



**Regional consultation on policy and programmatic actions  
to address high food prices in East Africa**

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**Summary of proceedings**

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## **Acronyms**

AfDB	African Development Bank
AU	African Union
AUC	African Union Commission
CAADP	Comprehensive Africa Agriculture Development Program
COMESA	Common Market for East and Southern Africa
DFID	Department for International Development
EC	European Commission
ECA	European Commission on Agriculture
ESA	Agricultural Development Economics Division of FAO
FAO	Food and Agriculture Organization of the United Nations
FAO - SFE	Sub Regional Office for Eastern Africa
FAORs	Food and Agriculture Organization Representatives
FFPI	FAO Food Price Index
FSSD	Food Security and Sustainable Development
GFRP	Global Food Crisis Response Program
GTZ	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
H.E	His/ Her Excellency
HFPCR	Horn Food Price Crisis Response
IFAD	International Fund for Agricultural Development
CFA	Comprehensive Framework for Action
IFPRI	International Food Policy Research Institute
ILO	International Labor Organization
ILRI	International Livestock Research Institute
IMF	International Monetary Fund
IPM	Integrated Post-harvest Management
ISFP	Initiative on Soaring Food Prices
NEPAD	New Economic Partnership for Africa's Development

NGO	Non-Governmental Organizations
ODA	Oversees Development Assistance
SLM	Sustainable Land Management
TCI	Technical Cooperation Investment
TCS	Technical Cooperation Services
UNDP	United Nations Development Program
UNECA	United Nations. Economic Commission for Africa
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
US	United States
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
WFP	World Food Programme

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# 1. INTRODUCTION TO THE REGIONAL CONSULTATION

## 1.1. Background

The analysis and debate of the causes and lessons of the 2007/2008 has been overtaken by another looming food price shock and potential food crisis. The January 2011 FAO food price index averaged 231 points, surpassing its 2008 peak. This was the highest level (both in real and nominal terms) since FAO started measuring food prices in 1990. From the collection of commodities that the food price index measures, the prices of wheat, maize, sugar, and edible oil witnessed sharp increases while rice prices experienced only a moderate rise. The sharp rise in global food prices once again reflects the mismatch between the forces of supply and demand. Thus, while the drivers of the global demand for food remains strong, the supply side of the equation continually suffers shocks due to: weather and other disasters in the major food grain-producing countries (wildfires in Russia, torrential rains and floods in Australia, Canada, Pakistan, etc.); and export restrictions.

The 2008 food crisis experience shows that, sometimes, the reaction of governments to the crisis, taken in haste if not in panic, has contributed to exacerbate the crisis and aggravate its impact on food insecurity. Export bans are an example of such measures contributing to worsening the crisis (REFERENCE). Some governments (LIST THEM) have taken other measures such as emergency distribution of seeds and fertilizers, through public distribution mechanisms which, in some countries (GIVE EXAMPLES), have undermined the existing private distribution systems, thus weakening the services available for farmers once the crisis receded. In other cases such as Zambia and Lesotho, the involvement of the private sector (agro-dealers) and the use of innovative electronic vouchers systems has provided new experiences and taught new lessons with respect to safety nets and linking emergency operation to ongoing medium-term development programs.

FAO produced a “Guide for immediate country level action,” in May 2008, as part of its Initiative on Soaring Food Prices (ISFP). The guide reviews various measures available to governments and highlights the pros and cons of each of these measures. Unfortunately, the production of this Guide was not supported by an adequate dissemination beyond circulation by email to all FAO’s Decentralized Offices as part of a more general communication by the Assistant Director-General of the Technical Cooperation Department, and its posting on the FAO/ISFP Website. A survey conducted in August/September 2009, showed that 86 percent of the FAORs were aware of the guide, mostly through e-mail (52 percent) and the ISFP Webpage (28 percent). Less than half of the FAORs had shared it with governments and less than 20 percent with development partners. Little was known on the extent to which the Guide was used by governments.

FAO published an updated Guide (Guide for policy and programmatic actions at country level to address high food prices) in January 2010.. Learning from the experience of the impact of dissemination approach on usage as per the 2009 study, it was recommended that FAO use alternative forms of dissemination, including running a series of face-to-face seminars in addition to traditional forms (e.g. e-mails, post and fax mail). This would increase the likelihood of an increased use of the

Guide by high-level Government officials in developing immediate responses to the current food price crisis as compared with the use of the 2008 version.

In this regard, the Sub-regional Office for Eastern Africa (SFE), in collaboration with the African Union Commission (AUC)'s Department of Rural Economy & Agriculture, organized a sub-regional consultation seminar on *policy and programmatic actions to address the high food prices* in Addis Ababa, Ethiopia from 17 to 18 March 2011. The consultations involved eight member countries from the East African sub-region (Burundi, Djibouti, Ethiopia, Kenya, Rwanda, Somalia, Sudan and Uganda), regional economic communities, bilateral and multilateral donors, development partners and the private sector. The organizations invited included the World Bank, African Development Bank (AfDB), IFAD, ILO, UNICEF, World Food Programme, USAID, IFPRI, UNDP, UNIDO and ILRI

## **1.2. Objectives and expected impact, outcomes and outputs**

### **1.2.1. Objectives**

The regional consultation aimed at assisting governments of member countries identify options and design country-specific immediate actions in response to the current food price surge.

Specifically, it aimed at achieving the following:

1. Sharing country experiences regarding rising food prices, the commodities involved, government priorities, policies and action programmes, and implementation problems/constraints and their impact;
2. Raising awareness of the various policy options and programmatic actions and their implications so as to facilitate appropriate policy and programmatic decisions at the country level;
3. Internalizing lessons from the 2007-08 crisis based on the analytical work carried out by FAORAP in nine countries and by other partners as appropriate;
4. Identifying the needs and opportunities for external financial assistance and technical support to governments and potential development partners and stakeholders; and
5. Identifying the way forward and processes to design, coordinate and implement appropriate policy and programmatic actions as well as the arrangements for monitoring, updating and sharing of information on price changes, policy measures and results.

### **1.2.2. Expected impact**

Governments should be able to design policies and programmatic actions that better address rising food prices, which threaten the food security of low-income consumers and at the same time provide opportunities for producers and/or exporters.

### 1.2.3. Expected outcomes

1. Participants share and learn lessons gained during the last crisis in 2007-08, and identify options to cope with emerging new crises.
2. Participants use and disseminate knowledge gained from the regional consultation to design measures to address high food prices at the country level.
3. Participants engage at the country level with development partners to seize opportunities for collaboration and support discussed during the regional consultation.
4. FAO prepares a consolidated report to be shared with member countries.

### 1.2.4. Expected outputs

#### For participating countries:

- Participants are familiar with the FAO Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices, and exchange with their peers and other stakeholders measures for addressing high food prices.
- Participants are better informed about opportunities for collaboration and support from development partners.
- Participants have worked out the next steps for policy and programmatic actions to be implemented once back in their countries with the aim of launching policy dialogues and mobilizing national resources and/or development partner support.

#### For FAO and development partners:

- FAO and development partners are better informed about the situation and needs of participating countries in addressing high food prices.
- Questionnaires on the situation and measures taken in participating countries are collected and analysed by FAO.
- A report of the Regional Consultation with the list of next steps is prepared by FAO.

## 1.3. Structure and scope of the regional consultation

The policy consultation workshop was organised by FAO in collaboration with the African Union. The Sub-regional office maintained appropriate policy, technical and operational linkages with FAO headquarters, in particular with the Policy and Programme Development Support Division (TCS), and FAO Representations at country level. Senior officials of the Ministries of Agriculture and other ministries with substantive roles in policy and / or resource allocation (e.g. Ministries of Finance, Planning and Economic Development, representatives of the private sector from each of the invited countries attended the consultation. Chambers of Commerce and in some cases (Sudan, Kenya, Uganda) practicing traders themselves, members of the civil societies (NGOs) were also represented. In total, 64 participants attended the seminar.

The consultation involved an opening session, plenary sessions, group discussions and a closing session. It was structured in a way that allowed participants to get an overall view of the subjects in the plenary sessions and to break into smaller groups for in



depth discussions and analysis of issues raised in the plenary. This provided opportunities for learning and exchanging experiences of how countries managed the 2007-2008 crisis. Multilateral and bilateral development partners and representatives of the private sector participated, both in the plenary sessions and in group discussions. At both levels, they participated in exchanging experiences and in guiding the consultations as resource persons.

## 2 SETTING THE SCENE

The context of the seminar on *Policy and Programmatic Actions to Address High Food Prices in Eastern Africa Sub-region* was outlined during the opening session, which included welcoming remarks by the chair - **Dr Castro Camarada**, Coordinator for the Sub-regional office for Eastern Africa and Representative to Ethiopia, AU and ECA and, opening statements by the keynote speaker , **H.E Dr. Abraham Tekeste** - Minister of state of the Ministry of Finance and Economic development of the Federal Democratic Republic of Ethiopia, and Dr. Abebe Haile Gabriel, Director, on behalf of H.E. **Rhoda Peace Tumusiime**, Commissioner of Rural Economy & Agriculture of the AUC. The seminar was introduced by **Dr. David Phiri**, FAO, who stated the objectives, expected impact, outcomes and outputs of the seminar.

