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**Michigan State University Food Security III  
USAID Africa Bureau Associate Award  
Applied Research and Outreach in support of CAADP in the  
COMESA Region  
Progress Report January - March 2010**



## **1. Introduction**

The Michigan State University Food Security Group (FSG) Associate Award with Africa Bureau began in October 2007 and the current phase runs through September 30, 2010. The FSG seeks to achieve the objectives of the agreement through a two-pronged strategy as follows:

- A) Support to COMESA in the preparation of a regional CAADP compact (and selected country compacts when requested), and the identification and implementation of investments and policy reforms at regional and country level to achieve the compact targets;
- B) A joint program of applied research and policy analysis to address gaps in empirical knowledge important to the design of investment programs and/or obtaining buy-in from national governments to policy reform.

This progress report covers the period January through March 2010. The next section of the report highlights key accomplishments during this period for each component of the approved workplan.

## **2. Africa Bureau Associate Award Highlights January – March 2010**

### **2.1 Preparation of draft COMESA Regional CAADP Compact**

Jan Nijhoff and Steve Haggblade have continued to work closely with COMESA's CAADP Coordinator, as well as with COMESA's appointed regional compact facilitator, FANRPAN, to prepare a draft regional CAADP compact document. Nijhoff and Haggblade assisted COMESA and FANRPAN to draft the compact document and the accompanying strategy.

Next steps include final consultations with CAADP-ready countries and interested parties at a forthcoming CAADP Partnership Platform meeting. A near-final version of the documents will be presented to COMESA agricultural ministers and, possibly, the trade and customs technical committee in May 2010.

Outputs 2, 3, focusing on integrating investment analysis, are ongoing. Output 4, assisting COMESA in formulating its agricultural policy, was overtaken by rendering assistance in the preparation of the COMESA Agricultural Strategic Framework document, which was prepared as a basis for support to the CAADP process from the Multi-Donor Trust Fund and which has been used as a basis for identifying and categorizing regional CAADP investment priorities.

### **2.2 Zambia CAADP Compact**

Nijhoff was requested by COMESA to assist the Zambian government in the preparation of the Zambia CAADP Compact. Technical and operational support was provided to the

Ministry of Agriculture and Cooperatives in preparing the compact document and investment profile. Final consultations were held with the Special Advisor to the President of Zambia, which resulted in a clear understanding of CAADP by the Head of State, and a commitment to having the CAADP compact signed and implemented.

Stakeholder consultations have been completed and assistance was provided to the drafting of the compact and the accompanying investment profile. The compact document was circulated among Cabinet Ministers for comments and is expected to be approved in April 2010. A tentative date for the compact signing has been set for May 18, 2010.

### 2.3 General support to the CAADP office

Nijhoff continued to provide technical assistance to Dr. Kanyarukiga's CAADP Coordination Unit during a difficult period of minimal funding while MDTF resources are being applied for, and continues to do so as and when needed. However, interim support from GTZ and the World Bank has enabled the CAADP unit to hire two professional staff to assist member states in implementing the CAADP process.

### 2.4 Collaboration with COMESA's Trade, Customs and Monetary Affairs Division and ACTESA

Having successfully included food commodity trade as a recurring agenda item of the Trade and Customs Technical Committee, this will now form a new platform for policy dialogue, and will provide an opportunity for developing further concrete recommendations to Ministers of Trade and Heads of State during the various upcoming COMESA policy meetings. During the reporting period, preliminary discussions were held with ACTESA on reporting during the next committee meeting in May 2010.

### 2.5 Outreach Activities

Two outreach presentations were made during the period covered by the progress report. Presentations can all be accessed at the Africa Bureau Associate Award website at: <http://www.aec.msu.edu/fs2/afr/index.htm#outreach>

- USAID EGAT/AG and AFR/SD Briefing on Insights for the Implementation of the GHFSI. USAID, Ronald Reagan Building, Washington, DC. February 19, 2010.
  - [Food Security III and the GHFSI](#). Eric Crawford and Duncan Boughton.
  - [Regional Dimensions of Effective Food Security Strategies in Africa](#). Steven Haggblade.
  - [Smallholder Productivity Growth and Market Access: Recent Findings and Implications for GHFSI Implementation](#). T.S. Jayne.
  
