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DEATH BY STARVATION IN MALAWI:
The link between macro-economic and structural policies and the agricultural disaster in Malawi[1]

An ActionAid Policy Brief

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It is "the fundamental right of everyone to be free from hunger"
Article 11 of the International Covenant on Economic, Social and Cultural Rights,
signed and ratified by the Government of Malawi ***but not the International Monetary Fund***

The food crisis in Malawi in early 2002 resulted in several hundred hunger-related deaths – perhaps several thousand. These deaths make this the worst famine in living memory, certainly worse than the drought of 1991/92, and worse even than the Nyasaland famine of 1949.
Stephen Devereaux etal ""State of Disaster: Causes, Consequences and Policy Lessons", June 2002

This week's World Food Summit will be like trying to cash a bounced cheque, considering the dismal performance … of reducing the number of the world's hungry.
Gichinga Ndirangu, Head of international ActionAid Food Rights Campaign quoted in Daily Nation, 06/10/02

Since the Uruguay round, subsidies for agriculture in OECD countries have doubled – even as the OECD countries demand that third world slash their own subsidies [sic]
Email containing trade liberalization statistics circulated by studies@gatt.org

[1]This brief draws heavily from the excellent paper written by Stephen Devereux (Institute for Development Studies) and commissioned by ActionAidMalawi etal titled "State of Disaster: Causes, Consequences and Policy Lessons from Malawi", June 2002 and the critical input of AAD Strategic Consulting Group Network. The AAD network is virtual Pan African multi-discipline network of professionals and can be reached by e-mail at AADSC@mail.com. The conclusions reached in this brief nevertheless are our own and are intended to provoke serious self-reflection by the IMF and public institutions on the path of macro-economic and structural policy reform in Malawi. Ultimately, the urgency to respond to the needless deaths of hundreds of Malawians, mostly poor, all of whom had a right to adequate, nutritious and culturally acceptable food, with adequate redress and new policies is the focus of this brief. To "simply move on" as duty-bearers sometimes do, is unacceptable.

INTRODUCTION

News of the famine in Malawi (like elsewhere in the world) developed as rural whispers slowly, too slowly finding their way to the ears of urban policymakers in Lilongwe and foreign capitals from October 2001. The Malawi Economic Justice Network (MEJN) and the Catholic Commission for Justice and Peace had attempted unsuccessfully to mobilize activist groups to pressurize the Government to declare a "famine". The data provided then by these organizations and others was dismissed as lacking credibility. 0n February 22nd 2002, MEJN released a press statement calling for Government and donor action and stating *"The Government should acknowledge that there is hunger in Malawi; make the holding of maize a crime, subsidize the price of maize in Malawi; government and civil society should provide food supplies to vulnerable groups".* At this point, the mainstream international media started broadcasting reports of a famine emergency, desperation and critical food shortages.

By June 2002, the disaster had claimed up to a thousand African lives. Yet, in Washington DC, media coverage and policy treatment of the disaster has been confusing.[2] Media coverage of the discourse between the Government of Malawi, bi-lateral donors or the International Monetary headlined alternately corruption abounded or criminal macroeconomic policy. Situated within this discourse and resourced by the public release of a comprehensive report by ActionAidMalawi this policy brief isolates one important factor for examination and public scrutiny namely, the failure of macro-economic and structural policy to safeguard against the famine in Malawi.

We remain conscious of the myriad of complex variables, both causal and correlative, often associated with famine situations. As with all famines, the causes fall into two categories: 'trigger factors' (livelihood shocks and response failures), and 'underlying causes' (factors that create vulnerability to livelihood shocks). As elaborated in the ActionAidMalawi report (June 2002), the disaster can be explained as the product of a combination of both 'technical' issues and political challenges. Issues of poor early warning systems, market failures, structural poverty and inadequate infrastructure are also parts of this crisis.

However unlike previous famines in Malawi, this one was preceded by over a decade of structural and agriculturally related policy reforms by successive Malawian Governments advised by the International Monetary Fund. While not ignoring the many domestic factors contained in the ActionAidMalawi report,[3] this report singles out key international policy components for attention.