Dr. Camarada welcomed the delegates in their respective capacities and noted the presence and contribution of the AU, the Commission for Rural Economy & Agriculture in organizing the seminar.

The Chair observed that FAO, as the leading Agency of the United Nations on food, had always been concerned with global and national food price trends. In the Eastern Africa region, households spend between 60 -70 percent of their incomes on food and in light of the global and national food price trends<sup>1</sup>, there is no doubt of the potential devastating impacts that the food price rises can have on the poor. After 2007-2008 the threat is no longer a hypothesis or a doomsday prophecy but an impending reality.

Food prices have arisen globally in the midst of attempts to resolve the 2007-2008 crisis. The price rise is slightly different from that of 2007-2008 (HOW?). This continuing escalation of fuel prices, food price hikes and the increasing draw-down of stocks are becoming sources of concern. The consultation was organized to enable government officials responsible for designing and managing responses to food price rises to learn from one another's experiences and become aware of alternative policies and programmatic actions that could help to mitigate the problems of rising food prices.

H.E Dr. Abraham Tekeste hailed the policy consultation process and described how FAO and the AU demonstrated Ethiopia's response to rising food prices between 2005-2008., It was observed that in Ethiopia, during the aforementioned period, agriculture value-added was growing at an average rate of 8.6 per cent per annum. Hence, soaring food prices in Ethiopia were caused mainly by the rising demand for

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<sup>1</sup> Globally, the food price crisis of 2007-2008 is believed to have pushed an additional 100 million people below the poverty line (See Human Development Report 2009,2010), FAO reports (YEAR??).

food. Food price rises subsided in the subsequent years as a result of the strong support provided to the producers and the prevalence of good weather.

However, as observed in the region's other countries, Ethiopia is also now witnessing rising food price trends. All necessary measures are being taken to protect the vulnerable population from the effects of price rises. On the other hand, the Government remains focused on its long-term development strategy as this is the surest path to ensure that price stability eradicates poverty and achieves food and nutrition security.

Dr. Abebe Haile Gabriel appreciated FAO's initiative in organizing the seminar and facilitating an exchange of experiences and lessons that could assist countries in designing relevant responses to rising food prices. He cautioned that as the causes of rising food prices are structural, the way out must also be sought in the growth of economies. Dr. Abebe detailed the devastating impacts of rising food prices on the poor and on the development efforts, in particular the industrialization programs of countries. The way out of the current situation is contingent on countries' commitment to rapidly transform agriculture on the basis of the strategy outlined in CAADP. Dr. Abebe also underscored the significances of promoting inter-African trade to mitigate the commonly observed problem of production and price swings or volatilities and to develop the market needed for the sustained growth of agriculture. He also pointed out the creation of grain reserves, management of risks and other short-term measures that could help to mitigate Africa's risk to external shocks.

Dr. David Phiri congratulated the AU for working together with FAO and jointly organizing the seminar. He outlined the nature and causes of the current global food price rise and how it could impact Africa. Sub-Saharan Africa may not necessarily be affected by the current global food price rises because of the generally good food production. However, because of the general poverty levels in the region, any small increase in food prices due to food production shortfalls or government policies could result in negative effects on the food security situation of a large population. There is a growing concern globally and in Africa that measures to address the emerging food price crisis should be initiated immediately, taking into account the experiences and lessons from the previous crisis.

Dr. Phiri demonstrated how the measures and actions that governments in 2007-2008 implemented had brought about unintended consequences. For example, export ban decisions and policy decisions that undermined the role of the private sector in the grain market ended up exacerbating the crisis in some countries. Based on lessons from past experience and on what can work to address the problems of food price rises more effectively FAO published a "***Guide for Policy and Programmatic Actions at country level***" in January 2011. The guide covers the pros and cons of the three types of measures: macroeconomic and trade related measures; measures in favor of producers; and measures in favor of consumers. FAO decided to organize seminars, such as this one, at regional level to create opportunities for high level government officials to be aware of the guide and to learn from one another's experiences in designing actions to respond to the current crisis.

Mr. Mulat Demeke, (FAO, ESA) presented his findings on global and regional trends in high food prices and experiences and policy lessons from the 2007-2008 food crisis in East Africa. He observed that the crisis had its roots in what had happened in the

food and agriculture sector prior to 2007-08. Between 1980 and 2003, real prices of grain remained low and tended to decline. At the same time, many developing countries implemented reforms, which reduced investment (both budget and ODA) in agriculture, removed or reduced protection and support to farmers and undermined access to credit by smallholders. Production and yields stagnated and food imports surged to meet the rapidly growing demand (because of high population growth and rapid income rise) in many developing countries. World grain supply started to lag behind demand, especially after developed countries decided to support the diversion of grains to Biofuel production and to reduce grain stocks in the early 2000s. Cereal prices began to increase in 2004, rising sharply in 2007. In the first few months of 2008, oil prices skyrocketed and extreme weather disturbances affected production in several countries. The problem worsened because of some policy measures taken by some governments such as export bans and price controls. Effective policies include; consumer support policies that do not undermine producer incentives; government commitment to support smallholders; government interventions that do not hinder private sector activities (but reinforce them by creating an enabling environment) and strong partnerships between countries (regional and international cooperation).

In reference to the lessons from the 2007-2008 food crisis in East Africa, grain prices remained low until 2007 with occasional spikes following a bumper or bad harvest. Farmers did not have adequate incentives to invest in productive technologies. Price transmissions from international markets were low and market integrations within countries of the region were weak. However, nearly all countries witnessed a significant rise in food prices in 2007-08. Higher transportation costs and poor harvests in many countries compounded the crisis. Governments in the region responded with a variety of policies in support of consumers: releasing stocks at subsidized prices; suspending or reducing VAT and other taxes on staples; reducing tariffs and custom fees; and controlling prices administratively. Targeted safety net programmes were also introduced or expanded. On the other hand, support to producers was limited, with only two countries (Kenya and Rwanda) reportedly providing input subsidies. Increasing food deficits are believed to be at the centre of the region's food security problems. With another food crisis looming, the proportion of undernourished people, which is among the highest in the world, is set to increase further. Mr. Demeke stressed the importance of increasing investment and getting grain prices right and stable in order to overcome the structural problem of the region.

On macroeconomic and trade measures, Josue Dionne, (Director FSSD UNECA) emphasized the positive role of inter-country trade in reducing food production and price swings and decried the trends in the East Africa Sub region. According to the data from ECA, from 2006 to 2010, sharp decreases were witnessed in the inter-trade of food commodities in the Sub-region. The export ban in Ethiopia, Kenya and Tanzania, and the decline in food prices resulting from increases in production and subsidized food imports from outside the Sub-region flooding the market were adduced as possible causal factors. As inter-trade plays a key role in the growth of the economy of the Sub-region, assessing trade-related measures taken by countries and devising more effective ways of improving agriculture and food market information will be necessary to clearly grasp and deal with food prices.

Juilet Aphane, (AGN, FAO) described the relationship between high food prices and nutrition. As studies by international development and finance institutions such as the

World Bank, IMF, FAO, IFPRI, etc showed in 2008, an estimated 100 million and an additional 44 million people in 2009 were pushed into extreme poverty. This will certainly result in increased levels of malnutrition, subsequently, low resistance to disease, and impaired physical and mental development. The consequences of increased malnutrition, particularly among children, are grave. In addition to ensuring appropriate food production and access to food, it was recognized that there is need to give special emphasis to nutrition. This will necessitate an integrated approach to reviewing and addressing food security, public health and social protection.

Dr. Alexander Jones (TCI, FAO) Introduced the FAO guide that outlines alternative approaches in tackling the food prices problem, as well as the benefits and costs of the different options.

Gunther Feiler, (FAO, policy Office, Sub-regional Office for North Africa) addressed the seminar on the process of making policy decisions. The presentation dealt with the institutional and process-dimension of decision-making. It highlighted stakeholder and public consultation mechanisms that yield effective policy changes. The presentation stressed the need for:

- Designing and deciding on policy changes jointly with stakeholders;
- Conducting well organized and prepared dialogues with public, private, sector and civil society; and
- Communicating with all relevant stakeholders in order to facilitate policy change and increase ownership.

The presentation stressed the key role of processes and technical considerations in facilitating relevant and effective policy change.

Jean-Christophe Belliard, the French Ambassador to Italy, noted the economic, social and political impact of high food prices and described how the developments in the Middle East were at least initially driven by high food prices. Since the general question of the volatility of food and raw material prices are key questions, France during its presidency of the G8 and G20, is working very closely with all concerned stakeholders to recognize and pay more attention to problems of price volatility at the these key international forums.

