarian response, which severely limited regional response to the emergency. This was surprising as over the past two years SADC had established a Regional Disaster Management Technical Committee, with approved operational guidelines. The Technical Committee has never been operationalised and played no role in the emergency. Prior to the onset of the emergency, a Regional Vulnerability Assessment Committee (RVAC) had been established by SADC FANR. The RVAC played a major role in coordinating and

supporting rolling emergency food security assessments in the most affected countries, building consensus amongst stakeholders and guiding critical decision-making.

4. National Policy Reactions the Unfolding 2002 Food Emergency

Those SADC countries facing exceptional production shortfalls and low opening stock levels reacted with divergent policy actions which have had mixed impacts on the food emergency response. In the absence of comprehensive disaster management programmes and national contingency plans, countries resorted to ad-hoc policy reactions that were, to varying degrees implemented in the absence of balanced and rational strategies to enhance the availability of food supplies as well as the accessibility of the food to the various income categories of the population.

Strengthening emergency management structures: Zimbabwe established a Cabinet level Inter-Ministerial Taskforce on food security and emergency relief assessment, procurement and distribution of food and inputs. Malawi established a Joint Task Force (JTF) to coordinate humanitarian assistance with numerous sub-committees. Zambia increased resource allocation to the National Disaster Management Unit by 200% using the World Bank facility for highly indebted poor countries. This improved government's capacity to mitigate a crisis and provide more food assistance to more areas. Botswana made the necessary resources available to maintain its strategic reserves at levels that could help stabilize market supplies.

Mobilizing humanitarian assistance: The normal first step in obtaining international humanitarian assistance is to declare a state of emergency. This was done in a timely manner by five of the six countries included in the WFP Regional Emergency Operation. Following the major floods of 2000/01 and additional flooding in 2001/02, Mozambique took the decision not to declare a state of emergency. While the government acknowledged the serious food security conditions in some parts of the country and took steps to address the problems, they were concerned about declaring yet another state of emergency and did not feel this was warranted at the national level. While Zimbabwe declared a state of emergency in February 2002, an official appeal for food aid was not issued until May, which may have delayed the international humanitarian response. Malawi adopted liberal policies on emergency relief encouraging all interested regional and international agencies, local private firms and NGOs to participate in relief activities by importing food and using state's storage facilities for emergency food. Most countries accepted genetically modified food aid with minimal restrictions which helped in the timely receipt of emergency maize requirements. Zimbabwe first banned and later restricted genetically modified food aid to the frustration of donors and humanitarian agencies, while Zambia ultimately introduced a total ban on genetically modified food aid.

Mobilising resource to import food commodities: In addition to low stock levels, foreign currency reserves were also run down in some countries, particularly in Zimbabwe which slowed government capacity to import food. Despite the foreign currency crisis in Zimbabwe, government eventually managed to import substantial amounts of food for emergency relief. In Zambia and Malawi, foreign currency resources were secured from the World Bank facility to facilitate timely food imports, which played a significant role in the success of response efforts. In Botswana, the government responded to early warnings by making resources available to import cereal grains for the strategic grain reserve. Cereal grain was imported before there was an acute food shortage in the market.

Mobilising the commercial sector: Liberalized grain markets in Botswana ensured that the private sector was poised to import and distribute food without government interference. Private sector operations were not hindered by government, which helped ensure efficient food distribution without stretching government resources. Commercial imports helped fill Botswana's food gap with no international humanitarian assistance. Zambia acknowledged the roles and sharing of responsibilities between state, private sector and NGOs in procuring and distributing food. This helped reduce the financial burden on government to respond to the food emergency. In a bid to mobilize the commercial sector, Zambia relied on the free market pricing system to procure and distribute food. Prices have been at an all time high for the past year in Zambia. The state facilitated food imports by private firms through timely signing of MOUs with millers. The private sector was largely able to meet urban requirements, while rural requirements received assistance from humanitarian relief agencies. Selective tenders for state sanctioned imports of maize, secured relatively lower prices from Uganda and RSA markets, helped prevent serious maize shortages. Government banned

exports of maize and maize meal (mostly to DRC). In Malawi, government imported maize directly, using part of the WB/IMF loan facility to provide a general consumer subsidy on maize meal to improve access to food by all. At the same time, government continued to rely on the free market system to distribute food to those not directly affected and able to sustain themselves. Government tolerated informal cross-border trade bringing in much needed supplies of maize and beans from Tanzania & Mozambique.

While most countries made some effort to include the commercial sector in the emergency food security response, Zimbabwe introduced policies that banned domestic free market trading of maize and reintroduced a centralized state-run grain marketing system. This was justified as a bid to protect consumers against hoarding and other exploitative tendencies of middlemen and private traders. Price controls were introduced for basic consumer goods and for all consumers – regardless of need, in an attempt to stabilize the cost of living and mitigate profiteering. These policies did not account for differences in income and vulnerability status, and therefore did not benefit those most in need. Import and export activities of private firms were restricted in an attempt to contain cross-border exports of food.

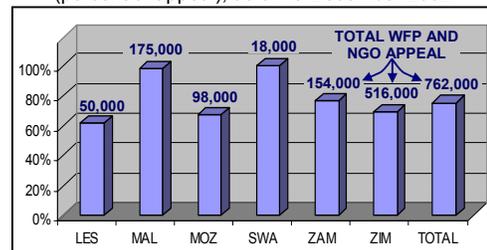
5. Key Policy Determinants of the Food Security Response

A range of national policies affected the nature and ultimate effectiveness of the food security response to the 2002 food emergency. Some policies facilitated the response by providing an enabling environment for the public sector, private sector, humanitarian agencies and civil society to operate and supply critical food and other needs. Other policies, while well intended, may actually have constrained the emergency response. This section identifies the main policy determinants that affected the food security response in different countries, in either a positive or negative manner. Examples from different countries help illustrate and contrast the impact of diverse policy decisions across the region. As some policy decisions in one country directly affect the nature and effectiveness of the response in other countries, a regional dimension emerges.

The Role of the Humanitarian Community: Food Aid Coordination and Targeting

SADC countries must be cognizant of, and work within the confines of the global political economy surrounding the supply of international food aid. It is the responsibility of governments, through appropriate policies and mechanisms, to create an environment that generates confidence, encourages, and coordinates the work of humanitarian agencies and non-governmental organizations involved in food relief. This will help ensure an efficient and timely response through joint programming and planning, that takes advantage of and builds from the efforts and activities of other stakeholders.

FIGURE 4: Donor Response to Food Aid Appeal (percent of appeal), as of 15 December 2002



SOURCE: FANR Regional VAC, December 2002

Overall, the humanitarian response to the food emergency was sufficient to help governments avoid a humanitarian crisis and potential famine in the region. By mid-March 2003, 77% of the regional appeal had been committed by the international community. Countries that created a domestic environment that facilitated the work of humanitarian organizations were in general able to attract more donor assistance than those whose policies placed barriers and obstacles to humanitarian operations. While many factors come into play, Malawi, wiser from experience gained from the previous year's food aid programmes, secured almost all of its emergency food requirements, as did Swaziland. The response in Mozambique may have been limited by government's decision not to declare a state of emergency, which may be needed by some donors to trigger a humanitarian response. Efforts in Zimbabwe were initially constrained by international concern over political processes and by strict registration procedures for NGOs wishing to distribute humanitarian relief. The international response in Zimbabwe may have been subsequently constrained by concern amongst donors and agencies that the government political agenda could interfere with food aid distribution. Humanitarian efforts in Zambia were constrained by the government ban on genetically modified (GM) food aid which ultimately meant that some 43,000MT of food aid already imported into Zambia had to be redirected to other countries in the region, while non-GM food aid was sourced.

Some of the problems normally associated with targeting food assistance have been overcome during the 2002 food emergency through a collaborative series of rolling vulnerability assessments that helped identify areas and socio-economic groups most in need of food aid. These assessments were coordinated and supported by the SADC FANR Vulnerability Assessment Committee (VAC) and were undertaken in the six countries included in the WFP Emergency Operation by national VACs, which included participation of government, key UN agencies, NGOs and other stakeholders. This has led to an unusually high level of consensus guiding food aid requirements and targeting decisions. Moreover, some food distribution programmes specified priority categories of populations to be targeted, many with a focus on HIV/AIDS affected households. These efforts have helped ensure that households most in need of assistance benefited from food aid distributions, and helped improve the overall efficiency of food aid programmes with minimal disturbances to national production and marketing systems over the long-term.

Box 1: Malawi Tackles Food Aid Targeting Issues

National VAC assessments provide an important first step in guiding food aid targeting decisions by identifying geographic areas and socio-economic groups in need of assistance. However, other mechanisms are required to guide local targeting decisions. Malawi has created formal structures to guide food aid distributions through the creation of a Joint Task Force (JTC). A JTC Allocations Subcommittee works with District Task Forces, Area Relief Committees and Village Relief Committees, which have ultimate responsibility for targeting decisions at the household level. These committees have been sensitized to targeting issues and have been provided with appropriate guidelines for making local targeting decisions. Village Relief Committees work closely with implementing NGOs, which are coordinated by an NGO Consortium established by the JTC. Despite initial teething problems, these initiatives and structures are considered effective in ensuring those most in need have received food assistance.

Commercial Sector Participation towards Filling the Food Gap

To varying degrees, authorities in most countries rallied the commercial sector to contribute and supplement the efforts of government, humanitarian agencies and civic groups to help alleviate national and local food shortages. The success of joint response efforts depended largely on the presence of enabling policies and the degree of effective coordination. Policies that allowed the different players to contribute to the food response while pursuing their own objectives and mandate were most effective. Meaningful participation of the commercial sector requires opportunities to earn reasonable profits. Government policies must create a sense of confidence within the private sector, with assurances that their rate of return will not be undermined by inappropriate government policies and action through, for example trade restrictions, constraints to market access, large government import programmes, price controls or general consumer subsidies. Government policies and actions in one year will affect private sector decisions and involvement not only in the current year, but in future years as well.