MAJOR FINDINGS AND RECOMMENDATIONS

The ActionAid Malawi report clarifies the broad array of causes for the famine.1998/99 and 1999/00 were two good production years. However, localised floods reduced the 2000/01 maize harvest and left a shortfall estimated at 237,000 metric tones in 2000-2001. In 2001-2002 the shortfall had almost tripled rising to 600,000 metric tones. Initial crop estimates suggested that the maize deficit would be partly offset by a 30% increase in roots and tubers production (especially cassava) over the previous year. This figure was wrong and generated misplaced complacency. Donors failed to react to signals of an impending food crisis, the Strategic Grain Reserve was sold, and senior members of government denied

[2] Media coverage of the story in Malawi falls neatly into one of the two common international media story lines regarding Africa namely wars and famine. The dominance of these two story lines has helped perpetuate US domestic public perceptions that both are inherent or even natural occurrences in Africa.

[3] It is expected that Malawian organizations and Government departments will vigilantly pursue redress and corrective measures within the country.

the existence of a famine until February 2002, when civil society and the media presented irrefutable evidence of hunger-related deaths.

The decision to sell the Strategic Grain Reserve (SGR) followed advice from the IMF to reduce the level of buffer stocks held from 165,000 MT to 60,000 MT. Instead, almost all of the reserve was sold, much of it on local markets, against IMF advice to export it in order to minimise disincentives to maize producers. There is some evidence that much of the SGR was sold to local traders, who stockpiled it and profiteered from hunger. When the government attempted to cover the resulting food gap through imports, this proved extremely expensive, and a series of logistical problems caused fatal delays and an escalation of maize prices to unaffordable levels. Concern about various governance issues – including suspicions of corrupt practice around the SGR sale – caused donors to vacillate for several months before responding to signals of distress with food assistance.

Following stakeholder consultations across the Malawian Government, civil society and donor communities on a draft version of the report, ActionAid further calls on the International Monetary Fund to act quickly to institute the following measures;

1. A temporary moratorium on further structural reforms to formulate, set and meet the food security objectives of a national development strategy in conjunction with the Malawian Government, civil society and donors.

2. Review and propose legal and operational measures that support the Malawian Government to regulate various forms of manipulation, rent-seeking and un-competitive activities by sector agents.

3. Institute a tracking study that traces which sectors and interests have benefited from the dissolution of the Strategic Grain reserve and the reduction of institutional and structural regulatory and supervisory capacity. This is in line with the commitment to undertake Poverty and Social Impact Assessments.

Causes and Consequences

While some level of technically sophisticated but nevertheless semantic debate takes place over whether a famine has actually taken place[4], an international blame game has emerged between the Government of Malawi (GOM) and the International Monetary Fund (IMF). Both sets of officials have publicly denied direct responsibility or culpability for the famine conditions or ineffective policy responses.

Malawi's President Muluzi noted: *"The IMF is to blame for the biting food crisis…they insisted the government sell maize from its strategic reserve and requested that the government abandon its starter pack agricultural subsidy program."*[5] The IMF's representative in Malawi commented*: "We have no expertise in food security policy and we did not instruct the Malawi Government or the National Food Reserve Agency (NFRA) to dispose of the reserves".*[6]

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[4] While the United Nations FAO and WFP have issued warnings of a food crisis affecting approximately 13 million people in Southern Africa, donors have questioned even the existence of a famine in the region. USAID Administrator Andrew Natsios noted: *"I was disappointed that the Post did not contact the US Agency for International Development for the May 10 front page story "Famine Sweep Southern Africa". Although malnutrition rates are high in the region, it is not a famine--yet. "*Preventing Famine: Washington Post Newspaper, Editorial May 24, 2002. This is startling given that the Nyasaland Famine of 1947, which claimed over 200 lives, has always been regarded as a famine, while the 2002 "state of disaster" has claimed over 1000 lives. Amore cynical observer might argue that the value of African lives appear to have depreciated over the last sixty lives.