- USAID Consultation on Global Hunger and Food Security Initiative (GHFSI). National Press Center, Washington, DC. March 25-26, 2010. Steve Haggblade and John Staatz represented MSU at this two-day event as invited external experts

providing feedback on the overall GHFSI design and on individual country plans under the initiative.

## 2.6 Research Outputs

No new research outputs were produced during the period covered by the progress report. Research outputs can all be accessed at the Africa Bureau Associate Award website at: <http://www.aec.msu.edu/fs2/afr/index.htm#research>

Progress was made on analysis and report drafting for two major research outputs that will be presented in the next quarter (6 and 7). All other outputs have been completed.

### **Output 6. Buffering food price shocks through cross-border trade: Cross-country comparisons in Eastern and Southern Africa assessing the impact of open and closed borders in moderating food price shocks and maize availability.**

The MSU team has been working with the COMESA trade statistics office to disaggregate their annual trade data into monthly import and export flows for major staple foods. These data are expected to be ready for use in February 2010. Then, the team will combine them with the monthly price series to evaluate the responsiveness of formal trade flows to changes in domestic and import parity prices.

### **Output 7. Determinants of Smallholder Participation in Africa Food Staple Markets: the Case of Maize in Southern and Eastern Africa.**

A conceptual framework linking the agro-ecological resource base, smallholder resource endowments and public investments in market access has been prepared to show how these relate to the CAADP pillars and guide the empirical analysis. Tabular analysis of household maize sales was completed for Kenya, Mozambique and Zambia, and a regression model implemented for one country. The nature of the data and model required preparation of simulation analysis of standard errors. With this technical problem solved regression analysis of the two remaining countries was completed during this reporting period and a full report draft will be completed by the end of next quarter.

Given the widespread attention given to the Malawi fertilizer subsidy program and its wider implications for input promotion policies in sub-Saharan Africa, MSU has undertaken an assessment of the impacts of this program on smallholder farm incomes, productivity, and household food security with partial support from AFR (mainly supported by a DFID grant to a consortium of School of Oriental and African Studies, MSU, Overseas Development Institute and University of Malawi) and EGAT (on the outreach side). Progress was made in the January-March 2010 period in completing two reports. The first report focuses on the dynamic impacts of the subsidy program over time (e.g., when a farm household receives the subsidized inputs, do these households experience higher maize productivity and/or farm incomes over time or are the benefits mainly one-off with a return to original productivity and income levels 2-3 years after receiving the subsidy). This study is geared to evaluate a common rationale for input subsidy programs, which is that they can kick-start sustained growth processes. The second report constitutes a broad assessment of various welfare measures of subsidy

recipients vs. non-subsidy households to assess the various ways in which the program may affect rural livelihoods. Both of these studies will be presented at the upcoming fertilizer program seminar for the Malawi government in Lilongwe in May 2010.

## 2.7 Policy Syntheses and Analytical Notes

No new policy syntheses or other notes were produced during the period covered by the progress reports. Policy Syntheses and Analytical Notes can be accessed at: <http://www.aec.msu.edu/fs2/afr/index.htm#ps>.

## 3. Outlook for the next quarter April – June 2010

During the coming quarter, we anticipate completion of the following milestones:

- 1) Participation by Jan Nijhoff and Steve Haggblade in final technical meetings with FANRPAN and the COMESA CAADP Coordination Unit to finalize the draft regional compact document.
- 2) Participation by Jan Nijhoff and Steve Haggblade in agriculture technical committee meetings and the agricultural ministers meeting in Swaziland in May 2010 during which the regional CAADP compact will be discussed.
- 3) Follow-up by Jan Nijhoff with ACTESA on the endorsed recommendations by the Trade and Customs Technical Committee Meeting in Nairobi, November 2-4, 2009, feeding into the ACTESA strategic planning process and the upcoming Trade and Customs meetings in May 2010.
- 4) In response to an urgent request from the Africa and EGAT Bureaus, FSG has agreed to assist with the technical reviews of eight African country CAADP plans, four in Latin America and four in Asia during April, May and June. Steve Haggblade, Thomas Jayne and David Tschirley are all contributing to this external technical review effort.
- 5) Presentation of draft research outputs 6 and 7 (see Appendix for details).
- 6) Presentation of draft research findings on the Malawi input subsidy program in Lilongwe, Malawi, May 2010.

