



REDUCING POVERTY AND HUNGER:
THE CRITICAL ROLE OF FINANCING
FOR FOOD, AGRICULTURE AND
RURAL DEVELOPMENT



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FOREWORD

We, the Heads of the three Rome-based United Nations institutions concerned with poverty, food, agriculture and rural development issues, are deeply concerned that the economic prospects of many developing countries, the prosperity of the world as a whole and our common efforts towards achieving the Millennium Development Goals are being undermined. This stems from the fact that most governments in developing countries and the international community have not faced up to the need to eradicate extreme poverty and hunger and to create conditions for higher levels of investment in agriculture and rural development. Hunger in a world of food abundance is principally a result of negligence as it lies within mankind's capacity to put in place the policies, institutions, technologies and logistics both to prevent and eradicate hunger. We look to the International Conference on Financing for Development to reverse declining resource trends towards the important objectives of hunger and poverty reduction and agriculture and rural development, and to address related issues which are preventing meaningful progress towards reaching those objectives.

Nobody on earth should go hungry. Yet, almost 800 million people in the developing world remain chronically undernourished. Hunger is a result of extreme poverty, but it also perpetuates poverty by severely reducing the productivity and productive capacity of individuals, communities and entire nations. Reducing the incidence of hunger is, therefore, an excellent investment, as it enables people to shift from a state of economic dependence and exclusion to participating in and contributing with their talent and energy to growth and development.

We are also conscious that extreme poverty and deprivation on a large scale, taking place in an increasingly inter-connected world, is bound to generate social and political tensions which cannot be tamed easily and have destabilising effects with global dimensions. It is, therefore, in everyone's self-interest – rich and poor alike – to see faster progress in the fight against hunger and poverty.

Most poverty is concentrated in rural areas, especially amongst small farmers and landless families. Much urban poverty is the consequence of rural deprivation and rural economic decline which

creates distress migration to the cities. We believe that the fight to reduce poverty has to begin in the countryside. And it has to begin with policies and resources which promote agricultural growth and broad-based rural development. We are, therefore deeply concerned that over the past ten years there has been a sharp decline in the resources – both national and international – devoted to agricultural and rural development in developing countries. We are also concerned that the international trading system is too slow in responding to the needs of developing countries for more open markets for their agricultural products, thereby restricting one of the best opportunities for rural poverty reduction.

Our institutions have worked together to prepare this short paper in the hope that the evidence which it provides will persuade delegates to the International Conference on Financing for Development of the fundamental importance of reversing the damaging trends in the directions of development financing. We hope that our message will get through that an increased investment in hunger reduction, in raising small farmer output and in rural development must command a much higher priority in most countries' Poverty Reduction Strategies and in decisions on resource allocations both at national and international levels.

We commend the paper to your reading and welcome your comments and suggestions.



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EXECUTIVE SUMMARY

At the dawn of the 21st century we are still a long way from achieving what has eluded humanity for thousands of years, a world free from hunger and poverty. The past thirty years, however, have brought us closer to reaching this goal in a large part of the developing world. The lives of millions have been transformed at a pace unparalleled in human history and to an extent that would have seemed unthinkable only a generation ago.

However, there is no room for complacency. Even today, close to 1.2 billion people – a fifth of the world's population – continue to live in conditions of abject poverty. Almost 800 million people in the developing world are chronically hungry. A basic right, the right to adequate and nutritious food, which most people take for granted, remains a distant dream for those who fight with food shortages every day of their lives. The presence of deep poverty and hunger on such a vast scale in a world of apparent opulence is a moral outrage.

What is encouraging is that the international community has adopted the reduction of poverty and hunger eradication as overarching goals for development. Starting in the early 1990s, targets have been agreed upon for the reduction of poverty in its various forms and dimensions. Goals have been set for reducing poverty, raising school enrolment, moving towards gender equality, cutting infant and maternal mortality, improving access to reproductive health services, and adopting national strategies for sustainable development. In addition, at the World Food Summit, held in Rome in 1996, all nations committed themselves to the goal of halving the number of undernourished people from around 800 million to 400 million by 2015. Together, these targets have been adopted in the Millennium Development Goals which offer the promise of making the world a better place for the whole of humanity.

The dimensions of hunger and malnutrition are alarming and cannot leave anyone indifferent. An estimated 174 million under-five children in the developing world were malnourished in 1996-98, and 6.6 million out of 12.2 million deaths among children in that age group are associated with malnutrition.

Hunger is an important cause as well as an effect of poverty. The effects of hunger go beyond its terrible toll on those who suffer from it. Hunger has substantial economic costs for individuals, families and whole societies. Labour, often the only asset of the poor, is devalued for the hungry. Mental and physical health is compromised by lack of food, cutting productivity, output and the wages that people earn. Chronically hungry people cannot accumulate the financial or human capital which would allow them to escape poverty. And hunger has an inter-generational dimension, with undernourished mothers giving birth to underweight children. In societies where hunger is widespread, economic growth, an essential element in sustainable poverty reduction, is severely compromised.