Most governments made an effort to include the commercial sector either directly or indirectly in its plans to fill national food gaps. In Botswana, Lesotho, Namibia and Swaziland, all members of the Southern African Customs Union (SACU) with liberal trade and marketing environments, the commercial sector has a well established place and role in the import and domestic marketing of essential food commodities. Other countries in the region have liberalized trade regimes and domestic markets to varying degrees. While the magnitude of the 2002/03 food gap in some countries may have exceeded the capacity of the commercial sector to satisfy import requirements and domestic demand, the enabling policies and mechanisms already in place helped ensure that the private sector played a meaningful and substantive role. In Namibia, additional food aid required by government this past year was procured and distributed through normal commercial suppliers, mitigating the need for Namibia to issue an international appeal for assistance. In Zambia and Malawi, while efforts towards trade and market liberalization ensured a role for the commercial sector, policy decisions and signals from government may have frustrated and limited their ultimate contributions. In Zambia, for example, the commercial sector was encouraged to import maize, and indicated their intent to import 300,000MT during the 2002/03 marketing

Box 2: Zimbabwe Limits Commercial Sector Participation

Zimbabwe banned private traders from freely procuring and distributing staple cereals. As an alternative, the government gave the state marketing agency a monopoly on grain imports and distribution of food grains, and imposed price controls on staple food and other basic commodities, all in an effort to ensure the availability of low-priced food, to prevent private sector speculation and profiteering and, as some analysts suggest, to control the political returns of food distribution. However, in the context of an artificially maintained exchange rate resulting in severe foreign exchange shortages and hyper-inflation, these policies have made it all but impossible for the private sector to recover their costs, let alone make a profit. This has resulted in severe food shortages across much of the country, a mushrooming of parallel markets charging high prices that are out of the reach of most households and has made it more difficult and costly for local traders and civic groups to import, or otherwise acquire grain for emergency humanitarian relief. Thus the very objectives that the government of Zimbabwe sought to achieve have largely been undermined through its policy decisions.

year. By the end of February 2003, they had only managed to import about 100,000MT (FRA, 2003).

In some cases policy decisions and mechanisms discouraged, and even restricted, private sector efforts to help fill the food gap. In Swaziland and Malawi, government has taken the lead in importing staple food commodities, but has worked in partnership with the private sector in domestic marketing. In Malawi, lack of effective coordination among the various procurement channels resulted in excessive volumes of cereals being imported, although not necessarily in a timely manner that ensured adequate availability and access by those in need throughout the marketing year. Poor coordination could adversely impact the returns of the private sector, and will surely affect their confidence and involvement in the future.

Participation in Domestic Food Markets

In some SADC countries, inefficient domestic markets with limited capacity are often cited as a contributing factor to food insecurity, justifying the need for direct government intervention in the marketplace. In fact, inappropriate and constraining policies may be the very reason for market failures in some countries. The SADC region is interesting because of the range of free market policies amongst Member States. While most governments have liberalized markets for cash crops, food markets remain largely restricted and at best only partially liberalized in some countries. As government participation increases, efficiency in food marketing and distribution depends more on the ability of marketing boards to adjust prices to incite all economic players along the chain to produce, sell and buy. Moreover, policy restrictions limiting private sector participation often limit the development of a range of market services essential for linking local markets.

Within the SADC region, countries with minimal government participation or interference in domestic food markets are amongst the more food secure in the region, and appear most able to fill exceptional food gaps in times of major production shortfalls.

Domestic markets operate with minimal government participation and restrictions in Botswana, South Africa, Namibia, Lesotho and Swaziland. At the other extreme is Zimbabwe, where government, through the Grain Marketing Board (GMB) is the sole buyer and seller of maize and wheat. In other countries such as Malawi, Mozambique, Tanzania and Zambia government participates in domestic food marketing to varying degrees, alongside the private sector. The degree of participation may vary over time, according to overall food security conditions and governments' perceived need to intervene to help ensure adequate food availability and access throughout the country. In some cases (Botswana, Lesotho, Namibia, South Africa) governments actively encourage private traders, while in other cases the private sector is, at best in practice, tolerated. In Zambia and Malawi, government participation in domestic markets over the past couple of years has been in direct competition with private traders, serving as a disincentive.

Some SADC countries need to reopen the debate on the role of government versus free market forces in influencing the national economy. Lessons learned from within the region suggest that the liberalization of domestic food markets should be extended to cover all food crops. Liberalized markets allow the private sector to play its role without fear of government intervention. Targeted special policies such as food subsidies for the poor, infrastructure development, free cross-border trade, multi-stakeholders coordination processes and buffer stocks – should be designed to address social concerns based on food security implications of high food prices. Policies in Botswana, Namibia and South Africa that specifically direct support to the poor, the unemployed, the aged and to other vulnerable groups should be assessed by other countries in the region as a possible model for guiding targeted government interventions in domestic

Box 3: Redefining the Role of Marketing Boards in Post-Independent Namibia

Following its independence in 1990, Namibia set out on a programme to develop its agronomic sector in line with international and regional market requirements as agreed upon in the Uruguay Round of negotiations. The main focus was on the development of the formerly disadvantaged subsistence farming sector, while still taking the requirements of the commercial sector into consideration.

Consequently, in 1994/95 single channel marketing for staple foods was abolished in Namibia. Pan-territorial and price fixing was abolished and the marketing system for agronomic products was brought in line with the liberalized market system of South Africa.

Marketing Boards have not been abolished in Namibia. However, the Boards are financed by their clients such as producers, processors and traders of agricultural commodities and not by government. They are seen as necessary instruments for government policy implementation and as the necessary communication channel between the market environment, producers, processors and the Government of Namibia. The Agricultural Marketing Boards are especially charged with the creation and maintenance of markets for emerging communal producers. The boards further ensure that promulgated standards for agricultural products are adhered to and that sanitary and phytosanitary requirements for imports and exports are maintained.

marketing systems. In Botswana, government assistance to those in need is done through the private sector with government paying the market price, so as not to interfere with market forces. Policy efforts should focus on the development of private food markets to increase the number of players, improve information flow and develop modern communication strategies.

Pricing Policies: Subsidies and Price Controls

Although food markets have been liberalized to varying degrees in most SADC countries, some governments still intervene in the marketplace through consumer subsidies and/or price controls. In some countries, such as Botswana, Namibia and South Africa, cereal prices have routinely been determined by the market. Normally market prices are set at import parity, which is normally based on South African grain prices (generally from SAFEX) plus the cost of transportation. This suggests higher grain prices as the distance from South Africa increases, even within a country.

Well targeted subsidies can benefit low-income consumers by making food more affordable and therefore accessible through local markets. This is an important component of food security strategies in most SADC countries. By targeting government subsidies to those most in need, limited government resources can be efficiently employed, while leaving the private sector to meet the food needs of those who can afford to buy food at market-determined prices. In contrast, untargeted subsidies aim to reduce food costs for all consumers, regardless of need. These tend to be costly for governments, have less direct impact on poor households in need of assistance, and could limit the participation of the commercial sector if it becomes difficult for them to competitively sell commodities at prices above the government subsidized price. Low consumer prices through subsidization may also serve as a disincentive to farmers to produce essential food crops if they are unable to recover their production costs. Instead, they may opt to produce more profitable cash crops whose prices are not controlled by government.

Box 4: 2001/02 Zambian Wholesale Price Subsidies for Maize

Following exceptional production shortfalls in 2000/01, the government of Zambia introduced a price support system for maize imports by millers. Government supported imports at market prices (around US\$200/MT) and then sold the maize to millers at a subsidized price (of about US\$180/MT). The intention was that millers would pass on the subsidy benefit to consumers through lower consumer prices. However, maize prices continued to rise and consumers did not benefit from the government subsidy. Government accused millers of hoarding the maize.

At the same time, traders were concerned about competing with government subsidized maize that would be selling below market prices and refrained from importing additional commercial supplies. However because of financing problems, government supported imports were late and were below targeted levels. The government subsidy programme effectively reduced the number of private sector participants, limited largely to those benefiting from the programme, and created market shortages of maize due to import failures, resulting in high consumer prices. (FSRP, 2002). The subsidy resulted in budget deficits for the government.

The subsidy programme was subsequently discontinued in the 2002/03 marketing year.

Many SADC governments support untargeted subsidies through wholesalers in an effort to keep consumer prices low, particularly in times of exceptional food shortages. The degree to which wholesaler subsidies trickle down to consumers needs further study and analysis, although some analysts speculate that much of the subsidy is lost at the wholesale level, as was the case in Zambia last year (see Box 4). Over the past year, other countries, including South Africa and Lesotho, have introduced consumer subsidies through retailers.