### 3. RECENT TRENDS IN FOOD PRICES

#### 3.1. Global trends

The **FAO Food Price Index (FFPI)**, which rose for the seventh consecutive month, averaged 231 points in January 2011, surpassing its 2008 peak. This was the highest level recorded since FAO launched the Index in 1990. Although there are variations in the index points because of the differences in the types of commodities included in the food basket, the food price index of the World Bank and that of the IMF also show significant rising trends.

Sharp increases occurred in the prices of wheat, maize, sugar, and edible oil while the price of rice rose only moderately. Among food grains, wheat prices increased

sharply. As the World Bank data shows, between June 2010 and January 2011, the price of wheat more than doubled. This was accrued to the supply shocks in the major wheat producing countries (Russia, Australia, Canada, Pakistan, etc.) due to weather, while the demand for wheat continues to rise. The rising demand for maize for animal feed as well as the increased production of ethanol in the face of decreasing supplies and reduction of US Stocks has led to sharp increases in maize prices. The factors behind the sharp price rises of sugar and edible oils are also similar. Weather shocks faced by the major producers such Brazil (both for sugar and soya beans), Argentina (for soya beans), Malaysia and Indonesia (palm oil) are the drivers behind the price rises.

While the current rise in global food prices is worrying, analysts warn that these hikes may not be the peak. The continuing rise of oil prices and the depreciation of the US Dollar could cause further increases in the prices of food grains. The actions taken by governments in light of the continuing rise of food prices may also lead to a further exacerbation of prices. If countries ban exports, as happened in 2007-2008, particularly among the major grain producers, and take other trade restricting measures, and major food importing countries rush to build stocks beyond the necessary levels, then the current price shocks could easily turn into a major food crisis.

### **3.2. Regional trends**

As the 2007-2008 experience amply demonstrated, the transmission of global food prices to the domestic markets of the Eastern Africa Sub-region varied considerably from country to country. Example of this was Uganda where except for a limited supply of wheat and rice, the country has effectively isolated itself from the international food market essentially because of the high cost of moving goods from ports to the hinterland and vice versa. It is almost shielded from the impact of global food prices. Moreover, Uganda is also nationally self-sufficient in food production. Thus, there is no direct transmission of rising global food price as such to the domestic market. The country has always been faced with the indirect effect of the international markets from its neighboring countries through boarder trade. Djibouti, Burundi and Sudan on the other hand, depend on the international market for their staple supplies to varying degrees. Accordingly, the transmission rate of global food prices to the domestic markets in these countries, with other factors remaining constant, is expected to be high. Djibouti almost entirely gets rice, its main staple, from the international market and hence the transmission rate should be close to 100 percent. Thus, in the current year as well, following the international price trends, domestic prices of rice also increased moderately. In Burundi, however, contrary to the development in the international markets, domestic rice prices in December 2010 increased by 41 percent, which may be due mainly to the devaluation of the country's currency. Sudan is the other country that depends on the international markets for its wheat supply, one of the main staples for the urban population. Thus, in line with the developments in the global commodity market, the price of wheat in December 2010 in Khartoum was 37 percent higher than the level in December 2009 (FAO).

In the rest of the countries in the Sub-region, where demand for staples is mainly met by local production, it is the state of the domestic harvest and other national factors that play a key role in influencing the price trends in the grain markets.

### **3.3. National trends**

As indicated earlier, food prices in the Eastern Africa Sub-region in 2010 showed declining trends reflecting the good harvests enjoyed by most of the countries in that year. However, since January 2011, even earlier in some countries, the prices of some cereal crops started showing rising trends in some countries. Thus, in Kenya, for example, maize prices in February 2011 increased by 21 percent in Nairobi, 30 percent in Mombasa and 23 percent in the main maize producing area of Nakuru in just a month's time. The fall in production brought on by drought during the short rainy season caused this price rise. During the same season, Uganda enjoyed a good harvest. However, maize prices in Uganda in February, 2011 were about 29 percent higher than in 2010. High maize prices in Uganda are driven by the increasing demand from Kenya, South Sudan and Rwanda.

In 2010, the prices of main staples in North Sudan – sorghum and millet – went lower in 2011. In fact, the price of sorghum started to show declining trends since December 2010, continuing until February 2011. On the other hand, as North Sudan relies heavily on imported wheat, its price in December 2010 was 16 percent higher than in June 2010, consistent with the global price trends. Grain prices in South Sudan in the current year are also showing increasing trends. The price of sorghum (brown and white) in February 2011 had doubled compared to prices in October 2010. Maize prices had also doubled since January 2011. Most cereal crop prices in Ethiopia have shown increasing trends since October 2010. The prices of wheat, sorghum and maize in February 2011 increased by 5, 25 and 4 percent respectively compared to September 2010.

In Somalia, food price trends are worrying. Prices of maize and sorghum have doubled in cities and areas which were producing surplus, and tripled in the traditionally food deficit areas. The main factor for this dramatic rise in prices was the poor harvest in 2010 due to low rainfall. The grain market situation in Burundi is also a concern. Prices of staples in Burundi are showing significant increases owing to shocks in supply due to weather calamities. Beans and cassava are being traded at record prices while the price of rice, as indicated earlier, has increased by 41 percent.

Most countries in the region have designed measures to respond to the price hikes in 2011. Ethiopia is continuing with the policies it implemented during the 2007-2008 crisis. It has banned grain exports, completely eliminated tariffs on food imports and extended its price control on basic food items. It has set wholesale and retail prices for 23 commodities and reinforced its system of price controls and hoarding by traders. Along with the trade and consumer support measures, the Government also remains focused on the long-term strategy of transforming agriculture. To this end emphasis is being given to increase the provision of fertilizers and improved seeds to farmers, strengthen infrastructure such as roads, storage etc and ensure the flow of market information to farmers through various means. Kenya has also designed its responses. While the package remains more or less the same, the emphasis is more on

support to producers. The program envisages strengthening the delivery of inputs at subsidized prices and implementing other interventions that will enhance the productivity of the producers. In addition, a warehouse and receipt system has also been introduced with the view to protecting the farmers from price swings. In Uganda, the emphasis is still on production support with a strong commitment to the long-term development of agriculture. In the short run, however, Uganda's response to rising prices includes the increased delivery of inputs and other productivity enhancing services to farmers. While Uganda is opposed to the policy of subsidizing input prices to farmers, it provides all required inputs freely to those who lost their production capacity due to drought or conflict.

#### **4. LESSONS FROM 2007-2008**

Far-reaching analytical work is not necessary to understand the consequential effects of food price shocks on the households and economies of poor countries such as those in the Eastern Africa Sub-region. Households in these countries spend about 60 to 70 percent of their incomes on food. The devastating impact of food price increases in 2007-2008 on the welfare of poor households, who are net food consumers, is self-evident. Net food consumers in these countries include urban dwellers and most subsistence farmers. The immediate impact on the poor is the reduction of the quantity and quality of food consumed. One example from an assessment on household food security in countries most vulnerable to high food and fuel prices, conducted by WFP (2008) in Addis Ababa, Ethiopia, shows that the proportion of households consuming an adequate diet decreased from 64 percent to 40 percent from January to July 2008. Another study in Uganda found that a 10 percent increase in the price of the food basket would, on average, result in a six percent decline in a household's purchasing power.

Those most affected by soaring food prices are small subsistence farmers, pastoralists, daily laborers, petty traders, pensioners and others with low, fixed incomes living in urban areas. Apart from a decline in a household's food security and nutritional condition, high food prices also impact non-food expenses. Households in low-income countries often respond to food price hikes by selling assets and reducing their spending on education, healthcare and other expenses that are secondary to their food requirements. In short, rising food prices lead to hunger, increased household poverty and a household's diminishing investment potentials.

At national level, food-importing countries were hurt most as they had, without considering the additional requirements due to increases in population and income, to spend more for the same volume of food imported. The classic case in this respect is Djibouti, which depends entirely on imports to meet its food requirements. The other countries in the Sub-region, with the exception of Uganda, also depend on food imports. To make matters worse, Djibouti, Ethiopia, Kenya, Burundi, Rwanda and Sudan also faced shortfalls in domestic food production due to drought and conflicts. On all grounds, therefore, increasing the supply of food through imports became imperative. It was through imports, along with the use of existing reserves, that countries endeavored to stop domestic prices from escalating. At the height of the food crisis, Ethiopia, for example, was forced to use as much as 50 percent of its foreign exchange reserve to import food and fuel. The drain on Kenya's, and other

countries', foreign exchange reserves was also significant. On the whole, the steps taken by governments to maintain adequate food supplies through imports, coupled with rising fuel prices, led to serious balance of payment problems for many of the countries in the Sub-region.

Measures adopted by countries, with the exception of Uganda, to protect households from food price hikes and to enhance supply responses through support to producers, also created enormous financial difficulties. Some of the measures brought about losses in revenue, most called for huge additional expenditures leading on both counts to domestic borrowing and higher inflation. The financial constraints forced governments, like households, to make difficult choices. As empirical evidences abundantly demonstrated, decisions made usually favor current consumption, thereby sacrificing long-term development and progress on poverty reductions goals.

