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Africa Human Development Report 2012: Towards a Food Secure Future

Africa's rapid economic growth has not eliminated food insecurity...........

Introduction

The Africa Human Development Report (AfHDR) is the UNDP's first issue of human development report with an exclusive focus on Africa. The AfHDR recognizes the dire hunger and starvation that characterize the lives of the majority of the people of sub-Saharan Africa (SSA) and calls for an accelerated change in governance and development strategies to address SSA's persisting food insecurity. The focus of this first AfHDR was motivated by the realization that SSA continues to have the highest prevalence of hunger and malnourishment in the world due to its chronic food insecurity. Food production in SSA has risen, but at a slower pace than population growth and hence consumption.

The tragic situation of hunger and malnutrition in SSA continues despite several years of accelerated economic growth. Over the last decade SSA has been converging with the world in as far as economic growth is concerned supported by sustained economic reforms and improved terms of trade. Africa grew by 6.5 per cent per year between 2004 and 2008, slowed to 2.7 per cent in 2009 due to the global financial and economic crisis and rebounded to above 5.0 per cent in 2010 and 2011. Africa's growth has increased even on a per capita basis, despite the high population growth. Nonetheless, the share of SSA's population living in insurmountable poverty rose 6.0 percentage points to 58.0 per cent from 1981 to 1999 and fell to 48.0 per cent in 2008. This is a very slow pace compared to East Asia and the Pacific where it fell from 77.0 per cent in 1988 to 14.0 per cent in 2008.

In addition, according to the AfHDR, SSA suffers dire hunger despite being endowed with natural resources, including large areas of cultivable land and abundant though unevenly distributed water resources. Out of 1.0 billion hectares of SSA's land that is considered suitable for rain fed cultivation of at least one crop, only a little more than 200.0 million hectares are in use, leaving four-fifths unutilized. SSA also has water in abundance, with 17 major rivers and 160 lakes.

What Lies at the Roots of SSA's Food Insecurity?

Food production has increased in SSA, especially after 2000. However, its pace remains behind that of Asia and Latin America. In 2008-2010, a hectare yielded above 2.0 tonnes more cereal in Asia than in SSA. As a result, on a per capita basis, cereal production has been declining in SSA while rising in Asia and South America. This is attributable to the fact that very little of the land under cultivation in SSA is fertilized. In addition, agricultural production in SSA is highly reliant on erratic rain falls and less on irrigation. Agricultural research and development as well as the provision of extension services have not been prioritized, thus denying SSA the benefits of science-based farming and input responsive boost in agricultural productivity.

Inadequate access to food also contributes to poverty and hunger. The high rate of unemployment coupled with limited opportunities for salaried employment at decent wages curtails the ability of people to acquire food. Access to food is also hampered by low population density, especially in the rural areas, long distances to food markets, poor infrastructure and limited competition in transport and related sectors. Rural roads are very poor, resulting in high transaction costs for agricultural activities. Political violence and conflict are common in SSA and disrupt food production, availability and access.

The above mentioned factors only partially explain SSA's food insecurity. According to the AfHDR 2012, the major factors behind SSA's food insecurity are the misguided policies, weak institutions and failing markets. From the 1960s most African countries dedicated resources to manufacturing with the objective of promoting modernization and industrialization, to the detriment of agriculture. In most SSA countries, governments spend far more on the military than on agricultural research and development. In addition, SSA's food systems are adversely affected by the provision of subsidies to farmers and biofuel producers in developed countries.

Addressing Food Insecurity in SSA

Agriculture has great potential to drive SSA towards food security. This is especially so given that the region has been barely successful in attaining economic transformation and addressing food insecurity by focusing on sectors such as manufacturing and services. Agriculture can contribute to food security in two ways. First, it is the first link in the food security chain because it determines food availability. Second, agriculture can enable people to purchase or produce food because it can generate income for farmers and those employed by the sector. Agriculture employs a substantial share of the population of SSA, particularly the poor and extremely poor who reside in the rural areas. However, because of low productivity, incomes earned by the majority of farmers and employees are very minimal to make any meaningful and sustainable contribution to food security.