Box 5: Prices Differentials Lead to Profiteering

In 2001, a pan-territorial maize price of MK17.40/Kg was set in Malawi. This discouraged traders from supplying markets with high transport costs, so the bulk of imported maize remained in urban centres, and had limited penetration to the isolated rural communities where hunger was most severe. Moreover, the co-existence of a subsidized public distribution channel alongside a free market for the staple grain created opportunities for rent-seeking that many traders exploited by buying NFRA maize and reselling it well above the ceiling price. In December 2001, the government banned private traders from purchasing maize from the NFRA, and made ADMARC the sole purchaser. But traders circumvented this ban by hiring local people to buy maize for them, therefore stockpiling grain which they resold for high profits [same process in Zimbabwe in 2002-2003]. So the government's efforts to stabilise prices were undermined, and much of the maize supplied by NFRA was sold on the open market at high scarcity prices. (Devereux, 2002)

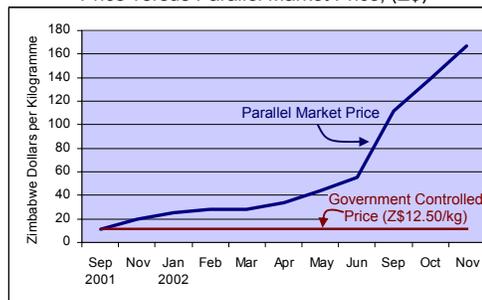
In those countries where governments directly participate in domestic markets, subsidized food may be available at government market outlets, while the commercial sector determines its own price, as has occurred in the past in Malawi, Mozambique, Tanzania (in times of shortages) and Zambia. This can lead to price differentials, with lower prices in government markets and higher prices in commercial markets. The degree to which this results in a disincentive to private traders depends on the volume available in government markets, the location and number of government markets, and people's access to these markets. This was the case in Malawi

this past year, as maize in government ADMARC markets was sold at a fixed and subsidized price of

MK17/kg. Efforts were made to target this subsidy to those most in need by distributing maize to ADMARC markets in areas with high concentrations of vulnerable households.

Another strategy to help ensure affordable food is to institute legislated food prices, or price controls. These could have fewer direct fiscal implications to governments, but could affect returns to the commercial sector. When controlled prices are set below market prices, governments typically subsidize the price difference in government markets, and may also subsidize prices in commercial markets through wholesale subsidies, as occurred last year in Zambia. Alternatively, price differentials between government and commercial markets may ensue, making it difficult in some cases for the private sector to compete. In Malawi for example, government markets sell maize for MK17/kg, which has effectively controlled the prices charged by private traders, which has ranged between MK14 and MK23/kg. At present, the most extreme case is in Zimbabwe, where price controls are in place for most staple commodities. Controlled prices are well below those that would enable the private sector to recover their costs and earn a reasonable return to their investment. This has resulted in serious food shortages across the country and a thriving parallel market where food prices are rapidly increasing in relation to the controlled price, as seen in Figure 5.

FIGURE 5: Zimbabwe Controlled Government Maize Price versus Parallel Market Price, (Z\$)



SOURCE: Zimbabwe VAC, December 2002

Because of subsidization and price controls, price differentials may also occur between neighbouring countries within the region. For this reason, SADC countries must be mindful how their domestic pricing policies might affect their neighbours and vice versa, as pricing inconsistencies between countries can hamper the effectiveness of national policies and food security strategies. Some analysts speculate that despite Zimbabwe's serious food shortages large amounts of maize crossed into neighbouring countries, earning large profits for unscrupulous traders due to price differentials. Therefore, governments and their partners should accept in principle the concept of free market pricing of food and agricultural commodities. They should introduce regulations against collusive pricing behaviour to avoid profiteering in the face of food shortages and should improve coordination processes between market players, based on improved understanding of food prices.

Cereal Imports and Exports: Formal Regional and International Trade

Within the SADC region many countries are still uncertain whether regional trade integration would worsen or enhance their national food security status and efforts. Some of the concerns emanate from policies that continue to promote national food self-sufficiency at any cost. Making matters worse, some countries with a comparative disadvantage for grain production continue to pursue efforts to become exporters. However, within SADC there are a number of countries (for example Botswana and Namibia) that must always import cereals to meet domestic requirements. Most other countries require grain imports in some years depending on national production levels. When countries impose trade restrictions, through for example export controls, this can have a great impact on neighbouring countries who must import cereals to meet their food requirements.

There is an urgent need for SADC countries to understand the complex implications of regional free trade agreements on agricultural policies and on their national and sub-national food economies. Countries must embrace the concept that achieving food self-sufficiency will not necessarily enhance their food security status if this is achieved at high economic costs. In the case of some SADC countries food security may only be obtained through agricultural production policies that recognize comparative advantage and through more liberal trade policies that enable the efficient and timely importation of essential food commodities. Regional free trade agreements, as facilitated through SACU, the COMESA Treaty and the SADC Protocol on Trade, can help SADC countries achieve national food security through regional trade integration.

In countries such as Botswana, Lesotho, Mozambique, Namibia, South Africa and Tanzania, government plays little if any direct role in cereal imports and generally do not restrict food grain imports. Namibia issues millers with import permits based in domestic production levels. Tanzania generally maintains no restrictions on trade, but may restrict exports when production is low, which distorts markets against the

interests of domestic producers. Local administrations in Tanzania may also impose trade restrictions. In Botswana, private grain dealers act as agents for South Africa traders and are normally able to out-perform government in grain trade. However, government does assist the Botswana Agricultural Marketing Board (BAMB) to replenish its strategic reserves.

In other countries both the private and public sectors participate in cereal imports. Officially Malawi has no restrictions on cereal imports, although in practice only the National Food Reserve Agency (NFRA) imports maize formally. This year, the government of Malawi imported 250,000MT of maize for sale at subsidized prices. Small private traders in Malawi are involved in informal cross-border trade, although private sector participation may be limited by NFRA imports. Informal imports into Malawi this year were at least double what was expected, indicating a great willingness and potential amongst the private sector. The combination of government and informal imports, on top of export restrictions, have resulted in over-sized closing stock levels in Malawi. While government imports may have helped prevent a food crisis in Malawi this year, the economic costs were high in terms of increasing Malawi's balance of payment problems and budget deficit, and have put pressure on exchange and interest rates.

In Zambia, government has supported grain imports through contracts to the private sector, which in recent years have been subsidized. There are few restrictions to private sector imports, although private traders in Zambia have in the past found it difficult to compete with government contracted imports. This year, Zambia introduced a six month ban (June through December 2002) on certain products from Zimbabwe, which government perceived were being dumped in Zambia at low prices that rendered Zambian produced commodities uncompetitive. This was a result of Zimbabwe's controlled commodity prices and regulated exchange rate policy. Since the food emergency in Zimbabwe, commercial cereal imports have been restricted. Most imports have been through the government Grain Marketing Board (GMB), although permits are issued to humanitarian agencies to directly import food aid. Permits for recent commercial grain imports have been largely limited to the livestock feed industries, the prices of which are not controlled by government.

Policies on import and export duties vary markedly from country to country, although most countries have special provisions to waive import duties in times of food shortages. In Botswana, a value added tax came into effect in mid-2002, although sorghum and maize grain were exempt. Lesotho only charges a levy for beans. Mozambique charges 17% duty on all imported goods, which may be waived in times of emergency. In South Africa, import duties apply to maize (R137/MT), wheat and meat. Import duties in Tanzania are currently levied at a maximum rate of 25% to protect domestic producers, but are sometimes waived in times of food shortages, thus encouraging private sector imports. Zambia charges 5% duty on grain imports and exports, which may be waived in times of food shortages to encourage private sector imports. Malawi and Namibia charge no import duties, while Botswana, Lesotho, Malawi and Tanzania charge no export duties.

Informal Cross-Border Trade

Significant cross-border trade opportunities abound in the SADC region. The large size of the region and diverse agro-ecological and climatological variations all but assure good production potential in at least some parts of the region in any given year. Weak domestic infrastructure in some countries further support the case for cross-border trade, as in some cases it more economical to move food short distances across national borders than long distances within a country. For example, moving cereals from surplus producing areas of northern Mozambique to the southern deficit areas of the country is not economically viable, especially since food can be imported cheaper from South Africa to southern Mozambique. Thus cross-border trade from northern Mozambique to deficit areas of Malawi and Zambia becomes an attractive alternative for both producers in Mozambique and consumers in Malawi and Zambia. Similar arguments hold for surplus maize produced in the Tanzania Southern Highlands which is closer in proximity to northern Malawi and Zambia than to deficit northern areas of Tanzania. Similarly, in times of surplus production, trade from Zimbabwe to Botswana has also been beneficial to both countries.

In recent years there have been a number of policy and other initiatives to encourage cross-border trade and investment, including the establishment of a Regional Integration Forum. Particular emphasis has been placed on the Malawi-Zambia-Mozambique growth triangle. Tanzania has made great strides to encourage and facilitate cross-border trade through policy initiatives aimed at trade liberalization. Malawi is negotiating bilateral agreements with Mozambique, Zambia and Tanzania to encourage cross-border trade.

Despite such opportunities for mutually beneficial cross-border trade, some countries impose barriers in an effort to protect domestic producers and/or consumers. This may reflect a lack of confidence between countries, highlighting the need for regional dialogue and harmonization of trade policies. In times of food shortages, some countries become particularly vigilant to protect scarce food supplies and domestic markets. This is normally achieved through the imposition of export and/or import barriers. For example, while Malawi's food security this past year was ensured by informal cross-border trade from Mozambique and Tanzania, export restrictions on maize may have been partially responsible for the unusually large stock build-up. This may have kept maize prices artificially low, to the benefit of consumers, but may have frustrated private sector efforts to take advantage of food shortages and price differentials in Malawi and in neighbouring countries. Zambia introduced a six month ban on cross-border imports of 14 commodities from Zimbabwe (for fear of dumping) due to much lower prices in Zimbabwe brought about by price controls and an artificially maintained exchange rate. Policy decisions in Zambia and Zimbabwe have resulted in the halt of both formal and informal trade with Namibia at the end of 2001.