[5] Malawi Leader Blames IMF for Food Crisis: Reuters, June 6, 2002.

[6] Interview-IMF Denies Advising Malawi to Sell Food: Reuters, May 28, 2002

However, despite persistent perspectives by the donor community including USAID Administrator Nastios that the situation in Southern Africa does not constitute a famine, neither the Office of the President nor the IMF will deny *"The food crisis in Malawi in early 2002 resulted in several hundred hunger-related deaths – perhaps several thousand. These deaths make this the worst famine in living memory, certainly worse than the drought of 1991/92, and worse even than the Nyasaland famine of 1949."* [7]

Beyond Denial to causes of the famine

The ActionAidMalawi report argues the following causes are at the center of the crisis;

> *"The famine is a product of a complex combination of both bad luck and inadequate policies. Following two good production years in 1998/99 and 1999/00, localised floods reduced the 2000/01 maize harvest and left a shortfall estimated at 600,000 MT. Given the existence of a low level equilibrium of poverty (effective demand) and chronic hunger affecting nearly 50% of the society, a production shortfall of this magnitude represents a significant supply shock. Misplaced complacency by many external actors, a failure to react to signals of an impending food crisis, the selling of the Strategic Grain Reserve and the GOM's denial of the existence of a famine until February 2002 were also contributing factors."*[8]
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> *"These immediate causes of the 2002 famine must also be conceptualized by noting the following underlying vulnerability factors: Declining soil fertility and restricted access to agricultural inputs during the 1990s; deepening poverty which eradicated asset buffers that the poor could exchange for food to bridge food gaps; the erosion of social capital and informal social support systems in poor communities; the demographic and economic consequences of HIV/AIDS; and the relative neglect at the policy level of the smallholder agriculture sector."* [9]

While climatic, environment and social, cultural factors are clearly a part of the buildup to the crisis in 2002, the two most important policy-making institutions at the center of the crisis are the Government of Malawi and the International Monetary Fund. This policy brief **seeks to focus attention on the nature of macroeconomic policy reform being undertaken in Malawi and the link with events leading up to the crisis to the present.**

Lastly, the experience of Malawi is instructive for other countries undergoing agricultural liberalization within the similar governance and political economy conditions. Three lessons emerge here; the IMF as a public institution with tremendous power to sanction policies is a duty-bearer and is therefore responsible for its advice, conditionality and lending practices, secondly, viewed in the light of international developments the call for agricultural subsidies, greater regulatory state capacity of the market and lastly, ring-fencing of essential food-crops (the development box being proposed in connection with the WTO) are areas to be pursued with urgency. These are issues that should be further studied in detail.

It is clear from IMF documents that the Government has been unwilling to implement aspects of the agricultural liberalization programme, but caught between the need to access balance of payments support have reluctantly done so. Yet, the willingness to accept inappropriate policy reforms in the final instance and an inability to formulate policy alternatives makes them equally responsible.

As a sovereign nation, the Government has been elected by the citizens of Malawi and must ultimately be responsible for all policies. Not withstanding the immense pressures the GOM faces, every sovereign nation has the power and the authority to say "no". **If the current conditions tell us anything, what has Malawi to show for in terms of food security by saying yes?**

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[7] State of Disaster: Causes, Consequences and Policy Lessons from Malawi ActionAidMalawi. June 2002.
[8] ibid.
[9] ibid.

Economic liberalization and the violation of the right to food

Traditionally, Malawi's national capacity to respond to acute food shortages have been reliant on two crucial sectors namely, the private agricultural smallholding sector and public parastatals that managed the strategic grain reserve and the provision of agricultural inputs. Policy approaches adopted by the Government and reinforced as conditionality by the IMF have had a negative double-edged impact. According to the recent report, *"The Government has implemented policies that favor urban populations and the business sector including the commercial estates, to the relative neglect of smallholder agriculture; and implemented economic liberalization measures that have undermined farmers' access to inputs and eliminated consumer subsidies and food price stabilization interventions."*[10]

In the case of the public parastatals, the IMF has placed a high premium on the divesting by the state of the Agricultural Development and Marketing Corporation (ADMARC) and the newer National Food Reserve Agency (NFRA).