While countries are just emerging from the hardships brought on by the food price crisis of 2007-2008, food prices in 2011, both at global and national levels, are once again showing rising trends. International market prices for cereals, excluding rice, oil and fats and sugar, are increasing at alarming rates. Depending on a country's dependency on the international markets, global prices are bound to be transmitted to domestic markets. Hence, governments are once again preoccupied with the responses that should be taken to mitigate the effects of price rises. As in 2007- 2008, fuel prices are also rising at frightening rates, exacerbating food price increases. As most analysts warn, perhaps the worst is yet to come. Recent developments in the international grain markets have also reinforced the view that increases in food prices are not a short-term phenomenon. As the causes are structural, ensuring stable food prices must be taken as a long-term concern. Consequently, there is increasing recognition both within the region and internationally of the necessity to reassess more critically the lessons from the 2007-08 food crisis and to forge consensus with the broader development policy community on what needs to be done to effectively manage the impending food price shocks. Such an exercise should enable all the parties to be better prepared for the short- and long-term responses to rising food prices. In light of these considerations, participants from all countries underscored the timeliness of the seminar to help countries design interventions that could best work in their respective contexts, drawing on lessons learned from 2007-2008 – both the successes and the failures.

## 5. RESPONSES TO HIGH FOOD PRICES

### 5.1. Policy Responses by National Governments

The policy responses and measures adopted by countries to address the 2007-2008 crisis consisted of trade or fiscal or economy wide measures, consumer-oriented or social protection measures and production-oriented measures

**Trade or fiscal measures** included import tariff reductions, export restrictions or bans, VAT and other taxes reductions, public food reserve utilization, price control, food imports to increase public stocks and the selling of grain and flour at subsidized



prices, etc. These responses aimed to prevent the transmission of increased global food prices to the domestic markets and reduce prices for the consumers. Perhaps owing to the severity of the price hikes, only Ethiopia, among the countries of the sub-region, implemented all the measures indicated under this category. Burundi, Djibouti, Ethiopia, Kenya and Sudan implemented the suspension or reduction of import tariffs and the removal of VAT and other taxes. The banning of grain exports and the release of public stocks and food imports as instruments to influence domestic supplies of food and prices was used in Ethiopia and Kenya only. Djibouti of course entirely imported its food from international markets. Ethiopia, Kenya, and Sudan also subsidized food prices. Price controls were introduced in Djibouti, Ethiopia, Kenya and Sudan. Rwanda and Uganda took no trade or fiscal or any other measures to influence food prices. The policy of these countries was to let the market function on its own.

**Safety nets:** the food crisis of 2007-2008 concretely demonstrated that safety nets were effective in mitigating the effects of high food prices on poor or vulnerable populations. During the crisis, the program emerged as a social protection scheme in low-income countries. The program includes cash transfers, direct food assistance in the form of food stamps or vouchers and school feedings, and increased disposable income by engaging some of the vulnerable groups in public works. Intensive nutrition interventions are also included in the program, particularly in school feeding programs. The task of the social protection schemes is to ensure access to food for the most vulnerable groups of the population. During the crisis, those, such as Ethiopia, that already had the program, extended its scale and coverage; those that did not have readily adopted it as an instrument for improving access of food to the poor. In its broader dimension, safety net programs also included the provision different packages of support to the rural producers. It also included, through public works schemes, sustainable land management (SLM) projects that are most relevant for reducing the root cause of drought in most of these countries.

Among the region's countries, earlier safety net programs existed for a long time in Ethiopia. All the different forms of the program such as cash and food assistance and engaging vulnerable people in public works, existed for decades. Since 2005, the programs have been upgraded into productive safety net programs with the further mandate of providing agricultural inputs and assisting in establishing income-generating activities for the vulnerable population. In Kenya School feeding as a safety net is well developed, catering to well over 60,000 children during the crisis. Burundi, Kenya, Rwanda and Somalia also use safety net programs to distribute inputs to targeted farmers while in Somalia and Uganda, safety nets support the provision of nutritional and health services to the vulnerable groups of the population.

**Support to the rural producers:** this aims at easing the constraints that the small producers face with the view to enabling them to exploit the opportunities created by the rising food prices and increased food production. The objective was: to bring about a rapid supply response in food production and calm the local food markets, and to increase the income of the small producers and improve their living conditions. To this effect, governments responded in ways each believed that small farmers could be effectively and efficiently supported. The most common response, which was adopted by Burundi, Ethiopia, Kenya, Sudan and Rwanda, was to provide inputs such as chemical fertilizers and improved seeds at subsidized prices. Of these countries the subsidy made by Rwanda was very substantial. Sudan made the additional incentive

of delivering fuel to farmers at subsidized prices. Most of the countries took actions to improve the access of small producers to credit. Burundi took the decisive measure of raising its budgetary allocation for agriculture from 3 percent to 12 percent of its national budget. It also rehabilitated existing irrigation schemes that were not functional and provided more than 200 water pumps to farmers engaged in rice production.

The thrust of the consultation as articulated in the objectives and opening remarks was to learn from the experience of countries on the problems and constraints faced in implementing the responses and the impact of the responses, and to identify what countries “should” and “should not” do in designing appropriate responses to manage current and future price shocks. One of the key lessons that clearly emerged from the studies presented by the resource persons and the intervention of participants was that the impact of the measures and the drawbacks suffered in executing the measures varied from country to country and in fact from crop to crop. Uganda and Rwanda, for example, did not adopt the short-term measures designed to reduce the transmission of global food price rises to the domestic markets. Nor did they take measures to protect the net food consumers. Uganda viewed the development as an opportunity that producers should grab to increase production and incomes, and stood firm in its view of relying on market forces to solve the fundamental factor i.e. the imbalance in the supply and demand for food, which caused food price increases.

In the other countries, where the policies and measures were implemented, the lack of sound studies based on empirical evidences was recognized as a shortcoming in fully assessing the impact of the policies and measures. However, the reduction of import tariffs does not seem to have a significant impact as tariffs were already low in most countries. Export bans and the use of public food reserves and food imports by increasing domestic supply may have enabled the countries that employed these instruments to reduce food price inflation.

The experiences of some of the countries in implementing controversial measures such as price control were also discussed. It was explained that government parastatal, consumer cooperatives and government imports were used to enforce price control in Ethiopia. The other countries reported mixed experiences.

Among the measures designed to mitigate the effects of rising food prices, safety nets were recognized as most effective. By supporting the purchasing power of the poor they protected their consumption levels and hence prevented their food security and nutritional situation from deteriorating. On other hand, since safety net programs do not prevent the transmissions of food price increases to domestic markets. They do not hinder or limit the role of providing incentives to the producers. In fact by maintaining rises in the demand for food, safety net programs can contribute to sustained growth of agriculture.

Whether the achievements of the responses are worth the costs incurred has been intensively discussed by participants and resource persons. Although the measures have not solved the basic problem of the shortage of supply of food that in the first place caused the rises of prices, they have softened the price shocks. As mentioned earlier, the responses entailed huge foreign exchange expenses (that led to balance of payment problems) and budgetary outlays in most of the countries. In fact, if it were not for the support extended by the IMF and the World Bank, the balance of payment

and budgetary constraints of most countries in the region would have been quite difficult to manage. It is in light of such constraints that most participants have questioned the sustainability of some programs and called on the need to undertake cost benefit analysis of the responses.

Most also expressed concern that the responses mainly favored the consumers and stressed the importance of maintaining a balanced approach in future endeavors. Some emphasized the need to give more attention in future responses to producers support and to measures that stimulate the rapid growth of agricultural productivity as the solution to rising food prices are to be found mainly from growth in production. In light of this, some participants underscored the need to organize farmers association up to national levels so that they could, like the urban consumers, have the opportunity to influence policy directions at all levels.

Many also noted the failure of the responses to address drought and climatic changes that are the root causes of recurring production and price vulnerabilities in the region. Likewise, the delegates underscored the need to pay more attention to future programs for pastoralists and the livestock sub-sector, land and water management and demographic problems.

Another area related to food prices increases, and on which participants deliberated, was cross border trade in the region. Cross border trades in Eastern Africa, which have been going on for centuries, have positively contributed to production and food security of the region. It is due to the effects of cross border trade that maize prices in Uganda increase even when they have excellent harvest seasons. At the same time it is the abundant supply of relatively cheap maize through cross border trade which has enabled the neighboring countries of Uganda to avoid price surges. Ethiopia, Tanzania, Djibouti and Somalia also participate in the region's border trade.