Who are the poor and what is the principal source of their livelihoods? Nearly three quarters of the poor in developing countries live in rural areas. And the rapid increase in urban poverty can be explained by the decline of agriculture and the rural sector. The rural face of poverty, human misery and hunger indicates that the battle for hunger and poverty alleviation will be won or lost in rural areas.

Many of rural poor are small farmers who are at the edge of survival or they are land-less people seeking to sell their labour. They depend on agriculture for their earnings, either directly, as producers or hired workers, or indirectly in sectors which derive their existence from farming. Trading, transportation, processing, involving large numbers of small entrepreneurs, are necessary for agriculture but at the same time they depend on farming activities for their survival.

If we are to bring about a rapid reduction in poverty and hunger this will require a two-pronged strategy. On one hand, direct measures have to be taken to enhance the access of those in extreme poverty to the food they need for an active life: this empowers them to break out of the hunger trap and allows them to participate fully in development processes. At the same time, efforts must be stepped up to promote broad-based agricultural and rural development which will create the opportunities for a sustainable exit from poverty. These two elements of the proposed strategy are essential for rapid, substantial and sustainable reduction in poverty and hunger. They are also mutually reinforcing since advancement in one improves the effectiveness of the other. When feeding programmes and food-based safety nets are supplied from local production, this leads to a double benefit: not only are the hungry fed but local markets for food expand, opening income earning and employment opportunities for the poor.

The responsibility for escaping from hunger and poverty rests first and foremost with the individuals themselves, and then with their families, communities and governments. Under international human rights legislation, governments have an obligation, when private action fails, to ensure that people can enjoy their right to adequate food. The proportion of public expenditure which developing countries now devote to agricultural and rural development and food security is, however, far from adequate, especially in countries where food deprivation is highest, implying a need to adjust public finance priorities.

However the international community has important roles in supporting national endeavours, not least to help governments, especially those of low income countries, to meet the costs of the necessary investments to the extent that these cannot be met by their own resources.

And yet there remains a conspicuous gap between the implied acceptance of global responsibility for eradicating hunger and poverty and the extent to which concrete action has been taken nationally and internationally. In spite of the obvious benefits, resources for programmes related to food and nutrition to benefit the needy, seem to be only a fraction of what is required to make a substantial difference. There is a visible and worrisome downward trend in the resources, private and public, directed towards agricultural and rural development, especially in those countries where hunger and poverty are widespread. This trend has been particularly pronounced in the programmes of the international financing institutions as well as in those of many bilateral donors and national governments, in spite of reiterated commitments to expand investment in agricultural and rural development. For the most part, instead of meeting their declared goal of increasing their support for agriculture and rural development, most donors have been partners to a progressive decline. For poor countries with low capacity to mobilise sufficient amounts of either domestic savings or foreign direct investment, substantial flows of Official Development Assistance including multilateral lending are required to create the conditions (capacity building, infrastructure, public goods and institutions) for attracting private capital into agriculture, whether domestic or foreign.

International trade offers opportunities for developing countries to expand into new markets and products and to improve growth and food security prospects. While there are potential gains from freer trade in farm products, the actual progress made in the ongoing negotiations has been limited so far, and the benefits remain modest. If further liberalisation focuses too narrowly on a removal of OECD subsidies, the lion's share of gains will accrue to developed country consumers and taxpayers. More important for developing countries are: a removal of trade barriers for products in which they have a comparative advantage and a reduction or reversal of tariff escalation for processed commodities; more and deeper preferential access for the poorest of the least developed countries; open borders for long-term foreign investments (FDI); and improved quality assurance and food safety programmes that enable developing countries to compete more efficiently in markets abroad. The resources gained by trade liberalisation and reductions in domestic protection could be channelled into additional development funding.

Serious consideration must be given to possible new financing mechanisms, given their potential importance in transferring resources between developed and developing countries and hence the extent to which they could supplement Official Development Assistance. While the call for a significant rise in ODA is very welcome, measures have to be taken to ensure adherence to agreed targets. Proposals have to be made which would ensure smoother and more dependable replenishment arrangements especially regarding concessional loan funds administered by the IFIs. It is important also that credible recommendations are made on the financing of an expanded flow

of the global public goods – now in desperately short supply and competing with ODA - required to ensure the smooth operation of the processes of globalisation and the sustainable management of the world's resources

The Rome-based UN Organisations concerned with poverty, food and agriculture believe that the International Conference on Financing for Development must identify the extent of funds, whether domestic or international, needed to achieve the internationally agreed goals, especially those for hunger and poverty reduction. We firmly believe that it is fundamentally wrong to consider assistance to the poor and hungry an act of charity. Eradicating extreme poverty and hunger is a moral imperative, but it also makes great economic sense. Our work and the work of others clearly demonstrate that it is in the self-interest of the international community, rich and poor countries alike, to eradicate hunger and poverty wherever it appears. Eradicating hunger and poverty is an investment with high payoff in terms of peace and political stability, overall development and prosperity.