## **Appendix 1: Updated Workplan**

This updated version of the approved work plan presents planned activities designed to meet the objectives of the AFR-SD Associate Award to FS III for the period January through September 2009 in light of progress made to date. The proposed revisions take account of discussions with Africa Bureau staff in January 2009, and COMESA and Africa Bureau staff in February 2009. The activities and specific outputs associated with them are outlined below using the following three categories:

- a) Support to COMESA in the preparation of a regional CAADP compact, national CAADP compacts, and analysis to provide an empirical foundation for the investments and policy reforms to be included in these regional and national compact.
- b) A joint program of applied research and policy analysis to address gaps in empirical knowledge important to the design of investment programs and/or to obtain buy-in from national governments for policy reform.
- c) Outreach, coordination, and capacity building in support of (a) and (b).

### ***MSU-COMESA Regional Coordinator Posted at COMESA Secretariat***

At the request of COMESA, MSU has posted a regional coordinator at the COMESA Secretariat in Lusaka to facilitate interaction and collaboration, and to provide direct technical support. Mr. Jan Nijhoff arrived at post in January 2009 and has been assigned to the CAADP Coordination Office within the Investment Promotion and Private Sector Development Division.

Nijhoff's terms of reference as they relate to support to the CAADP process can be summarized as follows:

1. Assist COMESA in preparing the Regional CAADP Compact:
  - a. Assist COMESA and FANRPAN in preparing a roadmap for the Regional Compact (ongoing, roadmap to be finalized early May 2009);
  - b. Assist in reviewing outputs produced by FANRPAN during the course of its contract with COMESA throughout 2009 (draft Compact document to be finalized by November 2009);
  - c. Participate in key consultations aimed at
    - i. identifying stakeholders (throughout 2009);
    - ii. stocktaking of existing programs (throughout 2009);
    - iii. identifying early action programs (throughout 2009);
  - d. Coordinate specific MSU support to the Regional CAADP Compact, such as
    - i. integration of analytical input from MSU on Pillars 2 and 3 (Output 2 of the original 07-09 Work Plan);
    - ii. contributions to the design of early actions and investments to promote regional trade in food staples and agricultural inputs (Output 3 of the original 07-09 Work Plan) (July-October)
  - e. Assist in the preparation of draft Compact documentation (October-November, 2009)

- f. Assist in finalizing the Compact (into 2010).
2. Coordinate a review of COMESA's draft Common Agricultural Policy (CAP) and assist COMESA in preparing a final version (Output 4 of the original 07-09 Work Plan) (May-August)
3. Coordinate MSU support to key Country Compact processes (part of Output 12 of the original 07-09 Work Plan), particularly in Zambia (ongoing), and most likely in Kenya, Uganda, and Burundi, and assist COMESA in convening consultations and preparing the actual Compacts (throughout 2009, and likely into 2010).

#### **A. Support to COMESA in Preparation of CAADP Compact**

In February 2009, COMESA awarded the preparation of its regional compact to FANRPAN. An Inception Report was submitted by FANRPAN in March, and a road map for the Regional CAADP Compact process will be finalized after initial stakeholder consultations in late April or early May 2009.

FANRPAN has requested that MSU staff assist in the design of this regional CAADP compact. MSU team members will participate together with other Expert Reference Group (ERG) members and government representatives appointed by FANRPAN according to the completion schedule worked out by COMESA and FANRPAN. MSU team member Nijhoff has been specifically requested to provide technical support, working with the COMESA CAADP team and FANRPAN.

In addition, COMESA is in the process of designating teams to be responsible for developing regional Pillar documents to provide guidance to the national and regional teams in the preparation of their compacts. MSU has been informed that it will be asked to be the lead international partner to assist COMESA in the design of the regional documents for Pillars 2 and 3. MSU team members will participate together with other ERG members appointed for Pillars 2 and 3. The following outputs are anticipated:

**Output 1:** Revised COMESA CAADP Pillar 2 and 3 documents prepared by COMESA with input from MSU, and circulated for review. Team members: Haggblade, Jayne, Boughton, Tschirley.