SSA needs to boost its agricultural productivity to advance food security and human development, hence eradicate poverty. However, agriculture can only thrive and have an effective impact on human development and poverty reduction under certain conditions, which SSA needs to take serious cognizance of. SSA's crop yields must rise rapidly enough to offset the fast population increase. This should be attained through **enhancing productivity of smallholder farmers** through labour intensive rather than capital intensive means of production so as to create employment for the unskilled, poor rural masses. For employment generation to be sustained, land productivity would have to rise faster than labour productivity. An accelerated and sustainable increase in yields is achievable through improved water management and irrigation, high fertilizer use, development and delivery of better seeds, the necessary and appropriate technology, access to markets and effective institutions for supporting agricultural production. Subsidies on farm inputs could enhance productivity. However, measures will have to be undertaken to ensure sustainability, for example by tying the subsidy to productivity (excessive use of fertilizer can damage the soil and reduce the yields). In addition, research on how to economize on inputs and how to enhance crops' responsiveness to them could help promote sustainability. For agriculture to yield food security, income and jobs for SSA, governments will have to develop policies aimed at increasing crop yield up to the frontier of current science, through faster and wider adoption of better technology, and then policies to expand that frontier so that agricultural yields can continue to rise.

Governments can stimulate and promote sustainable use of inputs in various ways. Investment in infrastructure, particularly water management to facilitate irrigation and; road networks and warehousing infrastructure to enhance access to markets for inputs and for farm produce could stimulate proper use of inputs. Substantial public investments will be required for these to be realized. Access to financial resources and credit can facilitate the purchase of the necessary agricultural inputs and also enable farmers to manage shocks. Insurance against weather and price related shocks is also necessary for sustainability of agricultural productivity.

Sustainable increase in agricultural productivity will need technology and knowledge to evolve to ensure continuous development of improved crops and farming technologies. Governments should dedicate adequate financial resources to research, which is necessary for technological progress to increase agricultural yields in ways that could lower poverty, increase food security and advance human development. National research and extension systems should interact closely with farmers and adapt their work to farmers' needs. International collaboration in research is also important for fast-moving developments and for easing the burden on national budgets.

Malnutrition, a deficiency of the necessary nutrients, is a hindrance to human development as it results in loss of capabilities. Policy interventions are required to enhance nutrition in SSA. This is important because while the benefits of nutrition to individuals are huge they may lack the knowledge and incentives to take the necessary action. Moreover, some factors behind malnutrition can only be addressed by government, for example, health services, access to clean water and adequate sanitation. The AfHDR 2012 contends that nutrition could be promoted through **empowering women by strengthening girls and women's rights and increasing their voice in political and social matters**. There is some evidence to the effect that child nutrition improves significantly where mothers have more influence on household decisions. Consumption of micronutrients could be enhanced through supplementation through pills, syrups or injections. Supplementation programs can be effective because they can be designed to target population groups in need by age, gender or location.

SSA's food security is subject to a number of risks, including weather variability, food price volatility and violent conflict and political instability. Environmental degradation, climate change and population growth and migration also threaten food security. This calls for interventions to enhance the capacity of households and communities to cope with such risks. The frequency of food systems collapse in SSA could be substantially reduced by ending conflicts, accelerating recovery after hostilities and establishing means and ways for preventing new conflicts from cropping up. Measures should be undertaken to reduce population growth, for example by reducing fertility rates through empowering women by improving their access to education and earnings. These would ease pressures on the food systems while also reducing dependency ratios. Insurance markets need to be developed to cover farmers against weather related losses. In addition, governments can utilize multi-country schemes to manage the risks to food systems. For example, by issuing catastrophe bonds, the World Bank's MultiCat programme enables countries to protect their budgets against natural disaster-triggered economic losses. The International Monetary Fund (IMF) also offers loans to governments on highly concessional terms under its Rapid Credit Facility to assist countries in balance of payments difficulties arising from natural disasters or other emergencies. Social transfer programmes are used in most SSA countries to meet both the urgent and longer term food security needs of the very poor or specific vulnerable groups. However, these programmes are subject to loss of purchasing power as they are usually not designed to respond to food price fluctuations. Some of the measures that could be undertaken to protect household food security in this regard include, transferring cash when prices are low and food when they are high and providing transfers as food-dominated vouchers. Implementation of these interventions should be supported by effective and efficient policies and institutions that recognize access to adequate and sufficient food as a fundamental right that people must be empowered to pursue.