Cost-recovery leads to debt and sale of strategic grain reserves

Established as an independent trust in July 1999, the National Food Reserve Agency (NFRA) has a mandate to maintain adequate buffer stocks of grain, to protect Malawians against fluctuations in food production, availability and prices.[11] The NFRA's motto is: "**ADEQUATE RESERVES FOR MALAWI**". Yet during 2001 the NFRA sold almost all of the Strategic Grain Reserve, and some months later, people were dying of hunger and hunger-related diseases. How could this have happened?

Prior to the NFRA the Strategic Grain Reserve (SGR) was managed by ADMARC, the agricultural marketing parastatal. The IMF, EU and other donors increasingly counseled that national grain reserves should be run independently and on a cost-recovery basis. It is this motivated the creation of the NFRA. These expectations have proved to be unrealistic. Crucially, the NFRA was not capitalized. In 1999, Malawi enjoyed a bumper harvest; so the NFRA took loans from commercial and government banks and purchased 167,000 MT of maize from ADMARC, which bought this maize locally and sold it to the NFRA. According to one donor official: *"The decision for a commercial loan to be taken to capitalize the NFRA – that was a crazy decision."*

For the three years before 2001, official maize stocks (held by ADMARC or the NFRA) had exceeded 100,000 MT in July, after the post-harvest buying season. In 1999 and 2000, the SGR was stocked at near full storage capacity of 180,000 MT. In July 2000, for instance, the SGR stood at 174,406 MT. This level of stock raised donor concerns about fiscal costs and sustainability. The NFRA had borrowed MK600 million to purchase maize at an interest rate of 56% p.a., which had grown by June 2000 to a debt of approximately MK1 billion. Pressure grew from the Government of Malawi and donors to repay the loan.

The IMF also argued that holding 175,000 MT in the grain reserve was too expensive, and that the NFRA should not hold "excess stocks". The World Bank agreed with the IMF that NFRA operations risked distorting the market, and that a smaller SGR would be preferable. The IMF advised the NFRA to sell some of the SGR to service its debt, and to replenish its remaining stock. However, another bumper harvest in 2000 depressed maize prices and made it impossible to sell except at heavy losses. By

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[10] State of Disaster: Causes, Consequences and Policy Lessons from Malawi: By Stephen ActionAidMalawi. IDS June 2002.

[11] See: (1) John Lynton-Evans, **Malawi: Issues Related to the Operationalisation of the National Food Reserve Agency**, Eversley (UK), MTL Consult, February 2000; (2) ADE, **Malawi: Inception Technical Assistance to the National Food Reserve Agency**, Louvain (Belgium), August 2000.

September 2000 the grain reserve stood at 131,000 MT. The NFRA urgently needed to sell some of this stock: (1) to repay its debt; (2) because storing maize is expensive; (3) the NFRA was not capitalized and had salaries to pay, (4) this maize was old and storage losses were high. (The government was supposed to upgrade SGR storage facilities, but has yet to do so.)

By early 2001, the maize in the SGR was almost two years old and badly needed to be replenished. The IMF therefore advised the NFRA to export this grain rather than 'dump' it on local markets, which would depress prices further and undermine producer and trader incentives. Accordingly, 5,000 MT of SGR maize was sold to Mozambique and 30,000 MT was sold to Kenya in April-May 2001. This controversial decision was subsequently blamed as a major contributory factor to the food crisis (see Box 5).

> *"When the decision was taken to export NFRA maize to Kenya and Mozambique, this was the correct decision based on information available at the time. An average harvest was forecast, the maize stock was old, and someone was willing to buy it."*

Box 5. *Fallacies about the Malawi famine ~ No. 4.* Did the IMF *cause* the famine by forcing the Government of Malawi to export the Strategic Grain Reserve?

