

# Select Committee on International Development Inquiry: "The new humanitarian crisis in southern Africa"

## Submission by Traidcraft<sup>1</sup>

### Introduction

1. Traidcraft welcomes this inquiry into the humanitarian crisis in southern Africa. Traidcraft is a fair trade organisation encompassing a trading company (Traidcraft Plc) and a capacity building NGO (Traidcraft Exchange), committed to using trade as a vehicle for poverty alleviation. Traidcraft Plc is the UK's largest fair trade company with an annual turnover of £10 million per annum. Traidcraft is an active participant in the wider movement to promote fair trade.<sup>2</sup>
2. Traidcraft works in developing countries with producers of agricultural, manufactured or handcrafted products whose circumstances effectively exclude or marginalise them from the mainstream trading system. Terms of trading are set in a way that ensures producers receive a price that covers a fair return on capital costs and labour, and business training and support where needed. In particular Traidcraft works to establish trading relationships that are transparent, equitable and sustainable thereby ensuring that producers are able to overcome barriers to trade and establish sustainable livelihoods. Traidcraft views its work as actively contributing to the realisation of the Millennium Development Goals, which seek to reduce the number of people living in absolute poverty by half by 2015. Traidcraft works with producers from South and South East Asia, Central and South America, the Caribbean and East Africa. In southern Africa, Traidcraft works in Malawi, Mauritius, Zambia, South Africa and Zimbabwe.
3. As an organisation working to secure long-term, sustainable development for some of the poorest groups, the current humanitarian crisis in southern Africa is of deep concern to Traidcraft. Systemic poverty ensures that people are vulnerable to the kind of shocks that southern Africa is currently experiencing - and greatly exacerbates their impacts on marginalised communities. While critical for providing emergency relief once a shock has reached crisis proportions, the policies of donors and the international community more widely can either contribute to or lessen this vulnerability.
4. This submission does not offer an exhaustive analysis of the factors contributing to the current crisis, but will rather focus on the experience of the Traidcraft network in the region, in particular the factors directly affecting people in our suppliers' trading chains at present.<sup>3</sup> Traidcraft seeks to 'fight poverty through trade', so this submission will also point to the relevant links between trade and poverty.

### The impact of the crisis

#### 5. Famine related deaths

In Malawi, according to Traidcraft partners and suppliers, there is no doubt that the current crisis has led to many deaths, particularly in late 2001 and early 2002. According to the NGO ActionAid, between January and April 2002 at least 500-1,000 people died of hunger and hunger-related diseases in southern and central Malawi, making this the worst famine in living memory.<sup>4</sup> Lack of access to food forced vulnerable farmers to consume their maize harvest before it was ready - while it was still 'green'. This left many without adequate supplies to plant and is expected to lead to a second crisis later this year and early next year when harvests again will be unable to meet demand.

6. **Increased levels of malnutrition and disease**

The crisis has affected communities in other ways. Many families are now unable to have even one meal a day leading to increased levels of malnutrition which leaves the young and the old vulnerable to disease. This places a severe burden on families where members are unable to work and therefore generate cash income due to illness. This in turn leads to a vicious cycle as lack of a cash income leaves families unable to buy medicines when required.

7. **Education suffering**

Traidcraft's partners point to the effects that the crisis is having on education. Many parents are unable to pay the school fees for children in secondary school or provide the food needed by their children at primary school. Children may also be taken out of school to help their parents look for food. Some children are simply too weak and hungry to attend school. ActionAid reports a 25 per cent drop out rate in one area due to hunger.<sup>5</sup>

8. **Migration**

The crisis in rural areas has led to increased migration to nearby towns and urban centres. Employees of one of Traidcraft's producer organisations – PAMET<sup>6</sup> – based in Blantyre report pressure as relatives who have not been able to harvest enough maize arrive from the villages.

9. **Economic slow down**

Economic activity in Malawi is primarily driven by the performance of the agricultural sector. The current crisis has led to a more general decline in economic activity with some high profile companies closing down or operating below capacity. The associated retrenchments have exacerbated poverty and insecurity. Press Corporation Limited group Chief Executive, Matthews Chikaonda attributed the recent closure of one of its subsidiaries, Hardware and General Dealer Limited to, "stoppage of development aid, famine and the under-performance of the economy which has eroded the purchasing power of households."<sup>7</sup> This is compounded by falling prices for key commodities such as tea, coffee and tobacco. Workers in these industries are particularly vulnerable when they are dependent on estate owners to provide them with food. Following the dramatic rise of food prices there have been reports of owners releasing workers so that they do not have to feed them<sup>8</sup>. Agriculture across southern Africa has been impacted by recent events in Zimbabwe, which has frightened buyers away from the region.

## **Vulnerability and security factors identified**

10. Southern Africa has been racked by shockwaves from a relatively minor climatic hiccup – certainly when compared to the two years of sustained drought that preceded the 1991/2 crisis. It is important to understand the factors contributing to this. In particular it is important to find out why so many people are more vulnerable now - and have been tipped over the edge into chronic food insecurity - than they were ten years ago and what factors can reduce this vulnerability and provide effective coping strategies for poor and marginalised communities.

