Structural damage
The causes and consequences of Malawi’s food crisis

Executive summary

There is a common perception that the food crisis in Malawi has been caused by the floods that ruined the planting season in 2001, or by widespread government corruption and mismanagement. These undoubtedly have contributed to the crisis. But there is another cause, which has been even more significant – inappropriate policies of donor agencies, led by the International Monetary Fund (IMF).

Hunger and food shortage has always been a problem in Malawi, hence the poor nutrition levels of 32 per cent of the population. In the past, food shortages have been addressed through food aid from donors and government subsidies for basic food channelled through the grain board, the Agricultural Development and Marketing Corporation (ADMARC). This system has allowed the people of Malawi to survive the seasons of adverse weather, and the government corruption and mismanagement which has persisted through years of good harvest and bad.

However, over the past twenty years the agriculture sector has been restructured by the IMF and World Bank, under their structural adjustment policies. In agriculture, these policies are supposedly aimed at improving efficiency and productivity. But, as in other countries such as Zambia and Mozambique, the donors have ignored the reality of farming systems in Malawi and have assumed that markets will be able to meet social aims; to supply food at affordable prices throughout the country, and to ensure that smallholder farmers can feed their families. Instead, Malawi now faces chronic food insecurity. The IMF/World Bank policies in Malawi’s agricultural sector, supported by the bilateral aid donors, have failed.

Prior to these reform programs, the Malawi Government could ensure food availability even in the remotest areas of the country. Through subsidies and controlled prices, farmers were assured of affordable farm inputs and grain stores were maintained in remote areas. However, with
the introduction of the agricultural reforms, Malawi is now faced by famine even more serious than the fabled 1949 hunger crisis.

As in other countries, agricultural reforms were imposed on Malawi without the donors having undertaken a proper analysis of their potential impact and consequences, particularly on the poor. Standard policies were applied to Malawi, following a one-size-fits-all approach. Subsidies for small farmers and the poor were reduced, price controls and regulations removed, and agencies that played a social role, such as the agricultural marketing agency, ADMARC, were re-structured and/or privatised.

The results in Malawi have included price rises and increased volatility. For instance, the removal of price controls led to a price increase for maize of 400 per cent between October 2001 and March 2002. Private grain traders have followed the market signals all too well – they have hoarded supplies and made money out of food shortages. This spirit of profiteering has fuelled corruption amongst Government officials in Malawi.

Agricultural reforms have done little to address the real problems of food production in Malawi – rural poverty, the impact of HIV/AIDS and discrimination against women. The chronic levels of poverty in Malawi’s rural areas significantly affects agricultural productivity as it directly impacts on labour availability, access to inputs, health and education and other key social indicators. Over 60 per cent of Malawians live below the poverty line, and 20 per cent of Malawi’s adult population are HIV positive.

Women constitute 70 per cent of Malawi’s full time farmers and 87 per cent of the total agricultural labour force. Yet, despite their numbers and enormous contribution to the agricultural economy, they remain marginalised from the mainstream. Gender differentiated access to resources and benefits continue to hinder their full participation, even though this is indispensable to lifting food productivity and increasing Malawi’s economic prosperity generally.

There is no doubt that Malawi needs agricultural reforms so as to enhance productivity and food security. There is no doubt either that Government parastatals, such as ADMARC, need to improve their management through reform. But, rather than ensuring that social aims are achieved through accountable government, the IMF/World Bank and other donors have pursued an agenda of austerity, deregulation and privatisation. And when, as in Malawi’s case, there have been disastrous outcomes, they
have denied any responsibility. The agenda of good governance and accountability has all too often been abused by donors, using it as leverage to ensure that developing country governments comply with their policies. It must also be applied to the donors themselves.

In addition to policy influence, the donors have insisted that Malawi continue to service its foreign debt at a time when there is widespread hunger. Even after debt reduction under the Heavily Indebted Poor Countries (HIPC) initiative, debt service still amounts to around 29 per cent of Malawi’s Government spending. This heavy burden is further compounding the humanitarian crisis confronting such a poor nation.

The policies that donors have proposed for dealing with the crisis include food aid, but also an IMF loan of US$37 million to purchase maize. Since there is a shortage of grain in southern Africa, Malawi will most likely be forced to purchase grain from the US, including genetically modified grain. In its unmilled form, it will be used by desperate farmers to plant out. Malawi, as has been the case with other countries, will have GM crops introduced by the back door.

If countries in the South are to make any meaningful growth in their economies a new approach in the world economy is needed. The relations between the rich North and the poor South have to be re-defined. African Governments, supported by civil society, must be given the leading role in developing policies for their countries, instead of the IMF/WB dictating policy. Matters of food security and trade policy are fundamentally matters of justice and human rights. It is important therefore that poor countries are given enough space to articulate and implement their own policies, with the support of the international community.

**Recommendations:**

1. Malawi must maintain an efficient and transparent grain reserve agency to ensure adequate supply of maize throughout the year.
   - The function and stocking level of the Strategic Grain Reserve (SGR) must be decided by the Malawi government.
   - The SGR must be adequately capitalised and, if necessary, its operations must be subsidised.
   - A rapid response mechanism is needed to deal with future food crises at an early stage.
● The SGR must be subject to regular independent audit, with oversight from Parliament and civil society.
● Malawian civil society must participate in future policy decisions that impact directly on household food security.
● The right to development and food, which is enshrined in Malawi’s constitution, must be articulated into explicit obligations on behalf of all the parties involved in ensuring national food security policy. Accountability for protecting violations of citizens’ right to food and to development must rest with the Malawi government.

2. Agricultural policy should be re-oriented to address the core problems of rural poverty, the escalating HIV/AIDS pandemic, and the marginalisation of women.

3. Donors should build the capacity of the Malawi government to undertake Poverty and Social Impact Assessment (PSIA), with the participation of civil society, on all major policies.

4. There should be full cancellation of Malawi’s long term debts, on the understanding that funds are invested in the development of Malawi’s economy and its people.

5. The Malawi government must take the lead in economic policy-making, and donors should play a role in building, not supplanting, the capacity of the government to do so with full accountability to Parliament and civil society.

This is the executive summary of the report *Structural damage: The causes and consequences of Malawi’s food crisis*. This report is part of the World Development Movement’s (WDM) ongoing campaign, started in 1985, to end the vicious cycle of debt and poverty, and stop the damaging economic conditions imposed by donors, particularly through the International Monetary Fund and World Bank. It was written for WDM by Kwesi Owusu, Director of Southern Links, and Francis Ng’ambi, Chair of the Malawi Economic Justice Network. The full report is available from WDM or on our website www.wdm.org.uk

Contact WDM to find out about action you can take on debt and/or to become a debt activist (and receive the latest actions, up to date news on the debt campaign and information about events).

**World Development Movement**
25 Beehive Place, London, SW9 7QR, UK
020 7737 6215 www.wdm.org.uk wdm@wdm.org.uk