Africa's Food Crisis the Handiwork of IMF, World Bank

By Walden Bello.

At the time of decolonisation in the 1960s, Africa was not just self-sufficient in food but was actually a net food exporter. Its exports averaged 1.3 million tonnes a year between 1966-70. But today, the continent imports 25 per cent of its food, with almost every country being a net food importer.

Hunger and famine have become recurrent phenomena, with the last three years alone seeing food emergencies break out in the Horn of Africa, the Sahel, Southern Africa, and Central Africa. Agriculture is in deep crisis, and the causes are many, including civil wars and the spread of HIV-Aids. However, a very important part of the explanation was the phasing out of government controls and support mechanisms under the structural adjustment programmes to which most African countries were subjected as the price for getting IMF and World Bank assistance to service their external debt. Instead of triggering a virtuous spiral of growth and prosperity, structural adjustment saddled Africa with low investment, increased unemployment, reduced social spending, reduced consumption, and low output, all combining to create a vicious cycle of stagnation and decline.

Lifting price controls on fertilizers while simultaneously cutting back on loans to farmers simply led to reduced applications, lower yields, and lower investment. One would have expected anyone to see this.
Moreover, the expected results of the withdrawal of the state in the hope that private sector would develop agriculture did not materialise. Instead, the private sector believed that reducing state expenditures created more risk and failed to step into the breach.

In country after country, the predictions of neo-liberal doctrine yielded precisely the opposite: the departure of the state "crowded out" rather than "crowded in" private investment.
In those instances where private investors did come in to replace the state, an Oxfam report noted, "they have sometimes done so on highly unfavourable terms for poor farmers," leaving "farmers more food insecure, and governments reliant on unpredictable aid flows."

What support the government was allowed to muster was channelled by the Bank to export agriculture – to generate the foreign exchange earnings that the state needed to service its debt to the Bank and the Fund.
But, as in Ethiopia during the famine of the early 1980s, this led to the dedication of good land to export crops, with food crops forced into more and more unsuitable soil, thus exacerbating food insecurity.
In many other regions, structural adjustment in Africa was not simply under-investment but state divestment. But there was one major difference.
In Latin America and Asia, the Bank and Fund confined themselves for the most part to macro-management, or supervising the dismantling of the state's economic role from above.

These institutions left the dirty details of implementation to the state bureaucracies. In Africa, where they dealt with much weaker governments, the Bank and Fund micro-managed such decisions as how fast subsidies should be phased out, how many civil servants had to be fired, or even, as in the case of Malawi, how much of the country's grain reserve should be sold and to whom.

In other words, the World Bank and IMF resident proconsuls reached into the very innards of the state's involvement in the agricultural economy to rip it up. To make matters worse was the unfair trade practices on the part of the Europe and the US. Trade liberalization allowed low-priced subsidized European beef to enter and drive many West African and South African cattle raisers to ruin.

With their subsidies legitimized by the WTO's Agreement on Agriculture, US cotton growers off-loaded their cotton on world markets at 20-55 per cent of the cost of production, bankrupting West African and Central African cotton farmers in the process.

These dismal outcomes were not accidental. As then - US Agriculture Secretary John Block put it at the start of the Uruguay Round of trade negotiations in 1986, "the idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available, in most cases at lower cost."

The social consequences of structural adjustment cum agricultural dumping were predictable. According to Oxfam, the number of Africans living on less than a dollar a day more than doubled to 313 million people between 1981 and 2001 – or 46 per cent of the whole continent.

The role of structural adjustment in creating poverty, as well as severely weakening the continent's agricultural base and consolidating import dependency, was hard to deny.

Beyond Africa, even former supporters of adjustment, like the International Food Policy Research Institute (IFPRI) in Washington and the rabidly neo-liberal Economist acknowledged that the state's abdication from agriculture was a mistake.

Structural adjustment in the 1980's dismantled the elaborate system of public agencies that provided farmers with access to land, credit, insurance inputs, and cooperative organization.

The expectation was that removing the state would free the market for private actors to take over these functions—reducing their costs, improving their quality, and eliminating their regressive bias. Too often, that didn't happen. In some places, the state's withdrawal was tentative at best, limiting private entry.

Elsewhere, the private sector emerged only slowly and partially—mainly serving commercial farmers but leaving smallholders exposed to extensive market failures, high transaction costs and risks, and service gaps. Incomplete markets and institutional gaps impose huge costs in forgone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival.

In sum, biofuel production did not create but only exacerbated the global food crisis. The crisis had been building up for years, as policies promoted by the World Bank, IMF, and WTO systematically discouraged food self-sufficiency and encouraged food importation by destroying the local productive base of smallholder agriculture.

Throughout Africa and the global South, these institutions and the policies they promoted are today thoroughly discredited. But whether the damage they have caused can be undone in time to avert more catastrophic consequences than we are now experiencing remains to be seen