The slow progress in meeting the internationally agreed goals points to the need not only for increasing the volume of resources devoted to this effort, but also to target them more effectively. International funding for hunger eradication and agriculture and rural development needs to rise to a scale commensurate with the problem and be advanced under affordable terms and conditions which do not lead to increases in developing country indebtedness.

INTRODUCTION

1. Poverty in its various forms has increasingly occupied the attention of the international community during the last decade. Successive Summits have made commitments to drastically reduce the misery from which so many humans suffer throughout their lives. Such attention is in itself an encouraging step forward, but actual progress is still painfully slow, even though measures to improve the livelihoods of the poor are affordable. Hunger and food insecurity – the most serious forms of extreme poverty – have now become international priorities, and participants in the 1996 World Food Summit made a solemn commitment to halve hunger in the world by 2015.
2. The Millennium Declaration of 2000 consolidates and restates the commitments agreed during the preceding decade, and can be seen as the final stage of the Summit process. For the first time in a document of its kind, it stresses that, without policies and mechanisms to mobilise private and public resources on a much larger scale, the internationally agreed Millennium Development Goals (MDGs) for reducing poverty and hunger and for social and sustainable development cannot be achieved. The Declaration is thus a starting point for renewed action in the twenty-first century. The International Conference on Financing for Development can redress the failures and biases of the past by making its prime objective that of ensuring adequate funding for the achievement of the MDGs.
3. The International Conference on Financing for Development offers the opportunity to put an end to a paradox that characterized the 1990s: that, while global commitment to progress in the fight against poverty seemed to be gaining strength and the means to tackle the problem were increasing, the volume of resources actually mobilized fell year after year. The gap between commitment and action has widened, which inevitably raises questions about the genuineness of the commitment.
4. This paper looks at financing for the achievement of the MDGs. It does so from the perspective of FAO, IFAD and WFP, the three Rome-based United Nations organizations working on food, agriculture, and rural development issues. The paper shows how widespread hunger is an

impediment to overall growth and poverty reduction efforts. The paper emphasizes that mobilizing and carefully deploying resources where the impact can be greatest, is fundamental to the effort to reduce poverty, hunger and food insecurity. In that context it illustrates that resources deployed in fighting hunger directly and in agricultural and rural development can make substantial and sustainable contributions to overall poverty alleviation.

THE VICIOUS CIRCLE OF POVERTY AND HUNGER

Poverty and hunger: recent trends and future scenarios

5. The international community has pledged to halve poverty and hunger by 2015. But who are the poor and the hungry? How many are there? Where are they located? What is the relationship between hunger and poverty? The next two sections address these questions and emphasize the urgency of the fight to reduce hunger.

6. On the basis of the “one-dollar-a-day threshold”, there are 1.2 billion poor people in developing countries. Of these, 780 million suffer from chronic hunger, which means that their daily intake of calories is insufficient for them to live active and healthy lives.

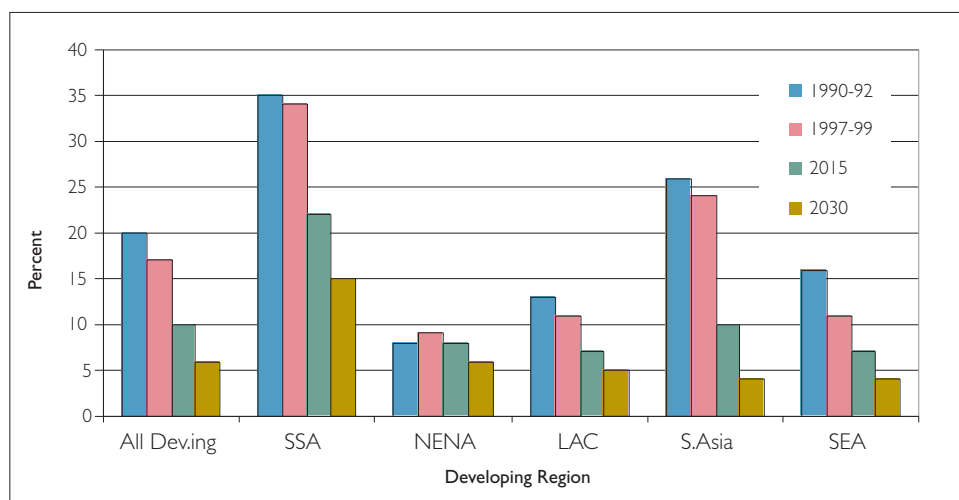
7. Extreme poverty remains an alarming problem in the world’s developing regions, despite the advances made in the 1990s. Progress in poverty reduction has been concentrated in Asia and especially East Asia. In all the other regions, the number of people in extreme poverty has increased. In sub-Saharan Africa, there were 58 million more poor people in 1999 than in 1990.

8. World Bank projections (World Bank, 2001) show that by 2015, the proportion of people living below the one-dollar-a-day poverty line will be 12.3 percent as compared to 29.0 percent in 1990 – well below half the 1990 proportion. The projections assume substantially higher economic growth rates than experienced in the recent past. If the assumptions turn out to be accurate, the MDG of halving the proportion of people in poverty world-wide between 1990 and 2015 will have been met. However, even using the optimistic growth assumptions, in sub-Saharan Africa nearly 40 percent of the population will still be in poverty by 2015 while there will be 45 million more poor people in the sub-continent than in 1999. Clearly, there is no room for complacency.