Did the International Monetary Fund (IMF) force the Government of Malawi to sell the Strategic Grain Reserve (SGR) to Kenya, as many civil society activists claim? The argument is that the NFRA had run up very large debts, which the IMF insisted must be repaid by selling grain stocks, which would also reduce the SGR's storage and operating costs. Moreover, the IMF 'advised' the government to export the grain rather than sell it on local markets, which would depress prices and undermine incentives to food producers and traders. According to one civil society activist: *"The real cause of the crisis was not floods – every year there are pockets of flooding and drought in Malawi, but people cope. A major factor was that grain was exported."*

The IMF emphatically denies this accusation. *"The IMF did not tell the government to sell the grain reserve, and that was not the cause of the food crisis."* The IMF does admit that the policy advice it gave to government in 2001 was based on *"wrong information"* about crop production. *"We strongly advised the government to reduce the level of the grain reserve to between 30,000 and 60,000 tonnes, on cost-effectiveness grounds, but not to sell it all off."* Sales of SGR stock should have been replenished through local purchases after the 2001 harvest – which was forecast to be adequate. *"The advice would have been correct if the information was correct."*

Whatever the truth of the matter, the IMF displayed remarkable insensitivity and ideological narrow-mindedness in the Concluding Statement of its Mission in May 2002, which resolved to withhold disbursement of US$47 million to Malawi. While acknowledging the need for "urgent action to prevent starvation", the IMF statement failed to mention that hundreds of starvation deaths had already occurred just 2-3 months previously, and it implied that ADMARC and NFRA activities to minimize famine mortality were unjustified and 'unproductive':

> **"the parastatal sector will continue to pose risks to the successful implementation of the 2002/03 budget. Government interventions in the food and other agricultural markets ultimately led to the National Food Reserve Agency (NFRA) and the Agricultural Development and Marketing Corporation (ADMARC) taking heavy recourse to budgetary financing, crowding out more productive spending."**[12]

In its May 14, 2002 the IMF goes further to note: *"This year's Article IV consultation discussions focused in particular on fiscal policies, including expenditure management and the repeated and large recourse to budgetary funds by parastatals."* [13] Despite the magnitude of the famine, the IMF continues to place a high priority on fiscal policy reforms in Malawi as part of their 3-year PRGF, a decision point for the enhance HIPC, and the endorsement of an interim PRSP. Despite the crisis, NFRA continues to be viewed by the IMF only as a drain on budgetary resources and emphasis continues to be placed on lowering operating expenses and to generating sufficient funds to pay off outstanding debts.

[12] International Monetary Fund, **Malawi – 2002 Article IV Consultation: Concluding Statement of the IMF Mission**, IMF, Washington DC, 14 May 2002.

[13] Concluding Statement of the IMF Mission: Malawi 2002 Article IV Consultations. June 14, 2002.

Ultimately, it appears from evidence that the priority focus of the IMF was the pursuit of fiscal policy reform and that this was at the expense of vulnerable communities.

These questions become even more important when considering that the IMF is aware of Malawi's weak private sector activity, the underdevelopment and distorted nature of the agricultural market and the lack efficient regulatory and supervisory institutions.

The fact is that, even with the concerns about corruption and operational inefficiencies held by the IMF, donors and the Government about ADMARC, during the 1991-92 drought ADMARC had the capacity to dispense through depots in the most inaccessible rural communities and make food available at affordable prices.[14] This capacity has collapsed by 2002. In this context, the executive summary of the Malawi: 2000 Article IV Consultation and Request for 3-Year Arrangement under the PRGF: IMF Country Report N0.01/38 is revealing. The IMF has actively sought to reduce the state's capacity to provide subsidies and stabilize food prices.

It states;

> The marketing of maize used to be the sole preserve of the Agricultural Development and Marketing Corporation (ADMARC). These monopoly provisions have been removed and ADMARC is no longer able to borrow for intervention activities under Government guarantee. However there is considerable resistance to full privatization partly because of the difficulties involved in encouraging private traders to take over ADMARC's loss-making operations in far-flung rural areas [a legitimate concern given the location of Malawi's poor perhaps?]. **For the time being, ADMARC will undergo further commercialization. [emphasis in the original]** The Fund and the World Banks staffs urged retention of the target of full privatization by end-2002 but the authorities were unwilling to confirm such a commitment."