To this end, participants urged members to remove export bans, taxes and duties, as well as the cumbersome and time consuming custom procedures and all other impediments to the smooth flow of trade among the region's countries. Participants also called for the development of infrastructure such as roads and bridges, storage and warehouse facilities, simplification and harmonization of custom procedures, developing facilities for effective flow of market information and improving the policing and governance of the border areas so as to create a more conducive environment for the efficient flow of goods and services. As high prices favor cross border trade and the development of common instruments such as regional reserves, most stressed the need to be aware of the environment and to promote more dialogue for further and stronger trade cooperation among the countries in the region.

Another issue that emerged in the workshop was the critical role of governments in implementing the responses to mitigate the impact of rising food prices and enhance supply responses. The success of the measures, in particular the extent to which the intended and targeted populations benefited from the programs, depended on the commitments and efficiencies of public organs at all levels of governments. However, as the exchange of experience among the participants showed, the efficiency of governments in implementing the 2007-2008 crisis was at best mixed. Certainly there

were success stories where developments went smoothly as programmed. In some cases, there were inefficiencies due to the lack of institutional capacity and trained manpower. In a few cases, the implementation of the program was beset with corruption and mismanagement of resources. In light of these findings, participants stressed the importance of giving due weight to governance in devising future programs or responses to mitigate the impact of rising food prices.

In the endeavor of improving governance one point underscored by many was the need to ensure better coordination within the different ministries and departments of the governments. Most also emphasized the imperative of achieving better coordination between governments, the private sector, civil society and other stakeholders in order to effectively implement countries' food security and nutrition goals. The need to create a more enabling environment for the private sector was also stressed. Achieving self-sufficiency in food production or improving the food security and nutritional condition of the population will require the active participation of the private sector along with government and other stakeholders. Hence, developing favorable and attractive conditions to increase private investment in agriculture from the production up to the processing stages was underscored by most participants.

## **5.2. Initiatives by Development Partners**

As the global food crisis of 2007-2008 was unprecedented, international cooperation to mitigate the effects of the crisis was also unprecedented. International development and financial institutions and donors were swift and decisive both in their responses and actions. Development programs, particularly those on food security, nutrition and agriculture, were bolstered with more funds and new financial facilities and initiatives were also launched. The implementation of existing programs in countries most affected by food price rises was accelerated. The fact that Overseas Development Assistance (ODA) in just one year, i.e. in 2008 alone, rose by 25 percent over the levels in 2007 is indicative of the extent to which the development community was mobilized and resolved to tackle the impact of global food price increases. During this crisis, even the responses by individuals, was unprecedented. Remittances sent by migrants to their countries of origin in 2008 totaled close to USD 340 billion, indicating a 40 percent increase over the levels in 2007. (The High Food Price Challenges: A review of the Responses to Combat Hunger, by Frederic Mousseau, 2010). As the same study indicates, in the same year, remittances to Sub-Saharan Africa reached USD 20 Billion, showing a 50 percent increase over the levels in the previous year.

Since countries within the Eastern African Sub-region are among the low income countries, they were favored in the allocation of the resources mobilized in response to the crisis. Below is a brief description of the actions taken by development partners.

### **AU NEPAD Food Security Workshop, Pretoria, South Africa, 20-23 May 2008**

This was the first regional reaction to the crisis. In this workshop, AU NEPAD rallied member countries to act immediately and decisively to address the consequences of high food prices on the poor and most vulnerable groups of the population. With the help of its experts and those it solicited from the FAO, World Bank and WFP, the workshop, based on CAADP pillars, elaborated the framework for the short and medium-term measures countries should devise to respond to the crisis.

### **The African Development Bank (ADB)**

Regional banks everywhere have played key roles in the overall response to mitigate the impact of global soaring food prices in 2007-2008. By reallocating and rescheduling existing programs and those in the pipe line, and also by raising more funds, the regional banks have endeavored to respond to the financial constraints of members countries. The African Development Bank was no exception in this. It had effectively operated to come to the rescue of member counties and in particular where poverty is deeply entrenched and the financial constraints were more acute. Apart from the additional funds it allocated to food and agriculture, the Bank launched the African food crisis response to mobilize USD 745 million in the short term and USD 2.1 billion in the medium term.

### **Food and Agricultural Organization (FAO)**

With its Initiative on Soaring Food Price (ISFP), FAO was the first development agency to launch action programs which effectively responded to the food crisis. FAO mobilized USD 1.7 billion for the Initiative. ISFP assisted countries in designing appropriate policy measures to bring about rapid supply responses and in mitigating the input constraints that small farmer faced to exploit opportunities created by rising food prices. The program was thus designed to boost food supply so as to bring down prices and in the process to enable poor farmers to increase their incomes. The Initiative mainly financed the supply of inputs such as chemical fertilizers, improved seeds, pesticides etc. to small farmers. In some countries, however, such as in Kenya and in Burundi from the Eastern Africa region, through this Initiative, FAO was also involved, in cooperation with other development partners, in financing the rehabilitation of small-scale irrigation schemes.

### **World Bank**

The World Bank also responded almost immediately to the crisis. In May 2008, the Board of Directors of the Bank approved a Global Food Crisis Response Program (GFRP) - a rapid financing facility of USD 1.2 Billion, which in addition to the emergency humanitarian assistance also provided funding for fertilizer, seeds, irrigation etc. Through this facility, the Bank assisted 20 low income countries with the provision of agricultural inputs. For Ethiopia and Rwanda, the input assistance they received from the Bank covered almost 90 to 100 percent of their requirements. On the whole, from the total assistance provided for agricultural inputs, 70 percent went to Ethiopia, Tanzania and Bangladesh. In 2009, i.e. a year later, it raised the facility to USD 2 Billion to support government budget, safety net and food

production programs with the high priority accorded to low income countries in which the countries of the Eastern Africa region are included.

### **International Monetary Fund (IMF)**

The IMF responded to the food price crisis essentially by augmenting existing lines of credits and by accelerating the use of its credit facilities. This way it supported countries facing foreign exchange and budget constraints due to food and fuel price rises. Since IMF accommodated the problems that arose from food price rises by using existing facilities it is difficult to establish precisely the extent of the Fund's response to the crisis. However, the significant increases of its lending programs in 2007 and 2008 suggest that considerations of the effects of the crisis had weighed heavily in its operations.

### **World Food Programme (WFP)**

Unquestionably the WFP was one of the UN agencies that aggressively moved to respond to the crisis. Its efficient resource mobilization and organizational capacities had enabled it to rise up to the challenge effectively. WFP was everywhere to support countries affected by the food price crisis. Its services included direct food assistance (23 countries); school feedings including in some cases take home rations to vulnerable families; nutrition support to malnourished children; food for work programs, community support with grain supplies to establish small-scale food reserves, etc.

### **European Commission (EC)**

The EC raised its budget for humanitarian aid development by 50 percent between 2007 and 2008, which covers both food aid and assistance to agriculture.

### **USAID**

The US Government also responded swiftly to the crisis. The US Congress provided an additional budget of USD 770 million for humanitarian assistance and support to the development effort of countries most affected by high food prices. The USAID developed, known as the Horn Food Price Crisis Response (HFPCR), includes Ethiopia, Kenya and Uganda. The strategy combined conventional food assistance with long-term recovery interventions to create and diversify household assets and improve economic opportunities for the vulnerable population. In 2009, USAID spent USD 40 million through HFPCR in East Africa.

The USAID representative to the seminar reaffirmed USAID's commitment to continue supporting the wide-ranging efforts of the Eastern Africa countries to mitigate the effects of high food prices. Apart from humanitarian aid, USAID is also interested in supporting the promotion of regional trade and integration. In the short term, regional trade will help countries to manage more effectively the perennial problems of production and price volatilities. It is also a prerequisite for the sustained growth of agriculture in the long run. USAID's interest in supporting such

cooperation is based on the appreciation of the significance of regional trade for the overall development of the region. USAID is also interested in supporting the development of market information, and warehouse receipt systems, which could contribute to the emergence of efficiently functioning markets in the region. In addition, USAID also expressed its desire to provide assistance, through various facilities, to financial institutions such as commercial banks that are willing to extend credit to small farmers in particular.

The list of development partners indicated above is not exhaustive. It does not include the UN Agencies such as UNICEF and bilateral agencies like GTZ, DFID, CIDA, etc. which are all playing important roles in the development efforts of the countries of the region. In addition to these, there are hundreds if not thousands of NGOs that are active participants, particularly in food and nutrition security and poverty reduction programs. The above simply demonstrates how swiftly development partners have responded to the crisis.

The participants of the seminar were unanimous in their appreciation of development partners' swift and decisive response to the crisis. However, limitations of resources still remain a formidable challenge in most of the countries. In view of this, the request for more assistance is shared by the representatives of all the countries. Among the areas of assistances, the request for capacity and institutional building was accorded high priority. The lack of sound project preparation and appraisal skills, poor implementation, weak follow up, poor monitoring and control, weak governance are all, among other factors, related to the lack of trained manpower and poor institutional capacities. Most of the development institutions in most of the countries are understaffed, ill-equipped and lack modern management systems to execute their missions effectively and efficiently. The pressing request for capacity and institutional building comes from both North and South Sudan and of course from Somalia too. All countries have also requested more investment to finance infrastructure such as roads, storage facilities, market infrastructures, irrigation, fertilizer factories, agro-processing, etc. Participants reported needing support in the form of technical assistance for agricultural research institutions, development of data and information systems, establishment of commodity exchange centers, etc.