### **Lack of sustainable income generating opportunities**

11. In Malawi 87 per cent of total employment is agriculture based and agriculture provides over 60 per cent of the income of the rural poor<sup>9</sup>. There is a chronic lack of reliable, year-round income generating opportunities, which could provide people with the means to survive such a crisis. Reasons for this include the high cost of borrowing, lack of effective

market access, lack of access to credit and poor transport facilities. This ensures that communities remain dependent on subsistence farming supplemented by seasonal casual work on plantations and neighbours farms – often for very low rates of pay. When the agricultural sector as a whole is hit by a crisis, the coping strategies available to the poor are severely limited.

12. Traidcraft's approach aims to broaden coping mechanisms and ultimately sustain livelihoods through providing access to year-round trading and income earning opportunities. In Malawi, Traidcraft's partner fair trade company, Development Trading Limited, pays a group of over 1000 basket weavers a deposit of 25-50 per cent of the final price of each basket on commencement of weaving. The balance is paid on collection of the baskets. The baskets are exported to businesses in Germany and the UK.
13. This kind of equitable financial partnership has proved to be a vital tool for sustainable poverty alleviation for the communities involved, but has been especially critical in the present crisis. Part of the money the basket weavers earn is used to buy food. Weavers with children in secondary school have been able to pay their fees. Even though primary school is free, fair income generating opportunities can make a real difference to school attendance and performance. Where children are not provided a meal at school, being able to take food with them means that there are both more likely to attend and will be more able to concentrate.
14. Importantly such income generating opportunities provide an element of year-round security to supplement income from sale of crops, which is earned only once or twice a year – or not at all in crisis years. Income earned provides incentive for saving and investment in other non-seasonal enterprises. This increases the number of coping strategies available to vulnerable groups. Livelihood opportunities that can be combined with agriculture and farm tasks are particularly important; for example DTL are also buying rice from smallholders for a fair price and then selling this to National Milling in Blantyre.
15. The fair prices and premium paid to businesses and communities engaged in fair trade also allows collective saving schemes which are then invested in community-based projects that improve the standard of living of all.

### **Failure of donor policies**

16. The countries in southern Africa affected by the current crisis are extremely poor. Several partners have pointed out that the current crisis is only an extension of the hardships and insecurities faced by poor communities in these areas each year. According to Malawi's 1998 integrated household survey sixty five per cent of the population is poor and nearly thirty per cent are living in extreme poverty. Malawi is particularly dependent on donor finance. Eighty per cent of the development budget and forty per cent of the recurrent budget comes from donors<sup>10</sup>. Those countries most severely affected by the current crisis are also heavily indebted.<sup>11</sup> These factors lead to a high degree of donor responsibility for policy making. The levels of (sometimes conflicting) policy prescriptions and conditionalities imposed by donors places an increased burden on domestic governments and decreases the space for domestic policy making. Several partners have pointed to inappropriate donor policies and lack of donor co-ordination as factors contributing to the current crisis.

17. Access to agricultural inputs is critical to production in Malawi. A number of problems have been faced on this front. Liberalisation of farm inputs, such as seeds and fertilisers, combined with exchange rate liberalisation, as part of donor prescribed structural adjustment programmes have made them too expensive for most people. The Starter Pack scheme aimed to support production by restoring access to these inputs. Following widespread distribution of the packs in 1998/99 and 1999/00, in 2000 it was scaled back and 'targeted'. The number of households receiving this vital input fell from 2.8 million to 1 million. Combined with localised flooding this contributed to a dramatic decline in agricultural output and a rapid rise in food prices. In Malawi, production fell from 2.5 million metric tons in 1999/00 to 1.7 million metric tons in 2000/01. The price for one kilo of maize rose from MK4 in June 2001 to over MK40 in January 2002.
18. Donor driven partial deregulation of Malawi's grain marketing board, ADMARC, has meant that structures and safety nets that were in place in 1991/2 crisis are no longer there. In particular the board had in the past had a comprehensive network of outlets through which food could be delivered in times of crisis.
19. Traidcraft's partnerships around the world show that trade based on principles of transparency, equity and sustainability can contribute to poverty alleviation. Where merely boosting competition and economic openness are the driving factors, trade's contribution to sustainable development can be minimal and in the worse case, can be counter productive.

### **Governance issues**

20. It is clear that in Malawi, mismanagement, governance and accountability issues have contributed to the current crisis. Following donor advice to reduce the level at which Malawi held strategic grain reserves, it appears that the entire reserve was sold off. It also appears that the bulk was sold locally – rather than being exported as the IMF recommended. This allowed local traders to hoard the maize and benefit from higher prices when hunger hit. Investigations into the involvement of senior figures in this matter are continuing.
21. Traidcraft believes that donors owe a duty of care to governments where they have a high degree of responsibility for decision making to support the development of the principles and practice of open, responsible and accountable governance. We recognise the important work that DFID is doing in Malawi on this subject.