Box 6: Malawi Cross-Border Imports Exceed Expectations

In Malawi, formal imports are undertaken primarily by government's National Food Reserve Agency. These are supplemented with informal cross-border trade by the private sector, primarily from Tanzania and Mozambique. During the 2002 food emergency, the capacity of private traders to move substantial amounts of maize across borders was grossly underestimated. At first it was believed that private traders might import as much as 100,000MT of maize from neighbouring countries. While informal cross-border trade data is not available, it is currently estimated that the private sector has imported at least 200,000MT. This has resulted in an excessive amount of food being imported into Malawi. The SADC Regional Early Warning Unit currently forecasts 2003/04 opening maize stock levels of 225,000MT. While it is encouraging to see the active and effective participation of the commercial sector in helping to fill the national food gap in Malawi, it is important to bear in mind that the high levels of cross-border trade this year were only possible because of good production levels in southern Tanzania and northern and central Mozambique. Preliminary forecasts indicate possible production shortfalls in Tanzania this year.

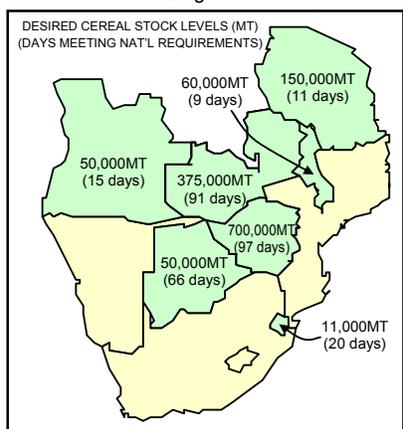
2002/03 Malawi Maize Import Requirements and Actual Imports (MT)

FAO/WFP CFSAM Estimate of Import Requirements:	
Commercial Imports	225,000
Food Aid Imports	208,000
TOTAL MAIZE IMPORT REQUIREMENTS	433,000
Actual imports:	
Government Imports	253,000
Food Aid Imports	151,000
Commercial Cross-Border Imports (at least)	200,000
TOTAL ACTUAL MAIZE IMPORTS	604,000
Difference between required and actual imports:	+171,000

SOURCE: FANRPAN Node, March 2003 from WFP and FEWS NET

The Role of Strategic Reserves and Alternatives

FIGURE 6: SADC Countries with Government Held Strategic Grain Reserves

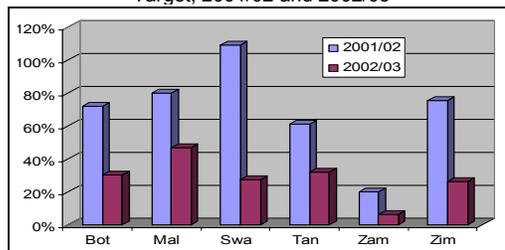


SOURCE: SADC Regional Early Warning System

Holding national strategic grain reserves (SGR) is a key government food security strategy in a number of SADC countries, under the premise that they provide a safety net in times of food shortages. However, purchasing, transporting, storage and maintenance of strategic grain reserves is costly to governments, and also comes with logistical challenges. Desired cereal reserve levels range significantly from a few days worth of requirements in Malawi to about three months in Zambia and Zimbabwe (see Figure 6). In response to the 2002 food emergency, the government of Malawi has increased the minimum requirement of the SGR from 60,000MT to 100,000MT. In Lesotho, Mozambique, Namibia, and South Africa reserves are maintained only by the private sector, with no government regulations. As these countries are amongst the more food secure within the region, it is tempting to infer that the commercial sector, operating within an enabling free market environment, may be better placed to maintain grain reserves than national governments themselves.

In most countries, actual official cereal reserve levels normally fall far short of policy guidelines. In Zambia for example, the official policy is to maintain three months worth of stocks, which is currently about 375,000MT. However since the mid-1990s, this has not been a government priority, and opening stock levels have ranged from a low of 23,000MT last year, to a high of 130,000MT in 1998. Because of financial and logistical constraints, official government reserves in most countries are normally well

FIGURE 7: Opening Cereal Stock Levels, Percent of Target, 2001/02 and 2002/03



SOURCE: SADC Regional Early Warning System

below target stock levels. Figure 7 presents actual opening cereal stock levels as a percent of target stock levels over the past two years for those countries operating official government strategic reserves. Because of poor production levels for several consecutive seasons, official reserves in most countries were at record low levels at the beginning of the 2002/03 marketing year. Opening stock levels in Zimbabwe this past year largely reflect wheat stocks, rather than the staple maize. Opening maize stocks in Zimbabwe were 7,000MT in 2002/03 compared to a target of 500,000MT. Opening maize stocks for the coming 2003/04 marketing year are forecast to be zero in Swaziland, Zambia and Zimbabwe, while Malawi is expected to start the marketing year with high opening maize stocks of 225,000MT as a result of anticipated good production and aggressive import regimes over the past year.

The use of strategic reserves varies by country. In some countries they are used to offset shortages of supply, while in other cases they may be used to stabilize prices. In Botswana, the strategic grain reserve is released into the market through a cabinet directive when there is a grain shortage or drastic grain supply fluctuations. Malawi is currently debating not only the size of its SGR, but also its use, whether it should be used to stabilize prices, or used only as an emergency buffer stock.

SADC countries must revisit their SGR policies, review their actual functions and assess how they fit in with overall food security strategies. There is also a need to redesign their management and funding systems to improve efficiency and effectiveness. Botswana is investigating the possibility of paying an agency fee for the management of its SGR by the private sector. Malawi is debating whether their SGR should be operated on a cost-recovery basis or if operations should be subsidized.

Because of the difficulties associated with finance and maintenance, there is a growing interest in alternatives to holding large physical reserves. One option is to hold foreign currency reserves instead of physical reserves. This option however, may not be feasible for many countries because of chronic balance of payment problems. There is also a growing interest in insurance mechanisms to help ensure national food security. Botswana is proposing to develop an insurance scheme for producers through its National Master Plan for Arable Agriculture and Dairy Development.

Box 7: Zambia Considers Establishing a Crop Marketing Authority (CMA)

The Government of Zambia is currently formulating a proposal for Parliament to establish a Crop Marketing Authority (CMA). The CMA will replace the existing Food Reserve Agency (FRA), but would not deal with input supplies. The CMA would buy selected crops from farmers (not limited to maize) and would be responsible to maintain a national strategic reserve with three months worth of cereal grain. It is envisaged that the CMA would also trade on SAFEX.

The introduction of insurance schemes would require careful analysis, particularly within the context of an unfavourable business environment in some countries. Futures markets provide another tool which would enable governments, or the private sector, to lock in commodity prices and physical availability well in advance of the actual need, and could serve as an alternative to holding large physical grain reserves. Currently futures and options are known to be used by the commercial sectors in Namibia and South Africa. In Zimbabwe, the Grain Marketing Board reportedly traded in futures some years ago, and it is likely that some Zimbabwean traders, millers and producers have also participated in futures markets. Other countries are currently investigating the potential uses of futures markets with support from the SADC FANR.

There have been a number of studies and initiatives to investigate the feasibility of establishing SADC regional grain and/or financial reserves as an alternative to individual Member States maintaining their own reserves. However, given that not all member states agree on the need to hold official reserves, considering the high financial costs and logistical challenges in maintaining relatively small national reserves let alone large regional reserves, and given the balance of payment status of some countries wishing to maintain official reserves, this remains a controversial proposition and is unlikely to be a viable option.

The Debate on Genetically Modified Food Aid

The 2002 food emergency brought the issue of genetically modified commodities to the forefront. Food aid provided by the United States may include genetically modified (GM) maize. While the percentage of GM maize is likely to be small, it is impossible to distinguish from non-modified maize as the US requires no labelling of GM commodities, as authorities in the US have found no evidence of health risks associated with their consumption. These commodities are regularly consumed across the United States without distinction. By mid-March 2003, US food aid contributions to southern Africa have exceeded 326,500MT, or 37% of total contributions to the WFP Regional Emergency Operation.

Some SADC countries remain concerned about consumer safety. Additional questions arose within the region whether accepting GM maize might result in possible trade barriers on livestock exports, particularly to EU markets. This has remained a concern despite EU guidelines and statements to the contrary. Many SADC countries also fear the risk of environmental contamination if genetically modified maize grain, provided as food aid, were to be planted by small farmers who have limited access to seed supplies. This issue can be addressed by milling at a central location prior to distribution. This however, significantly increases food aid costs and presents a logistical challenge since milled maize has a relatively short shelf-life and must be promptly delivered to, and consumed by beneficiaries. Other issues include the perceived imposition of standards by external pressure and influence, and the perception that once GM technology is accepted, a country could become dependent on multi-national seed and chemical companies to the demise of local seed varieties and agro-industries.

At the onset of the 2002 food emergency, only South Africa had a comprehensive policy in place on genetically modified commodities. In 1999 South Africa has approved GM maize for commercial use, although GM trials had been conducted since 1990. Currently GM maize comprises approximately 3% of the total maize area in South Africa, compared to about 25-30% in the United States. Most other SADC countries are in the process of studying the issues to formulate national bio-technology policies. SADC FANR is taking an active role in guiding the debate amongst Member States in an effort to harmonize policies so they do not restrict opportunities offered by cross-border supplies in the future. In the meantime, various interim policies have been introduced across the region. Botswana has established a Bio-Safety Committee which has advised government to be cautious on the importation of genetically modified food. Namibia has drafted a Bio-Safety Act that will address the implications of the implementation of the Cartagena Protocol in its widest sense. While Namibia will consider different options for trade and production of genetically modified agricultural products, they will seek harmonization within SACU and SADC in the implementation of its policies. Malawi has passed a Bio-Diversity Bill aimed at regulating and controlling the importation and use of genetically modified products. Zambia is in the process of putting in place a national Bio-Safety Framework to regulate the importation and application of bio-technology.