Food Security and Agricultural Productivity in Lesotho

Lesotho's food security has deteriorated markedly over the years. According to the Lesotho Vulnerability Assessment Committee, the number of food insecure people in need of humanitarian assistance has risen from 245 739 in 2006/07 to 725 519 (39 per cent of the population) in 2012/13 mainly on account of considerable declines in agricultural food production. While the number of food insecure people in Lesotho fluctuates erratically from year to year due to weather related changes in domestic agricultural food production, the general trend has been upwards. Lesotho's food insecurity is also attributable to the high unemployment rate coupled with the structure of the labour market as explained below.

While Lesotho's unemployment rate has declined from 27.3 per cent in 1999 to 22.7 per cent in 2008, poverty and food insecurity have intensified. This is because of the structure of Lesotho's labour market, whereby the majority of the labour force, estimated at 62.8 per cent in 2008 is employed in subsistence farming, where they earn zero or if at all very meager wages. In addition, as indicated earlier, agricultural production has fallen considerably over the years, resulting in poor returns to both farmers and workers. Production of major crops, maize, wheat, sorghum, beans and peas has fallen from 238 000 metric tonnes in 1989/1990 to 182 434 metric tonnes in 2009/2010.

Lesotho's agricultural sector needs to be revived to increase productivity so that it could make a meaningful and sustainable contribution to poverty eradication and economic growth. A number of the factors behind SSA's poor agricultural performance as advanced by the AfHDR 2012 also apply to Lesotho. Most important to Lesotho's case is the increase in public investment, particularly in water management and irrigation infrastructure, research and development on issues specific to Lesotho, changing people's mindset to view and treat agriculture as an economic activity through training and educational campaigns and enhancing extension services. In addition, promotion of green agriculture, which has the potential to increase food production without depleting the earth's resources or polluting the environment, could be an option for consideration. Green agriculture presents an opportunity for Lesotho to commercialise agriculture and move away from subsistence farming. It involves production of organic food products for which global demand has risen substantially in recent years, thus presenting an opportunity for Lesotho to increase its export earnings.

The Government of Lesotho has over the years undertaken a number of initiatives in support of the agricultural sector in an endeavor to increase productivity and food security. However, these have not yielded the expected dividend. This calls for a change in strategy along the lines suggested by the AfHDR 2012.

IMF's World Economic Outlook October 2012 themed Coping with High Debt and Sluggish Growth: Implications for the Economy of Lesotho

Introduction

The International Monetary Fund's October 2012 World Economic Outlook (WEO) demonstrated that the global economic recovery continued in 2012, though it had weakened. Output was expected to remain relatively sluggish in advanced economies, dragged down by the continued fiscal consolidation measures and weak financial systems. The main positive force on growth was expected to emanate from accommodative monetary policy as policy rates were maintained at very low levels and programs were being implemented to reduce interest rates in specific markets to assist particular borrowers. The general feeling of uncertainty, caused by concerns regarding the ability of European policy makers to control the euro crisis and fears emanating from the ensuing US fiscal cliff as a plan of action had not been agreed on, also exerted negative pressure on growth. Growth was projected to remain weak in advanced economies in the medium term.

The sluggish economic performance and uncertainty that prevails in advanced economies has a bearing on the growth of emerging and developing economies due to trade and financial linkages, which reinforced internal weaknesses. According to the WEO, the international trade related negative effects on growth were particularly strong, with the decline in exports accounting for the bulk of the decrease in growth, for example in China.

This article provides an overview of the global economic developments and projections for 2012 and 2013 as discussed in the WEO. These developments have a direct and indirect bearing on Lesotho's economy because of the latter's integration into the global economy. Thus the possible implications and effects of these global developments on Lesotho's economy are also discussed.