**Output 2:** Final Pillar 2 and 3 documents integrated into overall COMESA regional CAADP compact (led by FANRPAN and to be completed according to timetable to be determined by COMESA). Team members: Jayne, Haggblade, Boughton, Tschirley.

**Output 3:** MSU team members contribute to design of early actions and investments to promote regional trade in food staples and agricultural inputs as identified by COMESA in the process of compact design (on-going, with the timing of specific early actions determined by COMESA). Potential examples include regional staples trade investment program design, regional cassava value chain development program design, and regional agricultural input market development. Team members: Haggblade, Tschirley, Boughton, Jayne, Kelly.

**Output 4:** Preparation of a draft COMESA Common Agricultural Policy (CAP). This document will harmonize existing policy documents into a common framework to serve as the basis for country-level outreach and capacity-building efforts led by COMESA.

The CAP will require consultation among member states, and ratification by the COMESA the Ministers of Agriculture, and the COMESA Council of Ministers. Team members: Nijhoff, Haggblade, Jayne.

## **B. Applied Research and Policy Analysis**

The following set of research and analysis activities seek to address crucial gaps in the empirical knowledge base that need to be filled in order to design more effective investment programs and achieve national buy-in for policy reforms that support expanded regional trade in food staples, improve the design of emergency response and social protection programs, and increase the demand for fertilizer and improved seed. The description of each analytical report presents an abstract of the study, team members, and completion date.

### **B.1 Regional trade in food staples**

#### **Output 5: Comparison of maize price volatility in closed (Malawi, Zambia) and open trade regimes (Mozambique, Mali, Kenya)**

Instability in staple food markets remains a major problem in developing countries. Events in 2008 have compounded fears about the impacts of higher and more volatile food prices in world markets. African governments use a variety of pricing, marketing, and trade policy tools to influence and stabilize staple food market prices. However, the ad hoc and discretionary nature of these policies may introduce a great deal of uncertainty for participants in the marketing system, with unclear implications for overall market price volatility. There remains a dearth of empirical evidence in Africa to assess the overall impact of trade policy on food price predictability. This paper empirically assesses the degree of staple food price volatility in Malawi, Mozambique, Mali, Kenya, and Zambia. These case countries provide the potential to generate important policy-relevant insights. Since the introduction of the East African Commission in January 2005, Kenya has adopted a stable trade policy regime and a relatively predictable role for government operations in domestic markets. Mozambique and Mali have also pursued a fairly stable and open staple food trade and marketing policy environment. By contrast, Zambia and Malawi use a variety of *ad hoc* domestic marketing and external trade policy tools to stabilize prices. Preliminary results show that Malawi and Zambia have the highest level of food price volatility among the five countries, while Mali has the lowest. Finally, we find that Kenya's elimination of the maize import tariff from neighboring countries in the region in 2005 has stabilized prices but not affected their mean level.

Team members: Jayne, Chapoto. Expected completion: Draft report 4<sup>th</sup> quarter of calendar 2008 (4Q08); final report to be completed July 2009.

#### **Output 6: Buffering Food Price Shocks through Cross-Border Trade: Cross-country comparisons in Eastern and Southern Africa assessing the impact of open and closed borders in moderating food price shocks and maize availability.**

In an environment in which markets work well and there are no barriers to regional trade, the import parity price sets an upper limit on domestic price movements. But in practice, particularly in crisis years such as 2008, domestic prices have often exceeded import parity levels, leading domestic prices to become more volatile than world prices. Some groups (often government policy makers) attribute these failures to market failure. Others (often private traders) contend that instances of market breakdown result primarily from government policy failures. This paper reviews empirical evidence for half a dozen countries in Eastern and Southern African countries over the past 15 years in order to identify instances where cross-border trade has succeeded as well as circumstances under which trade has failed to cap domestic price rises at import parity. By comparing these differing outcomes, the paper aims to identify conditions under which cross-border trade can and cannot effectively moderate food price volatility in the region. Year 2. Team members: Haggblade, Jayne and Dorosh (IFPRI) . Expected completion: March 2010.