Similar observations can be made with regard to the reduction in the GOMs capacity to serve as a provider of agricultural inputs. Again the ActionAidMalawi report states "The main constraint on agricultural production in Malawi since the early 1990s has been constrained access to inputs (fertilizer, seeds, credit). It is in this context that the GOMs' Starter Pack – or Targeted Inputs Programme – makes an important contribution to the national harvest and household food security. Distribution of Starter Packs was abandoned two years ago, restricted to 1 million households last year on the advice of international donors, but will be expanded this year, up to 2.5 million households."[15]

It is in this context that there is a clear link between the impact of agriculture liberalization policies on the Malawian state's capacities to provide extension services to producers and in times of crisis, support emergency food relief and the regulation of rapacious private sector trading. This link extends to the liberalization of the tobacco growing industry, Malawi's largest export crop. The export tobacco producing sector has not led to an increase in rural income. In 2001, the IMF admits that while there has been an increase in the number and output of small tobacco farmers, if one looks at returns to farmers, higher input costs have contributed to a 25% decline in rural income.[16]

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[14] State of Disaster:: Causes, Consequences and Policy Lessons from Malawi: By ActionAidMalawi, June 2002.
[15] ibid.
[16] Malawi: 2000 Article IV Consultation and Request for 3-Year Arrangement under the PRGF: IMF Country Report N0.01/38, February 2001.

Broader interpretations and areas for future analysis

The International Monetary Fund is a duty-holder and bears responsibility for the disaster

Article 11 of the UN International Convention on Economic, Social and Cultural Rights states that "the fundamental rights of everyone to be free from hunger". The right to food has been translated by many national Governments and international agencies such as the Food and Agricultural Organization into standards that 1) adequate 2) nutrious 3) safe and 4) culturally acceptable.

The tremendous power wielded by international finance and development institutions such as the International Monetary Fund, the World Trade Organization and bi-lateral agencies such as USAID and DFID in the case of Malawi makes them duty-holders in the traditional sense of having obligations and responsibilities to the people of Malawi. Their investment decisions, formal influence and the formal conditions for aid and loans set the standards and conditions that either lead to the realization of social, economic and political human rights or their systematic violation.

In the case of the Malawian famine, agricultural liberalization policies have correlated with climatic, environmental, market and social-cultural factors to undermine food security. Weakened regulatory capacity by the Malawian state is a critical factor in the inability to respond to the crisis. Arguments by the donor community that the dietary habits and preference for maize by Malawians were one of the causes of the crisis flies in the face of Article 11 which states the standard of being culturally acceptable.

What is ultimately worrying about the public statements of the IMF is that from the evidence available they accept no obligation for their own role in the confluence of events leading up to the deaths of over a thousand people. The IMF's statement has gone on record that it has no expertise in the area of food security policy, yet provided policy advice in an area which directly affected food security.

The IMF Board of Executive Directors, the independent evaluation unit and country staff must address what the relevance of development of macroeconomic targets, private sector led GDP growth, fiscal discipline and export growth targets are, if such variables seemingly have little impact on the ability of the economy to support food security?

For further elaboration of this policy brief contact:

In London, England
Sakou Jobe, Country Director, ActionAidMalawi email: sakouj@actionaidmalawi.net
Tel: ActionAid + 44-207-561-7561 (Jane Moyo - media desk)

In Lilongwe, Malawi
Edson Musopole, Africa Policy Coordinator, ActionAidMalawi
email: edsonm@actionaidmalawi.net
Tel ActionAidMalawi + 265 772899/265 772892/772830/772834

In Washington, USA
Paul Kwengwere, Programme Director, ActionAidMalawi
email: pkwengwere@hotmail / paulk@actionaidmalawi.net
c/o Tel: +1-202-835-1240 Cell: + 1-202-390-4238
Irungu Houghton, Executive and Policy Advisor, ActionAidUSA email: irunguh@actionaidusa.org
Tel: 1-202-835-1240 Cell: 1-202-390-4238