9. The proportion of hungry people in developing countries was reduced by 3 percentage points in the 1990s, despite population growth. Although this constitutes progress, the prevalence of hunger is still unacceptably high. At the start of the twenty-first century, in a world of conspicuous affluence, 34 percent of the people in sub-Saharan Africa suffer from chronic hunger (Figure 1). This means 24 million more undernourished people at the end of the decade than at the beginning.

10. Progress in reducing the number of undernourished has been alarmingly slow. The target set at the 1996 World Food Summit was to halve the number of undernourished people by 2015 from their number in 1990-92. The latest data show that the number of undernourished is falling by 6 million a year. This means that the annual rate of reduction has to be stepped up to 22 million

Figure 1. Proportion of Undernourished in Developing Regions. Actual and FAO Baseline Projections

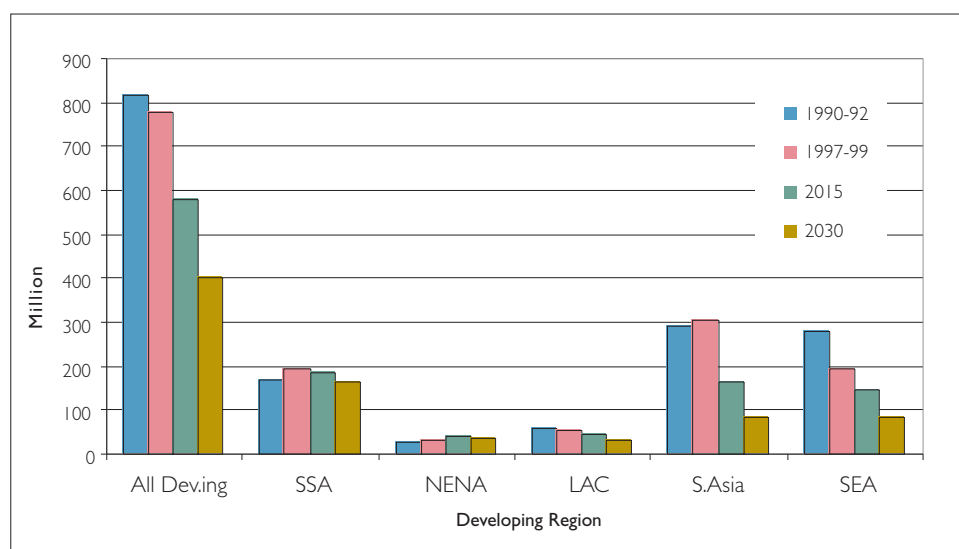


Source: FAO 2000, 2001b¹

for the target to be met. On the basis of current trends it will be 2030 before that target is achieved. FAO projections show that none of the world's developing regions will achieve the WFS target; only the two Asian sub-regions will come close (Figure 2).

11. Widespread and persistent hunger is a fundamental contradiction in today's world. The food is there: world agriculture produces 17 percent more calories per person today than it did 30 years ago, despite a 70 percent population increase. Work in FAO shows that world agriculture can produce enough to feed humanity in the future without putting excessive pressure on prices or the environment. The existence of 780 million chronically hungry people in the developing world

Figure 2. Number of Undernourished : Actual and FAO Baseline Projections



Source: FAO 2000, 2001b

¹ Legend: SSA: Sub-Saharan Africa; NENA: Near east and North Africa; LAC: Latin America and the Caribbean; S.Asia: South Asia; SEA: East and Southeast Asia.

today shows that there is something fundamentally wrong in the distribution of food and the resources with which to access it.

12. Hunger and poverty will remain at unacceptable levels unless purposeful action is taken to give them higher policy priority and to mobilise resources towards fighting them directly and towards agriculture and rural development. That is our principle message. Placing the MDGs at the centre of Financing for Development is a step in the right direction.

Hunger and poverty: exploring the reverse linkages

13. Widespread hunger and malnutrition in a world of plentiful food implies that extreme poverty is the root cause of undernourishment. It is not always understood, however, that hunger and malnutrition (including micronutrient deficiencies) are in turn major causes of poverty. They affect the ability of individuals to escape poverty in several ways (Box 1) through:

- Reducing the capacity for physical activity and hence the productive potential of the labour of those who suffer from hunger – and that is usually their only asset.
- Impairing people's ability to develop physically and mentally, retarding child growth, reducing cognitive ability and seriously inhibiting school attendance and performance – thus compromising the effectiveness of investment in education.
- Causing serious long-term damage to health, linked to higher rates of disease and premature death.
- Passing from generation to generation: hungry mothers give birth to underweight children who start life with a handicap.
- Contributing to social and political instability that further undermines government capacity to reduce poverty.

Chronically undernourished people are, therefore, caught in a hunger trap of low productivity, chronic poverty and hunger.