During the emergency response to the 2002 food emergency, the general rule governing acceptance of GM food aid is that it be milled at a central location prior to distribution to avoid the risk of GM grain being planted and the threat of environmental contamination. This has had varied consequences for food aid delivery including delays in supplies, increased logistic complexity, higher costs of aid and imports, lower volumes available and increased controls without guarantee of effectiveness. It has also restricted opportunities for small-scale national milling industries. Only Zambia has completed banned genetically modified food aid, which has had a significant impact on food aid deliveries, as nearly 43,000MT of maize already in Zambia had to be re-exported to other countries within the region that would accept GM food aid.

6. Key Policies Determinants of Food Security Recovery

Agricultural Input Provision and Producer Subsidies

All countries adversely affected by cereal production shortfalls during the 2001/02 production season implemented agricultural recovery programmes for the 2002/03 agricultural season. Governments and development agencies in most countries distributed modest packages of agricultural inputs to help beneficiary households to meet their food security requirements. At the extreme, Malawi's free input programme was country-wide and untargeted, despite the country's limited financial capacity, aiming to reach some three million households (see Box 8). Malawi and Zambia were able to procure intended volumes at lower prices by placing early import orders from Zimbabwean and South African companies. International aid agencies such as FAO and local NGOs also implemented free input programmes to poor households in these and other countries, while private importers were given the latitude to bring in commercial imports for the rest of the agricultural population.

Despite severe budgetary problems, the Government of Zimbabwe also implemented a country-wide free tillage and free input distribution programme targeted at resettled and rural farmers as part of its land reform programme. Other development agencies in Zimbabwe were marginally involved in the distribution of

inputs this season. In order to contain costs of its ambitious input schemes and to contain alleged profiteering of the private sector, the government introduced price controls and a tight input pricing policy regime. In a depressed economic context, this has threatened the viability of Zimbabwe's agro industry. As a result of reduced profit margins amid escalating operating costs and foreign exchange shortages, firms have cut back on the production of agricultural inputs. Market shortages, aggravated by preferential treatment of government orders for its free input scheme have resulted in the development of parallel markets for all agricultural inputs: prices for a bag of fertilizer were as high as three times the controlled price of Z\$4,000 (or less than US\$4 at the parallel exchange rate). This market pressure rendered the controlled input prices untenable and created an incentive for input distribution authorities and beneficiaries of the free inputs to engage in re-channelling the free inputs into the parallel market.

In general, agricultural recovery programmes appeared to be undifferentiated and untargeted with an over-emphasis on the production of maize. In Malawi where specific households were targeted, there is a vast difference between the quality of crop stands between beneficiaries and non-beneficiaries, suggesting that the targeting formula may have been too restrictive and might have over estimated the ability of the non-targeted population to afford and access seed and fertilizer. In Zimbabwe, the land reform beneficiaries of large commercial farms formerly owned by white farmers, were given the farms on condition that they self-finance their operations. However in practice, they have been the primary beneficiary of the free input programmes including subsidized loans for livestock and irrigation development (Sunday Mirror, 17/03/2003; Mano, 2002). Independent evaluations should be undertaken to assess efforts to target specific categories of populations, the adequacy of the proposed packages vis-à-vis household needs and the effectiveness of the distribution process. As well, future schemes should learn from past initiatives to propose diversified cropping patterns by small-scale farmers beyond maize production. The same applies to research and extension initiatives as regards the promotion of drought resistant and open pollinated varieties vs. hybrid varieties.

As governments and other stakeholders prepare for further emergency and recovery processes, serious consideration should be given now to these various issues in designing new initiatives.

From the perspective of input suppliers, throughout the region in general, "even though well intended, seed is distributed in too many cases where it is not needed which undermines both local and commercial seed systems, and depletes seed markets in non-affected areas" (R.B. Jones, ICRISAT). Similar arguments could be made for other kinds of farming inputs. "Where farmers experience acute seed shortages, need-based distribution of seed vouchers (or cash) and seed fairs are effective tools that link seed relief with market development. Seed fairs are organized seed markets that can accommodate multiple seed sellers including local farmers, community seed producers and commercial seed companies". They increase access to a broader variety of seeds by farmers in a competitive environment, without the negative impacts and logistical constraints of free seed distribution programmes. "Seed fairs are simple to plan, implement, monitor and evaluate. They allow for both cash and voucher transactions in a competitive environment. ... Market mechanisms and an enabling policy environment that increases access to new varieties, facilitates regional seed movement and fosters new public-private partnerships should be used to address seed insecurity".

Another option was tried with some success in Mozambique in the context of flood recovery. This involved direct cash disbursements to flood affected rural households, instead of the usual input packages. Preliminary evaluation indicates that this could be an

Box 8: Malawi's Targeted Inputs Programme (TIP)

Malawi's Target Input or Starter Pack Programme, was scaled up this year from 1 million to 3 million households. Each beneficiary was given 2kg of open pollinated variety of maize seeds (enough to plant 0.1 ha), 2kg of legume seeds (i.e. beans, groundnuts), 5kg of Urea, and 5kg of 21-20-0+S fertilizer. Assuming a yield of two MT/ha on average, the output would then reach 200kg per household or a total of 600,000MT from all beneficiaries, representing almost one-third of expected production this season. The TIP is funded by DFID, the EU and government. The Government also launched a winter TIP, which produced an estimated 100,000MT of maize. Last year, the Winter TIP reached 300,000 beneficiaries, which will be increased this season to 400,000.

Whereas most people support the TIP as a recovery measure, there is debate about its scope and long term role. Some people have incorrectly considered that cutbacks in the Starter Pack Programme in 2001/02 were one of the causes of the food emergency in Malawi. Other questions concern its actual impact on production, its significant budget implications and whether it is the optimal use of scarce resources, and whether it should be linked to other development programmes (e.g., inputs for work). There is also controversy about its sustainability and whether it should be continued beyond recovery. Some proponents are quick to point out that the country had maize surplus when the TIP was untargeted, while others are mindful that this happened during "good" climatic years for maize cultivation, and that the TIP would have little impact in a season of unfavourable weather (FANRPAN Malawi; Devereux).

Some regional analysts have expressed concern over Malawi's TIP, which could disrupt production incentives in neighbouring Mozambique.

interesting alternative as, for instance, it had an additional impact on the local economy, on reviving confidence of credit institutions towards these households and on trading activities in rural areas (K. Selvester, ODI). Further analysis of this strategy is warranted.

Producer Markets and Prices

Box 9: Malawi Sends Wrong Message to Producers

"In early 2001, ADMARC announced that it would no longer sell maize as a commercial crop, so it would only purchase maize at very low prices (MK2-2.50/Kg). Unfortunately, this statement created disincentives for farmers, who switched out of maize into other food crops and more lucrative crops. This may have compounded the food shortage later in the year, and forced ADMARC to import maize at much higher prices." (Devereux, 2002)

Controlled maize prices in government's ADMARC markets (MK17.40 per kg), may have also restrained relative producers' prices offered by the private traders this season, which are currently in the range of MK14.00 to 23.00). It is not clear whether this will have any effect on the production of maize in the 2002/03 season, and what impact it may have on next season's production decisions. Some private maize traders may also be reluctant to procure additional supplies of maize as stock levels are high following aggressive imports over the past months.

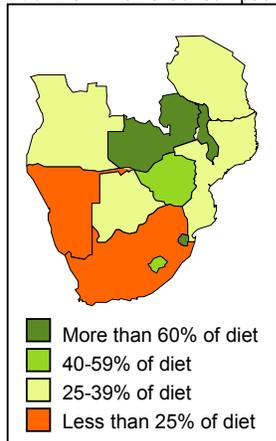
As a result of excess stocks and availability of food on the market, the Government has decided in March 2003 to sell part of the grain that is has stored at the Strategic Grain Reserve, which could further drive down producer prices.

If in the best case scenario recovery programmes were to lead to a bumper harvest of maize, in some countries it is questionable whether the maize would expeditiously find its way into national grain markets. Support to agricultural recovery and long-term development require ready markets, both to instil producer confidence and to distribute surplus production to deficit agricultural provinces and income-based urban population. This requires that incentive producer prices are offered to poor farmers. Indeed in almost all countries, governments did not inform farmers of the floor price for maize in the 2003/04 marketing season in a timely manner that could have influenced production decisions. This leaves poor farmers to base their production plans

primarily on their own household food requirements rather than on prospective market demand. In the case of Zimbabwe, large-scale farmers have over the years reduced the area under maize in favour of non-food cash crops whose prices are not controlled by government and thus offer more attractive returns. As the maize harvest approaches in Zimbabwe, uncertainty in food market regulations will encourage many farmers to search for innovative ways to market their commodity outside the realm and low prices of the Grain Marketing Board (GMB). To maintain and increase production levels, governments must either remove price controls and let the market forces establish prospective post-harvest prices, or announce remunerative pre-planting producer prices for food crops.

Efforts to Promote Alternatives to Maize

FIGURE 8: Maize Consumption



SOURCE: SADC REWU

Maize is by far the most important staple food crop in most of southern Africa. According to the Regional Early Warning Unit, Maize's contribution to the diet (kcal) ranges from more than 60% in Malawi, Swaziland and Zambia to less than 25 % in Namibia and South Africa (Figure 8). There have been recent efforts by a range of stakeholders to diversify crop production in the SADC region away from maize. The heavy reliance on a single crop increases vulnerability to poor climatic and marketing conditions for that crop. While maize production has been largely promoted across the region, it may be inappropriate in drought-prone areas as the plant is sensitive to dry spells during specific phases of its development. High-yield varieties being promoted in some countries tend also to be more sensitive to the variability of climatic and agronomic conditions, and require supporting inputs (such as fertilizers), which are not always easily accessible to small-scale farmers (Goverehand and Alii, 2002). Hybrid varieties also restrict farmers' option to grow their own seeds.