### **Output 7: Determinants of Smallholder Participation in Africa Food Staple Markets: the Case of Maize in Southern and Eastern Africa**

While there is a strong consensus about the importance of investments in efficient food staple markets, there is less certainty about the question as to how poor rural households can benefit from them. In this paper we explore that question by looking at maize market participation by smallholders in Kenya, Mozambique and Zambia with different asset endowments, in different production systems, and in good and bad production years. In particular we are concerned as to whether investments in public goods that make markets more efficient are likely to benefit the majority of households, or whether there is some minimum set of farm assets that are needed to enable rural household to benefit from those public goods in a significant way? If the former case is correct then policymakers can focus exclusively on public goods, but will still be interested in what *kinds* of public investments are of most relevance to the poor. In the latter case there may be a need for greater public-private coordination of investment strategies to enable more smallholders to achieve the necessary asset levels to benefit from public good investments.

Team members: Boughton, Jayne, Mather. Expected Completion: March 2010.

## **B.2 Integrating market analysis into the design of emergency response and social protection**

### **Output 8: Can cash transfers promote food security in the context of volatile commodity prices? A review of empirical evidence**

This working paper synthesizes the theoretical and empirical literature on the use of cash transfers in response to food crisis situations, with particular attention to their use in situations that are exacerbated by volatile, often inflationary, commodity prices. The paper is designed for policymakers who are wondering if cash transfers might be an

appropriate instrument in the context of 2008's unstable commodity prices for both food and energy, but are unfamiliar with the literature and discussions surrounding the cash vs. food debate. After defining some key terms and presenting a brief review of the theory behind cash transfer use, the paper synthesizes evidence from studies that have evaluated past cash transfer programs. While the focus is on examples from sub-Saharan Africa (Malawi, Mozambique, Zambia, Kenya), there are also valuable lessons incorporated from other regions of the world.

Cash transfers can be a more effective tool than in-kind food aid for fighting food insecurity in conditions where markets function well. A cash transfer program combined with other forms of assistance can lead to high beneficiary satisfaction and economic growth. Systematic monitoring of events and evaluation of impacts is needed to ensure that cash transfer programs have the desired impacts and are well integrated with other forms of food security assistance. Rather than assuming a rigid single response of cash only or in-kind only, a combination of response options for different households in different environments may be the most efficient strategy. This requires both capable administrators and flexibility of program implementation.

Team members: Magen, Kelly, Donovan. Completed: January, 2009. on-line at: [Can Cash Transfers Promote Food Security in the Context of Volatile Commodity Prices? A Review of Empirical Evidence.](#)

### **Output 9: Spatial Patterns of Food Staple Production, Marketing, and Trade in Southern Africa: Implications for Trade Policy and Emergency Response**

This research report is the first part of an effort that will eventually encompass the entire COMESA region and incorporate a broader set of spatial information. In this first effort, we bring together data from a variety of sources to generate a detailed picture of rural and urban population settlement patterns, and volumes of maize and cassava production, sales, purchases, and market flows during stylized years ("good", "normal", and "bad") in Zambia, Malawi, and Mozambique. Data for estimating production, purchases, and sales come from MSU's collaborative (with national statistical agencies) rural household panel surveys in Zambia and Mozambique, its collaborative urban survey in four cities of Zambia, LSMS data for urban and rural areas in Malawi, and LSMS data for urban Mozambique. This is combined with highly disaggregated population settlement data from Gridded Population of the World (GPW), Global Rural-Urban Mapping Project (GRUMP), and LandScan (Oak Ridge National Laboratory's Global Population Project). Information on trade flows comes from extensive interviews with traders in the region augmented with data from FEWSNet's informal trade monitoring system and SAGIS/South Africa. This portion of the mapping takes a broader regional approach, showing inflows and outflows beyond the three focus countries

These maps form the foundation for insights in two broad areas: trade policy and the gains from trade, and choice of resource in emergency response. Given that surplus food production zones often lie across international borders from the deficit markets they most

economically serve, these spatial maps will provide the basis for more formal economic modeling work in the future as well as a powerful visual presentation tool for describing these trade opportunities to regional policy makers. For analysis of emergency response options, the maps will be complemented by information about the typical geographic location of food crises and the characteristics of households in those areas, including their income levels and sources, asset levels, and the extent to which they rely on markets (or not) as a regular part of their strategy for ensuring food security. Implications will be drawn regarding the relative advantages of cash compared to in-kind food in emergency response, and regarding the risks and advantages of using locally procured food when in-kind food is desired.