Hunger and conflict

14. During the last decade, food insecurity and malnutrition appear to have contributed to an increasing frequency of crisis events as well as to the vulnerability of countries to shocks. Most of today's armed conflicts and natural disasters are concentrated in regions heavily dependent on agriculture and in countries with a high proportion of food-insecure households and classified by FAO as "low-income food deficit".

15. As well as being a consequence of a conflict, food insecurity can be the cause and lead to conflict. Very few new conflicts start in a food secure environment. Hunger may induce conflict

Box I

Evidence on the Cost of Hunger

There is evidence that 46 million years of productive, disability-free life were lost in 1990, the result of lost social productivity caused by four types of malnutrition: stunting and disorders related to iodine, iron and vitamin A deficiency.

156 million children under five in developing countries suffer from protein energy malnutrition. 90 percent of all anaemic pre-schoolers and expectant mothers live in developing countries. Vitamin A deficiency is the primary cause of preventable eye defects and blindness in children.

About 17 percent of infants suffer from intra-uterine growth retardation, an indication of poor maternal nutrition. Low birth weight means a high risk of illness and death during infancy and reduced work capacity and strength in adulthood.

12 million deaths each year among children under five in the developing world – a staggering 55 percent – are associated with malnutrition.

A study of Sierra Leonean agriculture showed that, on average, a 50 percent increase in calories per consumer equivalent would increase output by 16.5 percent, or 379 kg of food. The findings show that the lower the calorie intake is, the more significant output response is to increased calorie intake. For example, based on a daily intake of 1 500 calories per consumer equivalent, a mere 10 percent increase in calorie intake would increase output by nearly 5 percent.

A study in Ethiopia has shown that a 10 percent improvement in weight-for-height and Body Mass Index (BMI) would lead to a 23 and 27 percent increase in output and wages respectively. In the same study height, an indicator of past nutritional experience, is found to be a significant determinant of wages, with a person who is 7.1 cm. above the average height, earning about 15 percent higher wages.

An FAO study found that raising Dietary Energy Supply (DES) to 2 770 kcal/day in countries in which the average is below that level, would increase per capita GDP growth by 0.34 to 1.48 percentage points per year in countries where DES is below that level. Improved nutrition affects economic growth through greater labour productivity and life expectancy.

3 percent of GDP every year is lost in some Asian countries through productivity losses resulting from stunting and iodine and iron deficiencies. Given that GDP growth rates in these countries were up to 7 percent per annum in the nineties – it follows that large losses in GDP have taken place.

50 percent of the economic growth in the United Kingdom and France between 1700 and 1900 resulted from improvements in nutrition and health, according to Nobel laureate Robert Fogel.

Source: The State of Food and Agriculture, 2001 (FAO 2001b) which includes references to the studies, methodological details and caveats.

when people feel they have nothing to lose and military service offers a free meal and the power that goes with touting a gun.

16. The impact of various crises will be also amplified when they affect a population that is already vulnerable and weakened by food insecurity. People in poor and food insecure countries are more likely to die from natural disaster than those who have developed better coping strategies to protect themselves. Crises often create the opportunity for underlying micronutrient deficiencies to develop into large outbreaks, for instance of pellagra or scurvy.

17. The lack of sufficient resources for eradicating hunger will continue to put at risk the life of many vulnerable groups and will be one of the elements which contribute to the resurgence of emergencies. Therefore, savings from conflict avoidance should be understood as “returns” to aid. Following emergencies, humanitarian interventions are often necessary, but they are expensive and do not generally tackle the underlying causes of the crises. The need for relief will remain as long as vulnerable people do not get access to adequate food and to gainful economic opportunities. Timely investment in food, agriculture and rural development can help to break the repetitive cycle of hunger and conflict.

18. The preceding discussion shows that alleviating hunger for those who suffer from it allows them to fully develop their physical and mental skills, increases their productivity and allows them to fully participate in the development process. Hunger reduction should therefore be thought of as a productive investment in addition to a pressing moral obligation. Wisely conceived policies that target hunger directly and in a timely fashion, can break the “hunger trap”.

POVERTY, AGRICULTURE AND RURAL DEVELOPMENT

The rural face of poverty and hunger and the role of agriculture

19. The slow pace of poverty and hunger reduction points to an urgent need for strategies that better target the areas where poor people live and the activities on which their lives depend. A successful strategy for alleviating poverty and hunger in developing countries must begin by recognizing that they are mainly rural phenomena and that agriculture is at the heart of the livelihoods of rural people.

20. Today, 75 percent of poor people in developing countries live in rural areas. In 2020, when the majority of the world population is projected to live in urban areas, 60 percent of poverty will still be rural poverty. And rural decline is among the root causes of premature urbanisation and urban poverty. There are several arguments supporting a rural focus for development aimed at poverty reduction (IFAD: Rural Poverty Report):

- Major differences in incomes, poverty, nutrition, health and education between towns and rural areas are not shrinking: most of the “dollar-poor” will still be rural in 2020.
- The decline in rural poverty has slowed in recent years; it was much more rapid in 1970-85.
- Addressing rural poverty cuts urban poverty by reducing migration.
- Reducing rural poverty depends on raising the productivity of the poor – but most approaches to urban poverty are welfare-oriented.
- Increases in worker/child ratios provide a window of opportunity for poverty reduction. The rural poor need female empowerment and improved health and education to permit reduced fertility.
- Aid goes increasingly to non-rural sectors, where most of the poor do not live or work. It is disproportionately distributed among countries, to the detriment of countries in greater need.