Historically, little effort has been made in most countries to encourage production of alternative crops. Lessons can be learned from the drought prone countries of Botswana and Namibia, where the staple food crop is not maize, but the more drought tolerant millet and sorghum. Pearl millet is being promoted in drought-prone areas of Zimbabwe (see box). In parts of Mozambique and Tanzania cassava is the main staple. Recently there has been a push to encourage farmers elsewhere to produce cassava. Efforts to promote cassava in Zambia and Malawi have included free and subsidized distribution of planting materials, provision of extension services and promotion of community based seed

multiplication. Interest is based on the relative flexibility of the plant as regards climatic and agronomic conditions, and the limited labour requirements. Cassava production often overlaps well with the labour calendar of other crops, and offers a good end of crop rotation choice, that can remain in the ground for some time and provides significant yields despite limited input requirements.

Despite the potential benefits there are some drawbacks to cassava production. In areas not accustomed to growing and eating cassava, a significant diet change will be required. It has low nutritional value and requires processing in order to be edible, usually undertaken by women, as well as heavy labour requirements at harvest. Moreover cassava production may impact negatively on soil fertility due to high yields and the absence of inputs, and is not adequate for relatively dry areas. Fresh cassava is bulky, making transport to food deficit areas difficult, suggesting its impact on food security may be limited to relatively local areas.

Finally, it is not only a matter of producing alternative crops, but also of accounting for them in food security analyses. The main analytical tool of SADC's Regional Early Warning System (REWS) is the national cereal balance analysis. This constitutes the primary basis for estimating national food gaps and import requirements. In most cases this analysis includes only cereal crops. In countries where cassava and other crops play a significant role in local diets, the size of the actual food gap may be significantly overstated if these commodities are not brought into the analysis. In Zambia, the national cereal gap was reduced by nearly 60% by including cassava in the food balance analysis using the maize equivalency.

Box 10: Crop Diversification Efforts in Zimbabwe

MILLET: The production of small-grains, once the staple diet of a majority of Zimbabweans, was all but destroyed by many decades of subsidized research, extension and production support promoting hybrid maize among the smallholder sector. Recent research in urban Zimbabwe (Mupanda, 2002) indicates that Zimbabweans still possess an appetite for small grains flour as an occasional substitute for maize. The study showed that if the leading supermarkets were to stock millet flour along side maize flour at competitive and commercially viable prices, millet flour would disappear from the shelves faster than maize flour. Yet adoption of higher yielding varieties of millet and expansion of millet production in the dry areas of southern Zimbabwe has been persistently hampered by lack of formal, regular and predictable market outlets for surplus millet production. The Grain Marketing Board does not take millets and other small grains seriously in its SGR policy. In the 1980s, a policy of parity pricing of millets and maize led to rapid growth in millet production. This was eventually undermined by poor marketing and lack of a commercial processing industry, resulting in stock piles which were often sold in the region at a loss. The private sector has a role to play in diversifying the diets of the people by offering innovative options to the invariable diet of maize flour.

RICE: Rice is a widely consumed third staple in Zimbabwe, especially amongst the affluent income groups. Nonetheless, efforts have been very limited to promote local rice production despite the presence of a rich tradition in the peasant sector of using wetlands during summer for cultivation of local unimproved varieties of rice. There has been virtually no support for research or market development to promote domestic rice production despite the substantial volumes of rice imported into Zimbabwe.

ROOT CROPS: Among the best alternative food crops with potential to complement or partially substitute for maize in Zimbabwe are potatoes and cassava. Cassava research from the region has shown that the crop can be processed into flour for preparing starchy substitutes to the maize based staple. In Zimbabwe, cassava production is very limited and those who have tried have given up due to poor training on processing and utilization.

SOYBEANS: Over the past decade, small-scale farmers in the wetter agricultural zones have embraced soybean production as a viable and competitive cash crop, as well as an essential subsistence food crop. Driving its adoption and acceptance has been the concerted efforts in training in production and utilization of soybean undertaken by the National Soybean Promotion Taskforce and development NGOs. Soybean flour-based products, such as soybread and soycake, are now widely consumed in soya producing areas as cheaper substitutes for purchased wheat flour-based bread and cakes. Soya-milk based products are also being increasingly consumed in the growing areas as a cheaper substitute for dairy products. However the interest shown in soybean-based products at the village level has not yet percolated to urban markets, primarily because of limited commercial production of the popular soybean-based products. Once again, the private sector has a role to play in recognizing the commercial potential of new products and scaling up their production. (FANRPAN Zimbabwe)

Tanzania was the first country to include cassava (in terms of maize equivalencies) into their national cereal balance analysis, making it more of a food balance analysis. In Tanzania this made a tremendous difference in reducing the food gap and import requirements. Malawi has also incorporated cassava into its cereal balance analysis, although care must be taken in making national-level inferences due the difficulties in moving cassava out of local producing areas. The REWU is looking at ways to incorporate additional food commodities in its food balance analyses in an effort to better capture overall food security conditions. The major constraint is the absence of non-cereal production estimates in most countries.

7. Long-Term Policy Determinants of Food Security

Years ago the term "food security" was often equated with "food availability". In the past, as normal harvests returned, governments often set aside the development of long term food security strategies. Obvious issues to deal with would include sound strategic grain reserve policies and agricultural

development strategies. Yet, that would have limited effect if governments and their partners do not admit and integrate into their policies other key factors, or determinants, that impact directly on food security. They include, for instance, macro-economic policies, domestic marketing and pricing policies and regional trade regulations. The way some of these critical issues have been expressed by stakeholders in the region is described in short words below. A separate document¹ provides more detailed analysis and guidelines which should assist stakeholders of the region in formulating strategies according to these different fields.

Investments in Agricultural Development

Policy makers should recognize the weaknesses of past agricultural development strategies: country level analysis of agricultural performance since the 1992 drought indicates negative productivity trends and sluggish growth in per capita food production. Real domestic investment in agriculture shows negative trends in particular in terms of fiscal support. In addition, pricing, marketing policies have often induced an implicit taxation of domestic food and agricultural production. In designing drought recovery strategies, policy makers must balance the usual short-term emphasis on provision of input packages with provision of a permanent and predictable enabling domestic policy environment. Investment in agriculture by various stakeholders will depend on reliable and attractive economic prospects in terms of markets, prices, adapted production technologies and patterns, access to natural resources, access to finance and provision of professional services. Here are some among the many issues that would need to be dealt with in that respect.

- ✓ Promotion of productive commercially oriented smallholder farming systems; yet, traditional models of agriculture, based on high, standardized rates of costly inputs may not be economically adequate for the majority of smallholders; cheaper means of enhancing farm productivity should be promoted.
- ✓ Policy emphasis on irrigation development for drought mitigation strategies and sustainable food production;
- ✓ Land issues, including redistribution, tenure and management, as part of an integrated agricultural development process, rather than a political event;
- ✓ Greater fiscal funding of agricultural services;
- ✓ Capacity of farmer organizations and rural institutions;
- ✓ Seasonal input credit and long-term financing of farm investments;
- ✓ Promotion of farming patterns that take climate change in consideration;

HIV/AIDS

According to UNAIDS, in the 6 countries of Southern Africa affected by food shortages, the number of deaths from AIDS is half a million annually, the number of AIDS orphans is above 2.4 million and the percentage of infected adults varies from 13% to 34% in the different countries. The generation most productive is also the most hit. And these AIDS statistics are increasing rapidly with time.

The different ways HIV/AIDS, combined with other diseases, impacts on food security at the household level have been described²: it depletes the human capital, agricultural production and productivity; it withdraws financial resources from economic activities in favour of health and funeral expenditures; it makes it financially impossible for agricultural households to intensify production through the use of labour-saving and capital intensive technologies; it reduces the ability for poor households to generate their usual income from casual labour; it restricts the access by households to economic services such as credit; it may disrupt customary exchange of labour for farming activities; and it reduces food security of households which adopt orphans. On the long-term, the destruction of humans' capability, in particular the present impact on children (no education; development of families headed by children) may hamper quite significantly the sustainability of knowledge transmission and countries' capacity to reduce poverty³. A better understanding of its impact at the agricultural sector level – beyond the household level - would also be useful. Reciprocally of course, one could describe how food insecurity impacts on an increased exposure to HIV/AIDS.

¹ IFPRI, Achieving Long-term Food Security in Southern Africa- International perspectives, Investment Strategies and Lessons, 2003

² See e.g., SADC FANR Vulnerability Assessment Committee, Dec. 2002 Regional Report

³ J.L. Dubois, SARP Conference, 2003

Up to now, the issue has been addressed mainly from a health perspective, and this should of course remain a top priority. Yet, stakeholders in the agricultural sector should start addressing its implications for agricultural development and food security. This may include the following:

- ✓ Technologies and development approaches that support farmers' coping strategies in response to labour and financial constraints (conservation farming, low fertilizer ratios, financing mechanisms...);
- ✓ The contribution of agriculture to the cost of health services in rural areas;
- ✓ The proper design of recovery input packages for affected categories of population.
- ✓ The systematic inclusion of HIV-AIDS parameters, once they're better identified, in the whole range of food security policies;

Poverty

Lack of "food availability" is only part of the problem. There is enough food in the world and there is a drop in food prices. Several analyses converge to suggest that food insecurity in Southern Africa today is also a "food access problem", in countries as different as Malawi (L. Rubey), Namibia (FANRPAN Namibia) and South Africa (E. Watkinson). This is directly, though not systematically, linked to poverty and the inability of poor people to access food and other resources. It is considered that about 65% of the population of Malawi lives in poverty, between 40 and 70% in Zimbabwe, etc. which means that they live with US\$2/day or less. Over the longer term, poverty contributes further to food insecurity as it restrains households' potentiality for accumulation, growth etc.

