Summary

For the southern Africa region, both a grain stocking program and an import insurance program would have reduced food supply variability more than historical food aid during 1970-95. The stocking program and the import insurance program would have been less expensive than food aid from a donor point of view. These options may be attractive policy alternatives for donors and countries in other regions, given the decline in food aid budgets in recent years and projections of rising global food gaps.

Different policy options have been proposed over the years to address aggregate food insecurity. Food aid has been used historically but has had limited success in preventing food supply shortages in most lower income countries. Food aid often fails to meet shortrun deficits in many countries; moreover, longrun trends show that food aid supplies have declined while demand has been growing.

This report considers two alternative regional policy options: a grain stocking program and a grain import insurance program approach. It compares the relative effectiveness of these options with food aid, using a counterfactual approach for 1970-95. The countries of the Southern Africa Development Community (SADC) were chosen as a case study for several reasons, including a history of regional cooperation, a common staple (white maize), and high variability in food production and overall supply. Political changes in South Africa also provide an opportunity to re-examine some policy options now that it has joined SADC.

Compared with food aid, both the stocking program and import insurance program would reduce supply variability. The stocking program would hold grain stocks in the region whereas the insurance program would make sure that countries could afford to purchase grain on the world market when necessary. The stocking program reduces supply variability more than the insurance program does, but both provide a safety net. For most SADC countries, the differences between the stocks and insurance in terms of per capita supply reductions are relatively small for most countries but are significant for a few countries.

The stocking program and possibly the insurance program could be less expensive for donors than the costs of food aid. The cost of the insurance program may be slightly more expensive depending on the setup costs. This finding depends on the unique situation of SADC countries. The costs of the stocking program option were estimated by assuming all regional grain stocks would be stored in South Africa, which has surplus storage capacity built up from the apartheid era. Even with high transportation costs, the total cost adjusted for inflation for all SADC countries would have been about $1.4 billion for 1970-95 (lowest of the options). The grain import insurance program would have cost about $2.6 billion for the same period (excluding a one-time startup charge). For food aid, the assumption is made that the historical food aid volumes would have been replaced by commercial import purchases, leading to total estimated expenditures of $2.7 billion for 1970-95.

Earlier studies likewise concluded that alternatives to food aid may be more effective in stabilizing food supplies in a less costly and more efficient manner. This would seem to suggest that these results are not limited to the SADC countries and may be applicable to other regions as well. On the other hand, it is important to point out that the stocking results may be unique to this region because South Africa built up excess modern storage capacity in the apartheid years. Similar studies of other regions may not find the storage program option more cost effective when new capital construction costs are factored in.