21. Agriculture is the principal driving force of the rural economy and, for those developing countries without substantial mineral resources, often the whole economy. Dependence on agriculture for economic growth and export earnings increases with the prevalence of hunger, and so does the proportion of people whose lives depend on the rural economy (see Table 1).² Box 2 demonstrates that massive, sustainable poverty and hunger reduction is inconceivable without growth in rural economies, and summarizes the evidence, showing the potential of agricultural growth to reduce poverty.

22. Hunger and poverty reduction require that the incomes of poor people and the sources from which they derive their livelihoods be enhanced. Therefore, pro-poor income growth needs to be encouraged. The question is: under what circumstances is income growth pro-poor? The short answer is that income growth originating in agricultural development will reduce poverty, provided that it does not occur in a context of high inequality in asset ownership.

Table 1. The Importance of Agricultural Sector in Developing Countries by Prevalence of Undernourishment Category (1990-1993 and 1995-1998)

| Indicator | Undernourishment Prevalence Categories | | | | | | | | | |
|--|--|-------|--------|-------|-------|-------|--------|-------|--------|-------|
| | 1 | | 2 | | 3 | | 4 | | 5 | |
| | <2.5% | | 2.5-4% | | 5-19% | | 20-34% | | > 35 % | |
| | Year | | Year | | Year | | Year | | Year | |
| | 90/93 | 95/98 | 90/93 | 95/98 | 90/93 | 95/98 | 90/93 | 95/98 | 90/93 | 95/98 |
| Share of Agriculture in GDP (%) | 10.9 | 9.7 | 11.6 | 12.7 | 16.4 | 18.2 | 23.1 | 22.3 | 31.6 | 21.0 |
| Share of Agricultural Exports in Total Exports (%) | 10.7 | 9.0 | 11.2 | 8.7 | 11.7 | 10.7 | 18.2 | 15.0 | 42.2 | 43.5 |
| Share of Rural Population in Total Population (%) | 31.8 | 27.3 | 52.0 | 51.6 | 63.5 | 59.9 | 72.8 | 71.2 | 74.8 | 75.8 |

Source: World Bank: World Development Indicators and FAO calculations

23. Rural households generate income from agriculture or employment in non-farm rural activities. Agricultural income originates from subsistence production, revenues from the sale of produce or employment in agriculture. The rural non-farm sector provides goods and services linked to agriculture, such as input preparation, repair of machinery and implements, output processing, transport and marketing. Income earned from agricultural activities creates demand for the output of small rural enterprises. It takes few skills to establish or work for such enterprises, so they are readily accessible to the poor. Initial productivity-induced growth in agricultural output

² The five categories of countries in the table correspond to the proportion of population estimated to be undernourished. Category 1 includes countries with less than 2.5 percent of the population undernourished, Category 2 includes countries for which the share is between 2.5 and 4 and so on.

will create multiplier effects in non-farm economies, increasing the incomes of those involved. It will also raise the incomes of those directly engaged in farming.

Box 2

The importance of agricultural and rural growth for poverty alleviation

Recent literature explores the role of agriculture in poverty reduction. Some results are summarized here.

- Primary and tertiary sector growth reduce poverty, secondary sector growth has no significant impact on poverty.
- Growth in rural areas reduces poverty in both rural and urban areas, urban growth reduces poverty only in urban areas.
- Growth in small-farm production reduces the number of people in poverty and reduces its severity: the consumption of the poorest may be increased.
- In countries where income inequalities are small, labour productivity increases in agriculture are consistently more important than those other sectors in generating income increases (Timmer, 1997).
- In sub-Saharan Africa, sustained growth in rural incomes, when widely distributed across households, is capable of unlocking significant additional growth.

24. This process cannot work, however, if there are marked inequalities in access to agricultural and other assets, especially land. Large capital-intensive holdings tend to use inputs imported from abroad or from large towns and income is often invested outside the immediate area on which the farm is located; interaction with local economies will be limited. Small farms are much more fully integrated with local markets even if, ultimately, they are significant suppliers of export goods.³

TOWARDS A TWIN-TRACK STRATEGY

25. The above discussion shows that achieving massive and sustainable poverty reduction entails (a) targeting hunger directly so as to increase the productivity and productive potential of those who suffer from it, and allow them to take advantage of the opportunities offered by development and (b) stimulating agriculture and rural development, both essential for both overall economic growth and sustainable reductions in poverty. The productivity handicap caused by hunger must be dealt with directly if agricultural development is to proceed as it should. People in abject hunger must have enough to eat if they are to share the benefits of agricultural and rural growth. The vicious circle of undernourishment leading to low productivity and growth perpetuates underdevelopment and hunger. Hungry people must have better access to food, which requires direct assistance. The vicious circle must be broken. At the same time, concentration of poverty in

³ The argument can be generalized for the case in which the intra-national distribution of income and access to assets is skewed.

the rural areas, implies that growth in agriculture and overall rural development are essential for a sustainable exit from poverty.