### **HIV/AIDS**

22. HIV/AIDS rates have increased dramatically in southern Africa since the 1991-2 crisis. In Malawi it is estimated that 15 per cent of the adult population is HIV positive, in Zambia this figure is 21.5 per cent and in Zimbabwe 33.7 per cent.<sup>12</sup> This has been critical in exacerbating vulnerability. People are less able to devote sufficient attention to their crops because they are sick or are giving care to a family member who is sick. What spare income a family has may have to be spent on medicines to treat opportunistic infections. For people living with HIV/AIDS, food shortages bring a host of problems, including an increase in the occurrence of secondary infections as their resistance declines due to poor nutrition. The resulting increased costs of care-giving and loss of productive labour has an asset-stripping effect on households as well as on their purchasing power.

23. Traidcraft's approach of creating sustainable livelihood opportunities to poor and marginalised communities through trade can be important in helping to mitigate the increased vulnerability of already-marginalised communities due to HIV/AIDS. Traidcraft is exploring ways of ensuring that its practice takes into account these impacts and encourages other agencies and donors to do the same.

## **Recommendations**

### **24. Increased support for sustainable income-generating projects**

The experience of the current crisis in Southern Africa demonstrates that access to fair and sustainable income generating activities has been critical in mitigating the impacts of the current humanitarian crisis for the poor and marginalised groups that Traidcraft works with. In Malawi, DFID are supporting this approach through a £2.6 million grant to Traidcraft Exchange. Such relationships should be further supported, encouraged and replicated wherever possible, including through donor policies and national owned and agreed poverty plans. The development of a strong agricultural sector should not only be seen as important for food security, but also as a springboard for economic diversification and subsequent further industrialisation.

### **25. Support for greater participation of marginalised groups in policy making**

It is clear that total liberalisation of agricultural markets was not an appropriate policy recommendation for a country like Malawi. In this case donors' 'one size fits all' approach to economic development has had disastrous consequences. Countries should be allowed the flexibility and policy space to support and promote those industries or sectors that they deem most appropriate for their people and their future development. In poor and unequal societies the voice of marginalised producers and the informal sector is too easily overwhelmed by more powerful economic interests, leading to policies that may have limited effects on poverty. In particular donors should encourage the effective participation in policy making of those most affected.

### **26. Greater attention to the quality of trade promoted**

The relationship between poverty and trading is a delicate one. Access to trading opportunities can – when organised in a fair and sustainable way - lessen vulnerability and support poverty alleviation. However too much emphasis on an aggregate increase in trade with insufficient attention paid to the structure and quality of the relationships involved may lead to increased vulnerability of the poorest.

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## Endnotes

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<sup>1</sup> The following from Traidcraft's network contributed to this paper: Elvas Kadzako, Managing Director of Development Trading Limited (Malawi); John McGrath, Chair of the TEEM Project (Malawi); Bonaventura Chidzard, Managing Director of Pamet (Malawi).

<sup>2</sup> Other bodies that make up the Fair Trade Movement include, the International Federation for Alternative Trade (IFAT) [www.ifat.org](http://www.ifat.org); the Fairtrade Labelling Organisation (FLO) [www.fairtrade.net](http://www.fairtrade.net) and its UK representative, the Fairtrade Foundation (FTF) [www.fairtrade.org.uk](http://www.fairtrade.org.uk) Consumption of fair trade products in the UK grew by over 40 per cent in 2000/1.

<sup>3</sup> Traidcraft would be happy to supply the Committee with further detailed information on the issues highlighted in this submission.

<sup>4</sup> "State of Disaster: Causes, Consequences and Policy Lessons from Malawi", Action Aid, June 2002.

<sup>5</sup> "State of Disaster: Causes, Consequences and Policy Lessons from Malawi", Action Aid, June 2002.

<sup>6</sup> PAMET aims address the shortage of school supplies and improve the quality of primary education in Malawi using small-scale paper making and recycling technology.

<sup>7</sup> The Malawi Nation "Hardware and General Dealers Limited Closes", 2/10/02.

<sup>8</sup> "State of Disaster: Causes, Consequences and Policy Lessons from Malawi", Action Aid, June 2002.

<sup>9</sup> Government of Malawi, "Poverty Reduction Strategy Paper" 2002.

<sup>10</sup> Reserve Bank of Malawi, 2000.

<sup>11</sup> In the case of Malawi, interim debt relief has not been released - despite the severity of the current crisis - as the IMF deems that the government is off track with its commitments. According to the Jubilee Debt Network, the World Bank has stated that even with full HIPC relief Malawi's debt will remain unsustainable. Zambia has only just had its finance released after suspension and again, its debt is considered unsustainable even after relief. Zambia's debt service is 126% of what it receives in aid.

<sup>12</sup> UNAIDS, 2002.