Global Economic Developments and Prospects

According to the WEO, global growth had slowed down again during the second quarter of 2012 after rebounding during the previous quarter. Consequently, global output was projected to increase by 3.3 per cent in 2012 compared with 3.8 per cent in the previous year. The slowdown was observed in all the regions with advanced economies expected to register a growth rate of 1.3 per cent in 2012 from 1.6 per cent in 2011 while the emerging market and developing economies were projected to remain resilient, growing by 5.3 per cent in 2012 compared with 6.2 per cent in the previous year. In addition, unemployment had showed increasing and extensive sluggishness in the first half of 2012 and no significant improvement in the third quarter of 2012. Global manufacturing had slowed down sharply.

In terms of the medium term projections a modest reacceleration was projected with global output estimated to grow by 3.6 per cent in 2013. Advanced economies were projected to increase by 3.6 per cent and emerging market and developing countries by 5.6 per cent. This acceleration was based on expectations of a reduction in uncertainty, assuming, firstly that policy action would be undertaken to ensure the necessary adjustment by euro area countries both at the country and regional levels and that the US would avoid the eminent fiscal cliff. Monetary policy had been easing and was expected to remain very accommodative in developed countries. A lot of uncertainty prevailed with respect to fiscal policy though consolidation was expected to continue. With regard to emerging market and developing countries, it was expected that monetary and fiscal policy easing would strengthen output growth.

The negative pressures on the growth outlook were expected to emanate from financial vulnerabilities and sluggish bank lending across advanced economies. The high public debt in advanced economies was also likely to lower growth, for example, by raising real interest rates; leading to tax increases as the cost of debt service increased; and/or by raising debt risk premiums.

Table 1: World Economic Outlook Projection *(Annual percentage changes)*

	Estimates		Projections	
	2010	2011	2012	2013
World Output	5.1	3.8	3.3	3.6
Advanced Economies	3.0	1.6	1.3	1.5
United States	2.4	1.8	2.2	2.1
Euro Area	2.0	1.4	-0.4	0.2
Emerging and Developing Economies	7.4	6.2	5.3	5.6
Sub-Saharan Africa	5.3	5.1	5.0	5.7
Central and Eastern Europe	4.6	5.3	2.0	2.6
Commonwealth of Independent States	4.8	4.8	4.0	4.1
Developing Asia	9.5	7.8	6.7	7.2
Middle East and North Africa	5.0	3.3	5.3	3.6
Inflation				
Advanced Economies	1.5	2.7	1.9	1.6
Emerging and Developing Economies	6.1	7.2	6.1	5.8

Source: IMF WEO, October2012

Asia

Growth had continued to moderate in Asia in the first half of 2012 and was expected to continue slowing down for the rest of the year and in 2013. The major factor behind the weak performance were the weak demand in advanced economies, which had resulted in lackluster export growth in Asia coupled with the policy driven slow growth in China. The weak growth in China was affecting the rest of Asia due to strong linkages throughout the region. Growth had weakened in India due to deterioration in business sentiment caused by a widening current account deficit and the depreciation of the rupee as well as the stagnated investment due to governance issues and red tape.

The Euro Area

According to the WEO, activity in Europe had contracted by 0.25 per cent during the first half of 2012 and real GDP was projected to contract by 0.5 per cent, on average, in 2012 as the crisis deepened. Growth of 0.25 per cent was projected for 2013 based on expectations of further easing of financial stress in the euro area periphery as fiscal adjustment advanced and policy support increased leading to an improvement in policy credibility and confidence. In addition, the pickup in growth in some major emerging market economies would boost external demand and a moderate pace of fiscal consolidation throughout the euro area would also give growth some impetus.

With regard to financial conditions in the euro area, financial stress had increased further during the second quarter of 2012 in the euro area periphery, which, despite some easing, had not fully reversed in the third quarter of 2012. According to the WEO, a lending survey had pointed to a further tightening of standards and falling loan demand. Bank credit had contracted sharply in the periphery and credit growth had slowed to a crawl in the core economies, amid large increases in periphery credit spreads.