26. Creating a synergy between direct action against hunger and measures to stimulate agriculture and the rural sector is fundamental to the twin-track strategy proposed here. The two tracks are complementary. Hungry people must have better access to adequate food as a precondition of their participation in development. At the same time, increases in agricultural productivity and production will increase rural economic activity and expand employment opportunities in the farm and rural non-farm sector. A case of “maximum synergy” is one in which safety nets and food assistance programmes are supplied with local production: supplying safety nets with locally produced food whenever possible will lead to an expansion in market opportunities, farm output and employment, while providing food to those who need it.

27. In general, agricultural development by small farmers in conjunction with policies to enhance the capabilities of the poor to access food, offers the best hope of a swift reduction in mass poverty and hunger. This is the strategy advocated in this paper, and the resource mobilisation aspects of it are discussed in detail in the following paragraphs.

Implementing direct-assistance measures

28. There is now substantial evidence of the economic and social benefits of early health and nutrition interventions. The lesson is that targeted nutritional interventions are a cost-effective way of investing in alleviating human suffering, increasing productivity and generating economic returns.

29. Nutrition problems are multifaceted and successful nutritional programmes will therefore rely on a combination of interventions. The mix of interventions will depend on the nature of the problems, available resources and the social context, which must be assessed in designing and evaluating nutritional programmes. Participatory processes are the best in terms of achieving the appropriate mix of interventions.

30. Improved nutrition can be achieved at low cost. Direct nutrition interventions designed to address the problem of malnutrition and micronutrient deficiencies are effective and relatively low cost for the results obtained, but they need to be combined with other types of interventions: promotion of breastfeeding, prenatal nutrition services, communication and nutrition education, health-related services, and micro-nutrient supplementation.

31. The cost-effectiveness of nutritional programmes is well established. A World Bank study in 1993 found that nutrition interventions ranked high among health-related development actions. More recent studies in Asia found that “nutrition interventions ... have high benefit-cost ratios and low costs per death averted” (Horton, 1999).

32. Food aid is one of the means whereby nutritional assistance can be given to the hungry and needy. Project food aid in the form of school feeding, supplementary feeding and food for work is significant

in addressing the needs of people living in marginal areas bypassed by other development processes. It is a mechanism that enables farmers to invest in their long-term food security.

33. Studies commissioned by WFP have examined the developmental benefit of project food aid. They confirm that its impact is often even more beneficial in the long term than in its immediate nutritional effects.

34. School feeding was found to generate significant positive long-term results: it draws more children into schools and enhances their ability to concentrate, thus raising their educational performance and ultimately their earning potential. The main benefits of school feeding programmes are seen in attendance, enrolment and performance. Supplementary feeding has a positive physical and mental impact on women and children and improves their prospects of enjoying a healthy and productive life. These food aid interventions have proven to be effective in providing necessary resource for the household to meet its basic needs, helping to preserve and in some cases build new assets, thereby reducing risk and vulnerability. However food aid flows continue to be small in relation to needs and nutrition interventions often lack the necessary resources to effectively reach the socially marginalized and the poorest.

TRENDS IN RESOURCE MOBILIZATION FOR HUNGER REDUCTION, AGRICULTURE AND RURAL DEVELOPMENT

35. The preceding section shows the importance of a or twin-track approach to hunger and poverty reduction – combining direct action to improve the nutritional status of those most in need and agricultural and rural growth to alleviate hunger and poverty.

36. In spite of the evidence supporting the underlying hypotheses, food security and poverty reduction strategies have seldom adopted the approaches advocated in this paper, and they have not been reflected in resource allocations. This is generally true at national and international level, as emerges clearly from recent trends in resource flows in support of nutritional improvements, agriculture and rural development.

Trends in Resources for Food and Nutrition Programmes

37. The cost of a twin-track approach comprising a combination of direct actions against hunger and other development measures is difficult to quantify. There is no question, however, that translating it into reality in the developing world will require mobilization of resources and institutional capacities far in excess of present levels.