Box 11: Poverty on the Rise in Malawi

During the 1990s, poverty in Malawi increased, pushing Malawians closer to the edge of survival than ever before, leaving them unable to cope with even a moderate production shock. About 65% of the population live below the poverty line of US\$2/day. Rural unemployment is very high, rural wage rates are very low, and agricultural production generates relatively little income (IHS, 1999). In the 2000/01 season, farm produce prices were severely depressed, which reduced farmers' purchasing power and left them unable to purchase fertilisers and seeds. This was compounded by bad weather. Farmers were paid MK2.50-MK3 for maize when they sold it last year, and had to buy it back at MK36 or more earlier this year. Even if people don't produce enough food, they have to sell some to meet their cash needs, expecting to buy food later in the year. But then, last year, the market price was so high that they could not afford to buy it, and in some areas there was no maize in the market at all. (FANRPAN Node, Malawi)

Box 12: Poverty and Lack of Potentiality to Address Food Insecurity in Zimbabwe

Almost a decade of economic stagnation and three years of precipitous economic decline have left the majority of Zimbabweans in poverty. Conservative estimates put the percentage of people living in poverty at between 40% and 70% with hyperinflation running at 215% and progressively pushing the poverty datum line towards an all time high of Z\$45000 (US\$40) per month. With such a high incidence of poverty, the majority of the people living below the poverty datum line would find it difficult to afford to buy the necessary inputs essential for sustaining a viable subsistence farming system nor buy the basic food from the local market at the regionally competitive domestic producer prices based on import parity. If the economic melt down continues unchecked, the majority of the Zimbabwean population may become perennially locked into an inescapable and self-perpetuating vicious cycle of poverty which could then require massive and diversified forms of international development assistance to break the community from the poverty trap. The preconditions for containing escalating poverty is rapid economic turn around to create domestic wealth and tax revenue base which would grant the national government the latitude to self-finance or co-finance poverty alleviation and poverty eradication programmes in partnership with international development agencies. (FANRPAN Node, Zimbabwe)

Democracy and Governance

National governance challenges continue to ferment sporadic political unrests and national conflicts of varying degrees of intensity across SADC region. Some argue that political instability is often a direct cause of food crises⁴. In the sub-region, it also tends to force insecure governments to promulgate economic and food security policies for short-term selfish goals of political survival and rent-seeking, thus restricting the development of an enabling environment for farmers and their buyers to do business. In such an environment, where perspectives remain untrustworthy, economic players tend to contain their investment and economic decisions. Considering the fact that the main explanation to slow economic growth in Africa deals with the importance of risk, uncertainty and insecurity⁵, this factor, along with economic stabilization, should be considered as a central cause of limited investment in agricultural growth.

⁴ Half of the famines in Africa have been directly caused by wars (Hugon)

⁵ P. Hugon, The Economics of Africa, 2003

Moreover, according to some economists, democracy is the form of government that limits risks of famines. “In democratic countries, even very poor ones, the survival of the ruling government would be threatened by famine since electing are not essay to win after famine”⁶. “The exercise of counter-powers and information transparency allows the exercise of rights. Democracies experienced some food shortage but never any famine.”⁷ These principles could be balanced against the lack of transparency in managing SGR and how SGR grain was sold in 2001 in Malawi, as only one example among many others.

Lastly, this context contributes to the general mistrust between civil society and authorities, strong in the region, and which, in turn, restricts the scale and efficiency of services provided to targeted populations.

Macro-Economic Stabilization

The impact of macro-economic policies on food security is not well understood by most stakeholders of the sector, including within governments. As suggested above, long-term agricultural growth and business development in the food sector will remain seriously restricted in SADC countries until stabilization is achieved. The case of Zimbabwe is interesting in that respect (see Box 11 below). Indeed, macro-economic choices made a few years ago in terms of budget deficit, combined with the exchange rate policy and price control policy, have generated direct disincentives for farmers and agri-businesses to produce and sell, as it has become uneconomic for them to do so. But, like in Malawi, some of the roots of the problem are to be found much earlier, in particular in the failure to implement Structural Adjustment Programmes (SAP) successfully in the early 90s, after a period of direct government involvement in food production and marketing.. In the long term, minimum recommendations should include high level capacity building initiatives as well as the inclusion of food security parameters in macro-economic models used by the ministries of finance.

Box 13: Macro-Economic Environment of Food Security in Zimbabwe

In the 1980s, Zimbabwe enjoyed a relatively stable macroeconomic environment buoyed by international capital inflows and domestic industrial and agricultural growth in excess of 3% . Inflation remained very low and the local currency remained stable at almost parity with the US dollar. The positive macroeconomic situation presented government with the fiscal resources it needed to finance a multitude of socio-economic development programmes such as its subsidized agricultural input support schemes, consumer food subsidies, free health and free education for all. As a result of these agricultural supports, smallholder agriculture grew from obscurity to unprecedented levels of commercialisation, overtaking the modern large-scale farming sector in the production of maize, cotton, sunflower and groundnuts. Zimbabwe reached unprecedented levels of food security carrying at one time almost three year of its food security requirements at a time when other African countries were struggling to feed themselves. Despite these agricultural successes of the early 1980s, the whole system of agricultural support proved unsustainable especially towards the end of the 1980s when the fiscal burden of agricultural markets subsidies and provision of free services dragged the economic growth towards zero.

After much debate, Zimbabwe adopted the IMF/WB inspired Economic Structural Adjustment Programmes and Agricultural Market Liberalization. However, reigning on fiscal expenditure deficit failed despite elimination of all agricultural production and consumption subsidies, as well as removal of price controls especially on agricultural inputs. This led to decline in smallholder agricultural production, worsening food insecurity of the nation. When state agencies pulled out of agricultural credit provision, and input and output marketing, the much anticipated private sector failed to emerge to fee the void. The result was greater food insecurity and human misery and little economic recovery, largely because of failed implementation of macroeconomic stabilization strategies. The result was severe economic stagnation throughout the post ESAP era of the 1990s. Domestic macro-economic environment worsened as budget deficit escalated with expenditure such as on defence and the DRC war. Hamstrung by growing economic hardships and political unrests, the government adopted a land reform programme. Implementation of the programme without much domestic resources and international support resulted in government resorting to controversial political takeover and compulsory acquisition of white owned farms. As the settlement process and the targeting of beneficiaries of the programme failed to reach the agricultural development objectives, the agricultural production base was further hampered.

Moreover, the severe macroeconomic situation in Zimbabwe reduced the ability to respond to famine through importation of adequate food grains to offset the shortfall in domestic production. Lack of international goodwill due to poor international image also contributed to paucity of international response to appeals for emergency humanitarian food relief for Zimbabwe. A combination of shortages of inputs such as fuel, seeds and fertilizer due to worsening foreign currency shortages, as well as rapidly diminishing purchasing power in the domestic economy hard hit by hyper inflation and price controls has progressively eroded the incentive for farmers and domestic firms to continue investing in production for domestic sale. Macro-economic instability of the magnitude being experienced in Zimbabwe is a source of considerable disincentives for farmers and agri-businesses to expand their production. Addressing Zimbabwe's macroeconomic policy (which will require significant resources) is a prerequisite to attain long term food security.

⁶ A.K. Sen, The Observer, 16/2002.

⁷ P. Hugon, SARPN Conference, 2003

MAJOR CONCLUSIONS AND RECOMMENDATIONS

Conclusions and Recommendations to Improve the Food Security Response

The State of National and Regional Preparedness: Disaster management, contingency and response plans were either non-existent or inadequate in most countries, and at the regional level, leaving governments ill-prepared to deal with a large humanitarian emergency, despite early warnings from national and regional sources. Early warning systems focused largely on rainfall performance and cereal production, but provided inadequate information and analysis to actually guide emergency response efforts.

- 1. SADC Member States, particularly those prone to recurrent drought or flooding should develop practical contingency plans to respond to different levels of production shortfalls. These should be prepared well in advance of an emergency and should be modified and updated as new information becomes available.**
- 2. The SADC disaster management mechanism, already institutionally established, needs to be fully operationalised and play a greater role in supporting and coordinating SADC countries in emergency situations.**
- 3. Regional and National Early Warning Systems need to review the nature and utility of the information and analysis they provide to guide critical decision-making in an emergency situation. The REWU should initiate efforts to refocus and build capacity amongst the NEWUs to provide a greater range of food security information and analysis.**

The Role of the Humanitarian Community – Food Aid Coordination and Targeting: Overall, the humanitarian response by national governments, the international community and local partners to the 2002 food emergency was sufficient to avoid a major humanitarian crisis and potential famine in the SADC region. SADC contributed little to coordinate and facilitate the humanitarian response despite the regional nature of the emergency operation.

- 4. SADC Member States should carefully review the evolution of the humanitarian response as it unfolded in their country to identify bottlenecks and shortcomings that could be avoided in a future emergency by introducing more appropriate policies and mechanisms to create an environment that instils confidence, encourages and coordinates the work of humanitarian agencies in emergency relief.**
- 5. SADC should review its own response and activities that facilitated and supported national efforts to avert a food security crisis, and in collaboration with Member States and key partners institute steps to strengthen regional coordination and response in the event of a future humanitarian emergency within the region.**

Through joint assessments and monitoring activities, coordinated by the SADC FANR Regional Vulnerability Assessment Committee (RVAC), a remarkable degree of consensus amongst government and key partners on the nature, magnitude and location of the problem and the required response greatly facilitated, and helped coordinate humanitarian efforts.