## **6. INSTITUTIONS AND POLICY AND PROGRAMMATIC OPTIONS**

### **6.1 Institutions**

With countries facing high food prices, and the resulting hardship and political trouble, it is essential to give considerable attention to the process, as any decision made will need to get the backing of key stakeholders. Their resistance to decisions taken could make the situation worse.

Typically, in a situation of high food prices, trust among stakeholders may falter. Risk is high that mistrust grows between private sector traders and government, farmers and private sector traders, consumers and government, etc. In a situation where there is some degree of urgency, particularly when there is intense political pressure, experience shows that quick policy fixes do not necessarily result in the desired

outcomes because they are taken without proper consultation of stakeholders and sufficient analysis of what the consequences of the decisions taken will have on the economy.

It is essential that a process be initiated to discuss and decide on measures for addressing high food prices in a consultative and transparent way. One way to proceed is first to organise a broad national consultation using existing consultative mechanisms, if possible. This consultation should be carefully prepared and facilitated by professional facilitators. It should be an opportunity to review available options and to assess their possible implications. It is important to gather the points of views of key stakeholders and take decisions based on as broad a consensus as possible, while identifying any further analysis and design work that may be required. In some cases, this may entail reviewing on-going programmes and projects and agreeing with partners to re-programme them into actions that will address the high food price issue.

## 6.2. Policy and Programmatic Options

The consultation in Addis Ababa aimed at, among other things, introducing the Guide for Policy and Programmatic Actions to Address High Food Prices (FAO) to development practitioners engaged in developing and carrying out such policies at country levels. The consultation aimed at creating awareness of the policy options and to discuss the pros and cons of the measures, with country experiences serving as benchmarks.

The policy options consisted of measures that could bring about:

1. Facilitation of consumers' access to food;
2. Increases in food production.

The Guide details the different options that countries could use to achieve the above-stated objectives. Thus, in order to reduce the transmission of global food prices, the instruments at countries' disposal include reducing import tariffs, tax breaks for importers, simplifying import procedures, reducing export taxes or totally banning exports. While the costs and impacts of the instruments differ, they can certainly help to reduce the rates of global food transmissions to the domestic markets. The most obvious and serious cost of these measures is the reduction impact they have on government revenues.

Reducing VAT and other taxes on food, fuel, local roads and tolls (where applicable), importing more food, releasing public grain stocks, consumer food prices control, increased food aid in kind, etc. are measures commonly used to reduce domestic prices. Some of these measures could lead to the weakening of the private sector. If the volume of food aid in kind, for example, is high then it could significantly lower domestic prices. If this happens, the situation could also have negative repercussions on investment in food production. The most obvious and serious consequences are, however, the financial constraints that the measures could create. Most reduce government revenues while some of the measures involve additional expenditures leading, on both counts, to increased budget deficits. The foreign exchange cost of some measures (food imports, release of public stocks, etc.) could also be significant. In the long-run, one can also think of such measures like developing infrastructure,



storage, improving the value chain, thereby reducing transaction and marketing costs, could help to reduce and stabilize prices.

Measures to improve access to food include safety nets (cash transfers or food vouchers), distribution of food by the public sector, universal food subsidy and income-generating activities. Of these measures the most effective and least controversial are safety nets and this is not without justifications. They do not have direct effects on prices and hence safety nets do not have much distorting effect on the functioning or behavior of markets. If they are well-targeted and well-managed the equity or distributional problems could also be minimal. Because of these merits, safety nets are now accepted as an effective social protection instrument for low income countries. The use of universal food subsidies apart from raising questions of equity and facilitating the capacity of low income countries to continue with the program without going into serious financial constraints is questionable. On the other hand, engaging vulnerable people, particularly young people, in income-generating activities could be an effective solution for improving food access.

The tools indicated in the guide to increase food production include: increased availability of inputs such as fertilizers and seeds; access to credit for producers, the strengthening of extension and advisory services to farmers; reduction of post-harvest losses; Integrated Post Harvest Management (IPM) etc. The mode of delivering the inputs and services, in particular the role of the public sector, has always been and still is debatable. Whatever the costs and however they are covered, the increased use of such technologies to enhance productivity and increase food production does not have viable alternatives.

In the discussions that followed the presentation, there were no disagreements on the purpose or content of the guide as such. Most expressed appreciation of the initiative taken to produce the guide since it could serve as a useful kit or tool for practitioners. It would have been more useful if it had been based on empirical evidence. It was suggested to strengthen it over time with concrete examples.

Notwithstanding the usefulness of the guide, the problem has been and continues to be the choice of policies and the priorities to be accorded to the different policies. In all countries, particularly in developing countries, increases in food prices and the measures to tackle them tend to be highly politicized. Thus, in the choice of policies and instruments, economic considerations are not given due attention. Political rather than economic factors influence these choices. As a result, short-term measures are given primacy over the long term, and measures that support consumers are given precedence over those that support producers. In addition, in the choice of the instruments affordability and sustainability give way to the appeasement of the populace. The responses designed by most of the countries to address the 2007-2008 food crisis reflect similar weaknesses. The root cause of the bias in favor of measures that support consumers seems to be the strong political influence of the urban population.

On the other hand, that the solutions to food price increases lie in the growth of agriculture is self-evident. Analysts also continue to warn of the need to pay more attention to the rapid growth of food production to effectively mitigate the price problem. To correct the current policy bias in favor of short-term, consumer-oriented measures and to accord more priority to producer-oriented, long-term solutions,

concerted efforts will be required at two levels. At country level, there has to be a continuing dialogue with policy makers and leaders to build consensus on the way out of the recurring food production and price crisis in the Horn of Africa. Seminar participants can also contribute towards such consensus building. To this end, most believed that they could conduct meetings and discussions with officials of the Ministries of Agriculture and Finance and Economic Development, parliamentary committees and other stakeholders to sensitize government and public opinions in favor of policies that could help to address the root causes of food price hikes. While the debate to convince politicians and policy makers at country level continues, development partners at international and regional levels should also examine if the resources they provide and the areas they support contribute to promoting and reinforcing the long-term development requirements of the countries. If these evaluations lead to the increased flow of resources to enhance food production and agricultural growth then the universally accepted twin-track approach can become a reality.

### SOME EXAMPLES OF POLICY MEASURES

<b>Policy measures</b>	<b>Policy or programmatic measures</b>	<b>Expected effects</b>	<b>Caution</b>
Trade measures	<b>Reduce import tax</b> <b>Tax breaks for importers</b> <b>Facilities for importers</b>	-Lowers prices -Stimulates imports -Impact on budget	-Needs budget provisions to avoid high deficit -May contribute to higher world prices
	<b>Reduced, banned or taxed export</b>	-Lowers prices -Medium and long term implications	-Will contribute to higher world prices -Risk of smuggling and corruption
Measures in favor of consumers	<b>Reduce VAT and other taxes on food</b>	-Lowers prices -Impact on budget	-Limited scope -Effective if competition -Price monitoring
	<b>Reduce local road taxes and tolls</b>	-Lowers prices -Improved flow of commodities	-Difficult to target food -Compensations to local authorities
	<b>Reduce fuel tax</b>	-Reduces transport costs -Improves real income	-Needs budget arrangements to avoid high deficit
Market management policies	<b>Boost food imports</b>	-Increases availability -Undermines speculation -May lower prices	-Consultation with private sector needed -Availability on world

		-Impact on budget	market -Impact on world prices
	<b>Progressive release of public food stocks</b>	- May lower prices temporarily, depending on size of stocks - Can be used for safety nets	- Consultation with private sector needed - Resources for replenishment and budgetary implications
Safety nets	<b>Cash transfers or food vouchers</b>  (with or without linkage to work contribution or other conditions)	- Increased resources for beneficiaries - Parallel currency - Risk of theft, corruption and embezzlement	-Targeting possible -Could have inflationary effects -Budget implications -Where markets function and food is available
	<b>Universal food Subsidy</b>	-Every benefits -Generally Very Expensive -Targeting possible on some food products	-With Rationing Risk of black Market -Very hard to phase out
Productive safety net programs	<b>Direct Crop Seed Distribution</b>	- Lead time for procurement - Needs good source of adapted quality seeds	- Must be based on needs of farmers - Not sustainable - May undermine local seed systems
	<b>Community based seed production</b>	- seed supply of appropriate crop varieties - Longer startup	- Technical supervision needed - May help develop seed system
	<b>Input vouchers for vulnerable farmers</b>	- Low cost - Farmers allowed to chose - Cost effective	-Input markets must work -System to check quality of inputs needed
Measures in support of producers and value chain development	<b>Bulk purchase by government.</b> <b>Credit for private sector.</b> <b>Risk sharing fund</b>	-Fertilizer available on time in appropriate quantities and quality	-Requires platform for constructive dialogue among public and private sector