The United States (US)

The US's output had risen above pre-crisis peak in the second half of 2011, after which it moderated. The recovery was expected to remain sluggish in 2012 due to weak external conditions, low private consumption and low business investment related to, amongst other things, the uncertainty that emanated from the fiscal and economic outlook. Weak household balance sheets and confidence, relatively tight financial conditions and continued fiscal consolidation stunt were seen as the major inhibitors of stronger growth. The unemployment rate had dropped from close to 10 per cent in 2010 to about 8 per cent in 2012, where it was expected to remain through 2013. Inflation was expected to remain subdued, consistent with lower commodity prices and the continuing weak economic performance.

The US budget outlook for 2013 looked highly uncertain, given the large number of expiring tax provisions and the threat of automatic spending cuts in the context of highly divided politics. According to the WEO, the fiscal cliff would result in a contraction in GDP by more than 4.0 per cent. Consequently, the crucial policy requirements in the US were identified as avoiding excessive fiscal contraction in the short term, promptly raising the debt ceiling, and agreeing on a credible fiscal consolidation plan centered around entitlements and tax reforms that would place government debt on a sustainable path in the medium term. Tax reforms would also contribute to global demand rebalancing.

Sub-Saharan Africa (SSA)

As indicated by the WEO, economic activity in SSA had expanded by more than 5.0 per cent annually over the past three years, continuing a decade of strong performance that was only briefly disturbed by the global down turn in 2009. Most SSA economies participated in this solid expansion, with the exception of South Africa (SA) whose growth had been hampered by its strong linkages with Europe. Some countries in western Africa had also been negatively affected by drought and civil wars. The region's recent growth had occurred against a backdrop of difficult external conditions, notably the escalating euro area crisis. Export diversification had reduced exposure to weak demand by advanced economies, and high commodity prices had supported the region's commodity exporters and boosted investment in resource extraction.

Growth in oil exporting SSA countries was expected to remain above 5.0 per cent in 2012 to 2013. Strong performance was expected from oil exporting countries with Angola and Nigeria expected to increase oil production. With regard to the middle income countries, SA was projected to remain sluggish due to its strong trade connectedness to Europe. Concerning the low income countries, the outlook was mixed reflecting the different magnitudes in their exposure to weak external demand. The downside risks to the outlook included the possible escalation of the euro crisis and further increases in global food prices.

Implications for the Economy of Lesotho

The weak global economic recovery, particularly the sluggishness in advanced economies does not bode well for the world economies because of the increased global integration. Lesotho is not an exception here because it has strong links with the US and SA economies and is indirectly affected by developments in Europe because of the SA's strong ties with the latter. Developments in Asia are important for Lesotho because of its diamond production sector. It is in this regard that the following implications of the global economic developments for Lesotho's economy could be traced:

- Since the inception of the African Growth and Opportunity Act (AGOA) in 2000, Lesotho's exports of textiles and clothing to the US have increased along with the textiles and clothing manufacturing sub-sector's contribution to economic growth and employment. However, they have been under constant pressure since the onset of the global financial crisis and recession. The weak performance of the US economy implies that the negative pressure on Lesotho's economy will take longer to abate.
- Diamond prices have been on the decline as a result of the generally low global demand, with a stronger effect emanating from Asia, especially China and India, the biggest consumers of diamonds at the global level. Lesotho's diamond mining sub-sector has so far been resilient to the price decline mainly due to the relatively good quality of Lesotho's diamonds, which as a result have been selling at good prices. However, this is threatened by the weak global economic performance and weak demand, particularly in China and India.
- The most significant contribution to the Southern African Customs Union (SACU) revenue pool, estimated at 98 per cent in 2006/07 comes from SA. As mentioned earlier, the SA economy was weak, affected mainly by low commodity prices and weak demand in Europe. This implies low imports of goods by SA to manufacture goods for export to Europe, hence low transfers by SA to the SACU revenue pool, hence members' shares.
- The weak SA economy also bodes ill for Lesotho's merchandise exports to SA. The bulk of Lesotho's exports are destined for SA.