- 6. SADC Member States, SADC and key partners should acknowledge and strengthen efforts at national and regional levels to understand household vulnerability and associated risks of food insecurity. Such efforts should be supported on an on-going basis before a potential crisis presents itself, so that contextual baseline information on household livelihood systems is on hand to facilitate and guide emergency assessments and the required response.**

Commercial Sector Participation towards Filling the Food Gap: In those countries with liberal trade and marketing environments already in place, the commercial sector was able to play an important role in filling national food gaps. The capacity and willingness of the private sector decreased as direct government involvement and restrictions increased.

- 7. SADC Member States should eliminate single channel marketing and review the role of marketing boards, which should be financed by their clients and not by government. Marketing boards should serve as instruments for government policy implementation and as the necessary communication channel between the market environment, producers, processors**

and the government. Marketing boards should focus on the creation and maintenance of markets for small and medium-scale farmers with limited market access, and for alternative food crops with poorly developed market systems.

- 8. SADC Member States should ensure their policies create a sense of confidence within the commercial sector, with assurances that their rate of return will not be undermined by inappropriate government policies and action.**
- 9. SADC Member States should establish mechanisms to better coordinate and inform the private sector in a transparent manner that minimizes competition between government, commercial and humanitarian efforts.**

Cereal Imports and Exports: Formal Regional and International Trade: Achieving national food self-sufficiency is not necessary or sufficient to ensure national food security. In most SADC countries sustainable food security can only be obtained through agricultural production policies that recognize comparative advantage and through liberal trade policies that enable efficient and timely importation of essential food commodities. Countries embracing liberalized trade regimes appear more able to fill national food gaps than those countries where government is directly involved in, or restricts private sector trade. Regional and bilateral free trade agreements can help SADC countries achieve national food security through regional trade integration.

- 10. SADC Member States should embrace the notion that achieving food self-sufficiency will not necessarily enhance their food security status if it is achieved at high economic costs, as a guiding policy principle.**
- 11. SADC Member States, with support from SADC, should actively solicit and participate in regional and bilateral free trade agreements to enhance both national and regional food security.**

Informal Cross-Border Trade: Humanitarian food crises were at least partially averted in Malawi and Zambia this past year because of high volumes of informal cross-border trade, although exact data is not available. Exceptional cross-border trade opportunities exist in the SADC region given its large size and diverse agro-ecological and climatological variations, which virtually assure good production potential in least some parts of the region in any given year.

- 12. SADC Member States should actively pursue trade policies that encourage and facilitate informal cross-border trade in food and other commodities.**
- 13. SADC should undertake and support initiatives to provide regional cross-border trade and market information and analysis to small and medium-scale traders.**
- 14. Efforts should be made to generate realistic estimates of cross-border trade flows to enhance food balance and food security analyses.**

Participation in Domestic Food Markets: Inappropriate and constraining policies may be the cause for domestic market failures in some countries that perpetuate food insecurity. Within the SADC region there appears to be a direct and positive correlation between the degree of domestic market liberalization for food commodities and the level of national food security. Some SADC countries are effectively using the private sector for targeted safety net programmes.

- 15. Direct government participation in domestic markets, including through marketing boards, should be phased out in favour of private sector market development.**
- 16. SADC Member States should liberalize domestic food markets and improve essential market information flows to small and medium-scale traders and millers.**
- 17. Targeted safety net programmes should use free markets and the private sector when possible.**

Pricing Policies: Subsidies and Price Controls: Subsidies and price controls distort market forces. Untargeted subsidies in particular are costly for governments, have less direct impact on poor households and limit commercial sector participation. Price controls on staple commodities have resulted in severe food shortages, high prices in parallel or uncontrolled markets, high profit levels for unscrupulous traders both

within and between countries due to price differentials, and serve as a disincentive for food crop production. Pan-territorial pricing serves as a disincentive to traders and producers.

- 18. SADC Member States should allow market forces to determine domestic food prices based on import parity. Price controls and pan-territorial pricing should be abolished. Regulations against collusive pricing behaviour may be required to avoid profiteering in times of food shortages.**
- 19. Consumer price subsidies should be limited and well target to reach only those households truly in need of assistance. When possible, such subsidies should be directed through the commercial retail sector.**

The Role of Strategic Reserves and Alternatives: Not all SADC countries hold official strategic grain reserves. Those countries choosing not to hold official reserves are amongst the more food secure countries of the region. Purchasing, transporting, storage and maintenance of strategic resources is costly to government and presents serious logistical and management challenges. Some countries find it difficult to maintain stocks at the desired levels. Strategic reserves may be used strictly as emergency buffers and/or to stabilize market supplies and prices. There are a number of viable alternatives to holding large physical reserves.

- 20. SADC Member States holding official strategic reserves should review their SGR policies, their actual functions and how they fit in with overall food security strategies. As countries move towards market liberalization, they should assess the capacity of their private sector to maintain national reserves without government involvement. SADC can assist in this endeavour, based on lessons learned from within the region.**
- 21. SADC Member States holding official strategic reserves should investigate and implement alternative management and funding arrangements to increase efficiency and reduce corruption.**
- 22. SADC Member States holding official strategic reserves should investigate and implement alternatives to holding large physical reserves, with support from SADC.**

The Debate on Genetically Modified Food Aid: There is no evidence that consumption of genetically modified maize poses risks to human health. Accepting genetically modified food aid will not affect livestock exports from SADC countries to EU markets. Distributing milled GM maize virtually eliminates the risk of environmental contamination. GM maize has been produced in South Africa, initially on a trial basis, since 1990 and was approved for commercial use in 1999. Given the magnitude of the 2002 production shortfalls and the large number of people in need of humanitarian assistance, there is little scientific basis for countries to reject GM food aid. Ad hoc policies on GM food aid have resulted in delays in deliveries, increased logistical complexity, higher cost of aid and imports, lower volumes available and increased controls without guarantee to effectiveness. Only Zambia has banned GM food aid in southern Africa.

- 23. SADC Member States, with support from SADC, need to develop bio-technology policies that include clear guidelines on the importation and distribution of GM food aid. Policies should be harmonized within the region so they do not restrict opportunities offered by cross-border supplies and movement of food commodities.**

Conclusions and Recommendations to Promote Food Security Recovery

Agricultural Inputs and Producer Subsidies: Most countries implemented agricultural recovery programmes that included subsidized inputs or free distributions. In most countries, these efforts tended to be undifferentiated and untargeted, and had a strong bias towards maize production. Input suppliers raised concerns about distribution schemes in areas where it was not needed, which undermined local and commercial seed systems and caused seed shortages in areas not affected. In Zimbabwe, controlled and subsidized input prices created an incentive for input distribution authorities and beneficiaries to engage in re-channelling free inputs into parallel markets for high profits. Malawi's starter pack programme was most aggressive, targeting three million households, but may not be sustainable.

24. **SADC Member States and partners should endeavour to link need-based seed relief and other input support programmes with market development, through for example seed fairs.**
25. **Input distribution schemes should include initiatives that help diversify smallholder cropping patterns by including non-maize staple inputs. Such initiatives should be supported by, and linked to appropriate research and extension agendas.**
26. **Benefits and costs of input distribution schemes should be assessed not only at the national level, but also at the regional level to understand the impact of national policy decisions on neighbouring SADC countries.**

Producer Markets and Prices: Local markets for agricultural commodities are essential to instil producer confidence and to distribute surplus production to deficit areas and urban markets. Producer prices must be high enough to ensure adequate returns and incentives to farmers. Pan-territorial minimum producer prices, frequently announced after production decisions are made, do not create equity due to high transport costs. Market information needs to be readily available to small and medium sized producers, millers and traders to guide production and marketing decisions.

27. **SADC Member States should provide a favourable market environment that encourages active participation of the private sector. Both producers and buyers must be ensured of the opportunity to earn adequate returns to encourage participation in the market. Pan-territorial minimum producer prices should be eliminated.**

Efforts to Promote Alternatives to Maize: Maize consumption comprises as much as 65% of diets in the SADC region. Over the past decades, maize production has been promoted in most countries, sometimes to the detriment of more suitable crops. Sensitive to rainfall shortages during crucial crop development stages, maize is an unreliable crop to grow in drought-prone areas of the region. Until recently, little effort has been expended to promote the production of alternative crops, including primarily millet, sorghum and cassava, but also rice, potatoes and legumes. The lack of ready producer markets and processing facilities for alternative crops has constrained promotion efforts.

28. **SADC Member States, with assistance from SADC and FANRPAN, should promote production of alternative crops based on comparative advantage. While this will require concerted efforts in research, extension, input supply, marketing and facilitating systems, small steps can be made without delay to assist in agricultural and food security recovery efforts.**
29. **SADC Member States should support the development of markets and processing facilities for alternative food crops, particularly in the small-holder sector.**

In addition, alternative food crops are currently not uniformly included in the food balance analysis of the SADC Regional Early Warning System. In countries where cassava and other crops play a significant role in local diets, the size of the actual food gap may be significantly overstated if these commodities are not brought into the analysis.

30. **The SADC Regional Early Warning Unit needs to take the lead in developing new analytical methods and tools that will capture the food security implications of alternative food crops, in collaboration with Member States and key stakeholders. In some countries, this must include improved production estimates for non-cereal crops.**

Conclusions and Recommendations to Achieve Long-Term Food Security

While the above policy recommendations will help enhance food security response and recovery efforts in the event of an emergency, they will also support long-term efforts towards achieving sustainable food security at both national and local levels. It is clear that additional policy failures must also be addressed to move towards sustainable food security. These include links between food security and investments in agriculture, HIV/AIDS, poverty, democracy and governance, and macro-economic stabilisation. These topics and others essential to achieve long-term food security are being addressed in a separate paper prepared by IFPRI for FANRPAN (von Braun, 2003).

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