	<b>Universal (untargeted) subsidized fertilizers</b>	-Distorts production decisions and encourages overutilization  - If input markets imperfect can increase economic efficiency  - Small farmers have easier access to fertilizer and can increase yields	-Success is more likely in areas where rain is sufficient or reliable or in irrigated areas  -Existence of reliable delivery systems
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## 7. CONCLUSIONS ON THE WAY FORWARD AND FOLLOW UP

### 7.1. Summary and Conclusions

Dr. Castro Camarada presented a closing summary of the two-day program, highlighting the many differences between the current situation and the food price crisis of 2007-08, pointing out that the Sub-Region was not yet operating in crisis mode. While no reason for alarm was cited, it is critical to be vigilant and plan forward-looking, especially given the Horn of Africa's vulnerability to food insecurity. Dr. Camarada noted that all the countries of the Sub-Region, with no exception, moved rapidly to devise policy measures to tackle the effects of the soaring food price of 2007/08. The policy packages and the emphasis given to the different aspects or dimensions of the crisis varied from country to country. Some opted mainly for policies and measures that could mitigate the negative impacts of food price rises on the consumers (i.e. Djibouti), other policies aimed at tapping the opportunities and enhancing food production by providing support to producers (Uganda) while most (Ethiopia, Kenya, Rwanda, Burundi) combined support to both producers and consumers. The huge difference in policy packages adopted by countries of the region, once again, demonstrated the time tested conclusion that there cannot be a "ONE SIZE FIT ALL" strategy or solution to all countries.

Despite differences in emphasis, Dr, Camarada pointed out that the lessons derived from countries experiences were immensely useful to all participants. The participants were provided with the unique opportunity of getting a firsthand knowledge of different country experiences and generating ideas with respect to:

- What to do and what not to do
- The institutional and other developments necessary to implement the food price crisis mitigation measures (governance, infrastructural developments, better cooperation and harmony between government and the private sector and other stakeholders etc).

A highlight of some of the important issues that emerged from the experience of countries includes:

- The need to have a better picture of the economic and social effects of the measures implemented by countries: While the reactions of countries to rapidly rise to the challenges of soaring food prices were commendable, the

effects of the measures on both consumers and producers have not been very satisfactory in all cases. According to the studies presented by Mr. Demeke, country-wide consumer support measures did not help very much in many cases. Nor did the production support programs show significant responses. Hence, it would be imperative for countries to continuously monitor and assess the benefits and costs of support programs to both consumers and producers. Ms Aphane emphasized the importance of nutrition-sensitive responses to avoid deterioration of nutritional status, which would simultaneously obliterate efforts gained towards the achievement of MDG1. She recommended that nutrition objectives be incorporated in policies and actions taken to alleviate the impact of high food prices; and nutrition-sensitive agriculture be implemented as a medium to long term strategy.

- Stabilizing prices of Agricultural Products: Another important lesson derived from the 2007/08 price surge and indeed from the history of agricultural development is the key role of maintaining stable prices of agricultural products in order to ensure the sustained growth of the sector. Dr. Camarada noted that many participants have underscored the importance of getting prices right and stable. France, which has currently assumed the leadership of G8 and G20, committed to seeking to raise the general question of volatilities of food and raw material prices as key question in G8 and G20 meetings. This calls for the analysis of the factors of supply (e.g. climate change, low investment in agriculture, etc.) and demand (e.g. biofuel, emerging economies demand for food, population growth, etc.) that cause production and price swings.
- Improving trade to avert rising food prices: Dr. Camarada observed that trade between the countries of the region could be used as a short term measure to mitigate the effect of high prices by enabling the flow of goods from countries where there are surplus to where there are shortages. However, a number of constraints have hindered the flow of trade among the countries of the region and these include:
  - trade barriers like export bans, complex procedures in handling trade, and inefficient boarder administration practices
  - Poor infrastructure (bad roads, lack of storage facilities etc.), inadequate market information, limited commitment among countries, and insecurity and conflict are the other limiting factors

As a result of these constraints, the flow of trade among the countries of the region is showing a declining trend. The participants thus underscored the importance of reversing the present trend and enhancing the flow of goods among the countries of the region through:

- Harmonizing customs procedures and remove trade obstacles
- Improving market infrastructure and the flow of market information
- Enhancing good governance and continuing endeavor to resolve conflicts

- *Soliciting and harmonizing development assistance;* With respect to the processes of engaging development partners, each country needs to identify the areas in which it seeks assistance from development partners. Accordingly, most participants pointed out capacity building to be one of their priorities. Other areas of interest included investment capital as well as bridge financing and technical assistance in various fields.

## 7.2. Follow-up action

Regarding how participants would influence policy developments in their respective countries with the outcomes of the workshop, the delegates expressed their commitment to engage in sensitizing line ministries like the Ministry of Agriculture and Ministry of Finance and relevant parliamentary groups and cabinet bodies on the outcome of the workshop. Dr. Camarada thanked the participants for their commitment and productive deliberations.

In the last presentation to the delegates, Dr. David Phiri - FAO thanked the participants for the very rich discussion and stressed that this should be the start of a process, not an end. There is a need to initiate discussions at country level in order to work towards better policy and programmatic decisions and action, involving both decision makers and the broader group of stakeholders. The emphasis should be on outlining issues and options available in case of a major crisis event. It is important for non-governmental actors to follow up with their responsibility of influencing policy through representation of their views and needs to their governments.

In terms of practical follow-up, the following main actions were outlined:

- FAO is planning to support an electronic forum to follow up with each regional and sub-regional seminar. Participants will be automatically included, and they are encouraged to invite other interested and relevant actors;
- The main workshop report will go to all participants as soon as possible;
- The report will also be shared with all principals (Ministries of Agriculture, Planning and Finance);
- The regional/ sub-regional reports will also feed into the global report to be submitted to the CFA in October. The central topic of the CFA meeting will be price volatility;
- The workshop organizers would welcome additional suggestions on follow-up actions.

Dr. Abebe Haile Gabriel, Director, African Union Department of Rural Economy and Agriculture, summarized the achievements of the workshop and stressed the importance of addressing issues that are critical for producers, consumers and vulnerable groups, highlighting areas of concern and the need to be proactive. The specific need to address cross-border and intra-regional trade was stressed, as well as the importance of legal frameworks and infrastructure. It was pointed out that EGAD and COMESA both have a critical role, and a mandate to promote regional trade. The main focus of the AU Commission for this year is on value addition along the entire agricultural value chain. It was stressed that it was important but not sufficient to only address production. Dr Haile Gabriel commended the workshop as a very good occasion for interaction.

On behalf of all the participants, Dr Ahmed Abdelkarim Atta Elfadeel, Sudan (Ministry of Agriculture) thanked FAO and the AU for organizing the event, and gave special thanks to Ethiopia for acting as host.

## APPENDICES

### Participants' List

No.	Full Name	Country	Org.	Position/Title
1	Dr. Castro Camarada	Ethiopia	FAO	Representative
2	Ms. Juliet Aphane	Italy	FAO	Nutrition Officer
3	Mr. David Phiri	Italy	FAO	Chief, Policy Assistance
4	Mr. Alexander Jones	Italy	FAO	Senior, Officer
5	Mr. Gunther Feiler	Italy	FAO	Policy, Officer
6	Mr. Fasika Sidelel	Ethiopia	FAO	Consultant
7	Ms. Maria Pia Rizzo	Ethiopia	FAO	Snior Policy Officer
8	Mr. Elia I. Luak	S. Sudan	Ministry of Agriculture	S/ Inspector for planning
9	Mr. Hassen Ali	Ethiopia	FAO	Assistant FAOR
10	Mr. Franklin Moore	Italy	USAID	
11	Mr. Paul Francis K. Modi	S. Sudan	Concord Agriculture	Operation Manager
12	Mr. Aggrey Idri	S. Sudan	S. Sudan Agricultural Producers Union	Chairman
13	Mr. Sory Ouane	Uganda	WFP Eastern Central & Southern Arfica Regional Bureau	Deputy regional director
14	Mr. Lucien Bruneau	Ethiopia	French Embassy in Ethiopia	Cooperation
15	Mr. Techane Adugna	Ethiopia	UNDP	Programme Analyst
16	Edward Kilawe	Ethiopia	FAO	Forestry Officer
17	Mr. Bona Thiang Thiep	S. Sudan	Ministry of Finance	Director
18	Ms.Merritt Chesley	USA	Dept. of Agriculture	Agriculture Consular
19	Mr. Maker Biar Angeth	S. Sudan	GOSS	AG/D/D



