

Policies and Constraints Impacting on the Role of the Private Sector in Addressing Food Shortages:

A Summary of Literature on Malawi, Zambia and
Zimbabwe

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Partnerships Between Government and the
Private Sector to Overcome Food Shortages

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The Context

- Increasing Food Insecurity in Southern Africa due to various factors (drought, adverse weather, economic conditions).
- Malawi, Zambia and Zimbabwe have been hardest hit by grain shortages in recent years.
- Governments and the agencies, WFP, donors and NGOs have largely carried out grain importation into these countries.
- Private Sector has played a very limited role in importing commercial as well as relief supplies of cereals in deficit years

Practicalities of Trading Across Borders

- Government restrictions on the import and export of cereals
- Lack of market information
- Infrastructural limitations (storage, transportation etc)
- Financial and logistical capacity
- Cumbersome border/customs procedures

Disincentives for Private Grain Traders

- Policy uncertainties
 - *maize import/export bans inconsistency and timing*
 - *lack of transparency unpredictable government behavior in the event of bumper harvests*
 - *inability of Governments to meet contractual obligations and payments*
 - *late decisions to imports*
- Import permits requirements
 - *Long tedious procedures restrict smooth running of private sector activities*

Disincentives for Private Grain Traders cont'd

- Export bans on maize
 - *lead to price distortions*
 - *reduce trade volumes*
- Import duties
 - *lead to high marketing costs crowding out private sector trade*
 - *delays in imports experienced as a result (case of Zambia)*

Disincentives for Private Grain Traders cont'd

- Domestic pricing policies
 - *controlled pricing*
 - *domestic market pricing tends to be unfair due to subsidies*
 - *regional imports become uncompetitive*
- Centralized and complex documentation
- Inappropriate phyto-sanitary controls

Disincentives for Private Grain Traders cont'd

- Logistical and administrative infrastructural constraints
 - *inadequate capacity and viability of transport networks*
 - *general deterioration and decline of infrastructure particularly railways*
 - *congestion at ports*
 - *high costs of transport across borders and rapid rise in transport costs*
 - *slows down the import process*

Disincentives for Private Grain Traders cont'd

- High nominal and real interest rates
 - *Presenting difficulties in accessing credit to fund investment and working capital hence private sector unable to handle large orders*
- Foreign Currency Control Regulations
 - *foreign currency shortages and managed regimes curtail private sector ability to import*
- Lack of market information
 - *affects reserve stockholding operations*

The Current Situation in Malawi

- Government intervenes in the markets through ADMARC.
- Liberalized import and export licensing system.
- Maize imports unrestricted but private sector faces difficulty in competing with Government.

The Current Situation in Zambia

- Government maintains a presence in the market through influencing operations of the strategic grain reserve held by FRA.
- Government involved as a direct purchaser of maize and acts as an intermediary for commercial transactions involving maize imports by the private sector.
- Imports have been subject to tariffs

The Current Situation Zimbabwe

- Government trade monopoly in cereals (maize, wheat).
- Direct prohibitions on imports and exports (all maize deliveries to GMB, all imports to GMB, maize grown on contract must go to GMB)

Selection of Policies Adopted in Recent Years

	Malawi	Zambia	Zimbabwe
Price Controls	<ul style="list-style-type: none"> •ADMARC sets producer prices •Govt sets retail prices below market levels 	<ul style="list-style-type: none"> •Controls formal sector imports through import permits and duty on maize imports 	<ul style="list-style-type: none"> •GMB continues to employ pan-territorial and pan-seasonal pricing
Import/Export Controls	<ul style="list-style-type: none"> •Govt regulates maize trade •Bans exports if shortages perceived 	<ul style="list-style-type: none"> •Traders apply for import licenses •Govt periodically bans imports and export of maize 	<ul style="list-style-type: none"> •Govt retains exclusive monopoly over import and export of maize
Subsidies	<ul style="list-style-type: none"> •Subsidizes maize prices 	<ul style="list-style-type: none"> •Subsidizes maize prices 	<ul style="list-style-type: none"> •Subsidizes maize prices

Experiences of Private Sector Involvement in Grain Importation

■ Malawi

- Late tenders by Government

■ Zambia

- Private sector in 2005 made no import arrangements during a 3 month delay on the debate to lift a 15% import duty on maize.

■ Zimbabwe

- September 2005, three of the largest millers failed to raise enough foreign currency to pay for a consignment of imported wheat

Way Forward...

- Open communication between government and the private sector.
- More advanced planning to avoid logistical problems.
- Trade facilitation (customs service that facilitates open commercial trade).
- Strengthening co-ordination and co-operation on food logistics issues among transport operators, aid agencies, private sector and national governments in the region.
- Regional network to provide market information and policy advice