Team members: Steve Haggblade, David Tschirley, and Steve Longabaugh

Completed: September, 2009. on-line at: [Spatial Patterns of Food Staple Production and Marketing in South East Africa: Implications for Trade Policy and Emergency Response.](#)

### **Output 10: The 2008/09 Food Pricing and Food Security Situation in Eastern and Southern Africa: Implications for Immediate and Longer-Run Responses.**

The dramatic rise in world food prices since 2007 has commanded the world's attention. However, since July 2008, world food prices have fallen almost as rapidly as they had risen. Yet as is demonstrated in this report, domestic food price levels in many eastern and southern African markets have not declined along with world prices, and the specter of food crises have loomed again in early 2009. Against this backdrop, there is an urgent need for information about how the current food situation is unfolding in the region, the immediate policy response options, and the longer-term challenges and opportunities.

This study has three objectives: 1) to examine the impact of recent world food price changes on domestic maize and fertilizer prices in the region; 2) to assess possible changes in cropping patterns, national food production, and consumers' access to food in light of these price movements; and 3) to consider the implications for policy and program response by governments, donors, and the private sector.

Team members: Jayne, Chapoto, Minde, Donovan. Completed: November 2008.

downloadable at: [The 2008/09 Food Pricing and Food Security Situation in Eastern and Southern Africa: Implications for Immediate and Longer-Run Responses.](#)

Note: A supplemental update of this report, highlighting lessons learned from the 2008/09 crisis in southern Africa is scheduled for completion May 2009.

## **B.3 Fertilizer and Related Input Market Growth**

### **Output 11: Cross-country study (for Kenya, Zambia, Malawi) of benefits, costs, and distributional effects of fertilizer promotion programs.**

The purpose of this paper is to synthesize experiences with recent fertilizer promotion

approaches in Malawi, Zambia, and Kenya, involving both subsidized distribution and development of private sector input markets. The aim is to contribute empirically based insights about when to invest in fertilizer promotion programs, including those with a significant subsidy element, and about how best to design and implement them. As background before synthesizing experiences across the three countries, the report draws briefly from the extensive recent debate about the case for and against fertilizer subsidies and how to make them more effective. We focus on four salient questions: (i) What are the guiding principles of a “smart” fertilizer subsidy program, and what determines its costs and benefits? (ii) What has been the experience of Malawi and Zambia with fertilizer subsidy programs—their achievements and limitations—and what lessons can be drawn for the design of future subsidy programs that would contribute most effectively to national food security and smallholder productivity? (iii) What can be learned from Kenya’s experience of rapid smallholder adoption of fertilizer without subsidies? and (iv) how do the sharply higher world food and fertilizer prices affect the justification for fertilizer subsidies in the region?

Team members: Minde, Jayne, Govereh, Crawford. Completed: Q4 2008. downloadable at: [Promoting Fertilizer Use in Africa: Current Issues and Empirical Evidence from Malawi, Zambia, and Kenya.](#)

**Output 12:** Preparation of evidence-based policy synthesis on strategies to promote fertilizer use and farm productivity; contributions to COMESA and ReSAKSS policy briefs and policy discussions. Team members: as for Output 11. Completion: November 2008. downloadable at: [Promoting Fertilizer Use in Africa: Current Issues and Empirical Evidence from Malawi, Zambia, and Kenya.](#) Isaac Minde, T.S. Jayne, Eric Crawford, Joshua Ariga, and Jones Govereh. October 2008. MSU Policy Synthesis #83.

### ***C. Outreach, Coordination and Capacity Building***

For the following activities, team members will include Haggblade, Jayne, Boughton, Nijhoff, and other FSG faculty. Expected completion: continuous as appropriate given the COMESA work calendar.

- Outreach will be conducted during trips made to the region to participate in planning sessions with COMESA and other national partner organizations.
- Coordination and direct interaction with COMESA will be facilitated by the presence of the MSU coordinator at the COMESA Secretariat. Joint annual work plans will be prepared, and coordination will take place with Re-SAKSS and other CAADP support mechanisms on related analysis and outreach activities.
- Capacity building will be achieved as a joint product of the applied research and outreach activities.