20	Mr. Saleban Ahmed Aibo	Djibouti	Ministry of Finance	Deputy Director
21	Amy Martin	Ethiopia	OCHA	Director
22	Mr. Mulat Demeke	Italy	FAO	
23	Ms. Emmanuelle GuerneBleich	Ethiopia	FAO	Livestock Officer
24	Mr. Pradiip	Ethiopia	Export Trading	
25	Mr. Dickson Nyariki	Kenya	University of Nairobi /SEUCO	Deputy Principal
26	Ms. Agnes Lusweti	Kenya	NMK	Res. Scientist
27	Mr. Hamdou R. Wane	Ethiopia	ECA	Economic Affairs office
28	Mr. Moustapha Magumu	EC/Ethiopia	EU DEL/AU	Advisor
29	Mr. Charles Matovu	Uganda	Ministry of Finance	Economist
30	Mr. Kwadwo Asenso Okyere	Ethiopia	IFPRI	Director
31	Mr. Mezgebu Amha	Ethiopia	MOFED	Director
32	Mr. Celso Franca	Ethiopia	Brazilian Embassy	First Secretary
33	Mr. Ahmed Abdelkarim Atta	Sudan	Ministry of Finance & National Economy	Director
34	Prof. Michael Chege	Kenya	Ministry of Planning / Treasury	Advisor
35	Ms. Odette Kayitesi	Burundi	Government	Ministry of Agriculture
36	Mr. Samuel Abiyou	Ethiopia	M. of Agriculture	Director
37	Mr. Abebe H. Gabriel			Director
38	<b>Mr. John Graham</b>	<b>Ethiopia</b>	<b>USAID</b>	<b>Policy Advisor</b>
39	Mr. Abdellah Ismail	Somali land	Ministry of Agriculture	Director General
40	Mr. Meshack Malo	Ethiopia	FAO	Natural resource officer
41	Mr. Pradip Raojbhai Patel	Kenya	Export Trading Group	Director
42	Dr. Eshetu Mulatu	Ethiopia	EU-Delegation	Food Security Advisor
43	Etyang Martin	Uganda	OPM	Ass. Commission
44	Adrian Cilus	Ethiopia	FAO	Food Security Team
45	Neil	UN	UN-HLTF	Senior Policy advisor

46	Mr. Jackson Kiraka	Kenya	Eastern Africa Grain council	Marketing Information MGR
47	Mr. Muyinda Alex	Uganda	Ministry of Finance Planning	Economist
48	Mr. Ahmed Elhussien	Sudan	Business Federation	Member of the business federation
49	Mr. Djama Mohamoud Dualeh	Djibouti	M. of Agriculture	Advisor the M.O.A.
50	Ms. Selamawit Abebaw	Ethiopia	UNDP	Economist
51	Ms. Beatrice King'ori	Kenya	M. of Agriculture	Deputy Director
52	Mr. Rumenera Philippe	Rwanda	M. of Trade & Industry	Trade Expert
53	Mr. Samuel Semanda	Uganda	M. of Agriculture, Animal Industry and Fisheries	Commission Agricultural Planning
54	Mr. Pius Kwesiga	Uganda	Nile Fresh Produce	Manager
55	Ms. Kigeme Ange	Burundi	Green Belt action for Env.	Project Coordinator
56	Mr. Hassabelrsoul Hag Elsaed	Sudan	M of Agriculture	Senior Staff Planing Dep.
57	Ms. Emebet Kebede	Ethiopia	Fews Net	ANFR
58	Haile Kebret	Ethiopia	U.S. Embassy	Eco.
59	Pradeep Gangwar	Ethiopia	Export Trading Group	General Manager
60	Ntunguka Celestine	Burundi	Ministry of Trade	Advisor of Minister
61	Ms. Eleni Asmare	Ethiopia	FAO	



## Agenda

### Seminar on Policy and Programmatic Actions to Address High Food Prices in Eastern Africa Sub-region

FAO Sub-regional Office for Eastern Africa (SFE)

UNECA, Addis Ababa, Ethiopia

17<sup>th</sup> and 18<sup>th</sup> March 2011

#### Agenda and Time Table

<b>16<sup>th</sup> March 2011</b>	
<b>Arrival of participants</b>	
<b>Day One: 17<sup>th</sup> March 2011</b>	
<b>Facilitators: Meshack Malo and Feiler Gunter</b>	
<b>Official Opening</b>	
<b>Chairperson Dr. Abebe Haile</b>	
<b>Rapporteur Thandeka Sithole</b>	
9:00 – 9:20 hrs.	Introductions of participants
9:20 – 9:30 hrs.	Welcome Remarks by Dr. Castro Camarada SRC, FAO
9:30 – 9:40 hrs.	Opening remarks by invited guest
9:40 – 10:00 hrs.	Opening remarks by H.E. Rhoda Peace Tumusiime Commissioner of Rural Economy & Agriculture, AUC
10:00 – 10:15 hrs.	Introduction to the Sub-regional Seminar By Dr. David Phiri
<b>10:15 – 10:30 hrs.</b>	Tea/Coffee Break
<b>Session 1:</b>	<b>Overview of the global and regional trends in high food prices</b>
	<b>Chairperson: Sory Ouane</b>
	<b>Rapporteur: Maker Biar Anyieth</b>
10:30- 10:45hrs	Overview of the global and regional trends in high food prices By Mulat Demeke, FAO, ESA
10:45 – 11:00 hrs.	Experiences and policy lessons from 2007 -08 food crisis in East Africa by Mulat Demeke, FAO, ESA
11:00- 11:15 hrs.	Priorities and work in the framework of food prices volatility by France (chair to G8 and G20) Presented by Mr Jean-Christophe Belliard French Ambassador
11:15 – 12:00 hrs.	Panel Discussants on country experiences Kenya, Uganda & Ethiopia
12:00 – 12:30 hrs.	Discussions
13:00-14:00 hrs.	Lunch



<b>Session 2:</b>	<b>Parallel working group sessions to discuss participating country experiences</b>
14:00 – 15:30 hrs.	Break-out group discussion on: <ul style="list-style-type: none"> <li>▪ recent developments in prices of major agricultural commodities</li> <li>▪ current supply situation for major agricultural commodities</li> <li>▪ policy and programmatic actions to address price increases and volatility</li> <li>▪ problems/constraints in implementing the policies and programmes</li> </ul> <b>Chairperson and Rapporteurs to be elected in the groups</b>
15:30 – 16:15 hrs.	Group presentations and plenary discussion
16:15 – 16:30	Tea/Coffee Break
<b>Session 3:</b>	<b>Macro-economic policies and trade measures</b> <b>Chairperson : Boaz Kiezire</b> <b>Rapporteur: Ange Kigeme</b>
16:30 – 16:45 hrs.	Macro-economic policies and trade measures By Josué Dione Director FSSD UNECA
16:45 – 17:00 hrs.	Consumer policies and programmatic actions By Juliet Aphane, AGN, FAO
17:00 – 17:30 hrs.	Panel discussion: Burundi, Rwanda, and Sudan – views on Country experiences
17:30 – 18:00 hrs.	Discussions
18:30-20:30 hrs.	Reception Hilton Hotel
<b>Day Two</b> <b>18<sup>th</sup> March 2011</b>	
Session 4	Producer policies and programmatic actions <b>Chairperson: Dickson Nyariki</b> <b>Rapporteur: Celestine Ntunguka</b>
9:00 -9:20 hrs.	Policy and programmatic options to address price increases and volatility (Alexander Jones, TCI, FAO)
9:20 – 10:15 hrs.	Panel Discussants by Development Partners on high food prices in East Africa and their initiatives  World Bank WFP IFPRI USA
10:15 – 10:30	Tea/Coffee Break
<b>Session 5:</b>	<b>Parallel break-out group sessions to discuss and generate recommendations</b>
10:30 -11:30hrs.	Recommendations on:



	<ul style="list-style-type: none"> <li>▪ Measures to improve information flow/ information sharing in the region;</li> <li>▪ Three to four key steps to launch dialogue on policy and programmatic actions to address high food prices;</li> <li>▪ Mechanism to engage with development partners at country level to mobilize their technical and financial support.</li> </ul> <p><b>Chairperson and Rapporteurs to be elected in the groups</b></p>	
11:30 -12:30 hrs.	Break-out group presentations and stakeholder dialogue on cooperation and collaboration	
12:30-14:00 pm	Lunch	
<b>Session 6</b>	<p><b>Institutional and Process dimensions</b>  <b>Chairperson: Kayitese Odette</b>  <b>Rapporteur: Agnes Lusweti</b></p>	
14:00-14:20 hrs.	Presentation on Institutional and Process dimensions by Gunther Feiler, TCSP, FAO Officer	
14:20-15:00 hrs.	Discussion	
15:00-15:15 hrs.	Tea/Coffee break	
<b>Session 7:</b>	<p><b>Conclusions on the way forward and follow-up</b>  <b>Chairperson: Castro Camarada</b>  <b>Rapporteur: Alexander Jones</b></p>	
15.45 – 16.00 hrs.	Presentation and discussions on Way forward David Phiri	
16:00 – 16:15 hrs.	Closing remarks	