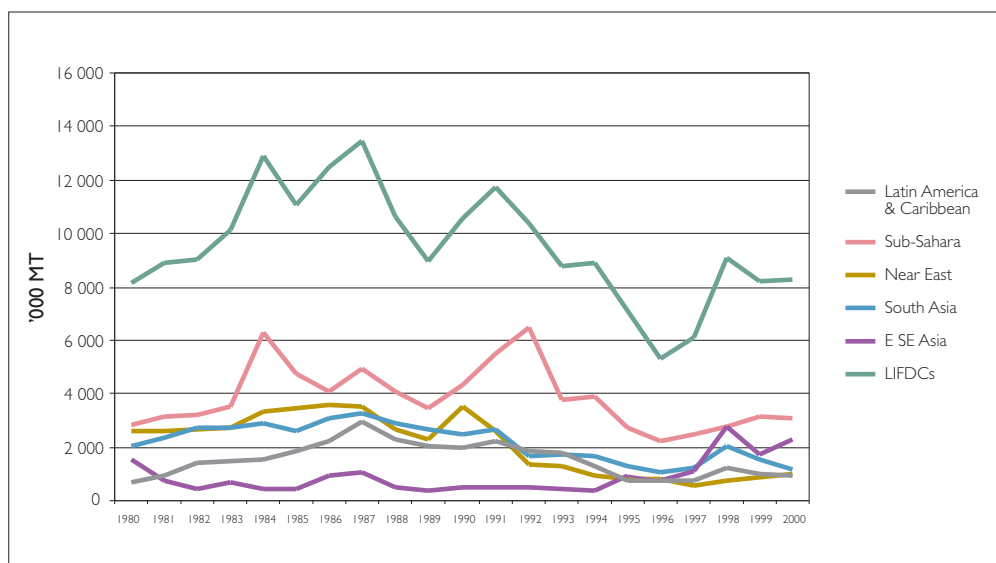
38. Probably as little as 10 percent of the required level of resources is currently devoted to nutrition programmes. A recent study of eight Asian countries⁴ – home to 60 percent of the

⁴ China, India, Philippines, Bangladesh, Pakistan, Viet Nam, Sri Lanka and Cambodia.

population of the developing world – inferred this from data on spending and coverage of major programmes (ADB, 2001). Similar spending gaps are likely to be found in other developing regions although precise estimates of current spending are not available.

39. Data on food-aid flows are more readily available. Figure 3 depicts recent trends in cereal and non-cereal food aid based on WFP/FAOSTAT data. Food aid trends are volatile and closely linked to short-term shocks and availability, as shown by the peak in response to the 1997-98 Asian crisis. Apart from that peak, however, there was a worrying fall in food-aid levels in the 1990s. The level in 2000 was only 56 percent of the 1992 level, despite increasing needs. The share of food aid for low-income food deficit countries (LIFDCs) has also fluctuated considerably over time. During the 80's LIFDCs received between 90 percent of total food aid. However in the 90' s, their share has varied between 65 and 88 percent. Food aid is expected to account only for 8 percent of the import requirement of such countries. In conclusion food aid is dramatically declining for the countries who need it most.

Figure 3. Total Cereal and Non-cereal Food Aid flows to Developing Countries by Region, 1980-2000 ('000MT)



Source: WFP/FAOSTAT Data

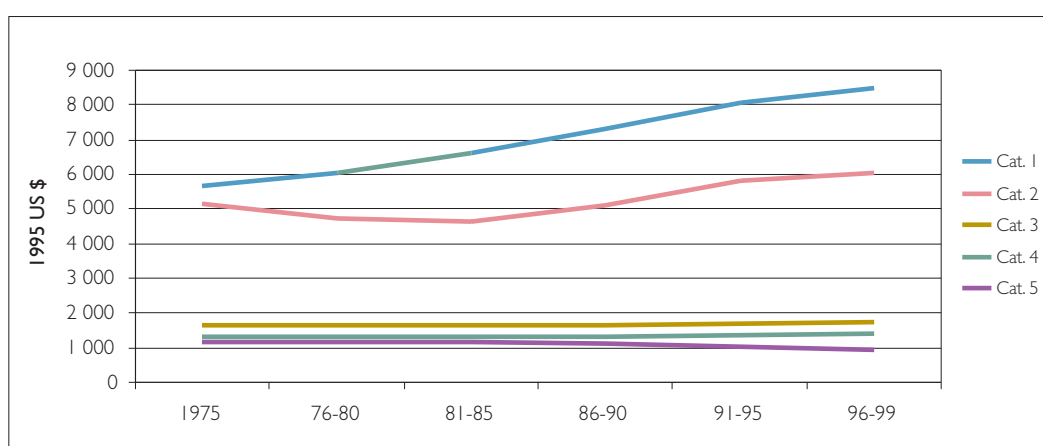
TRENDS IN RESOURCE MOBILIZATION FOR AGRICULTURE AND RURAL DEVELOPMENT

Trends in overall capital formation

40. Resources for rural-sector investment may be private or public, external or internal. Information on investment in primary agriculture is available for some items, but there is little reliable information on levels of investment in non-farm activities.

41. Trends in investment and capital formation for agriculture are shown for developing countries grouped by the prevalence of undernourishment⁵ in order to demonstrate the difficulties facing poor countries in mobilizing capital for agricultural development. Data for capital stock per agricultural worker (Figure 4) show that between 1975 and 1999, countries that managed to reduce the prevalence of hunger invested substantially more in agriculture than those where undernourishment remains widespread. It is worrying that capital formation per agricultural worker has remained stagnant or declined in countries where more than 25 percent of the population is undernourished (Categories 3, 4 and 5) and where agricultural growth is essential for poverty reduction and food security.

Figure 4. Capital Stock per Agricultural Worker by Undernourishment Prevalence Category



Government expenditure on agriculture

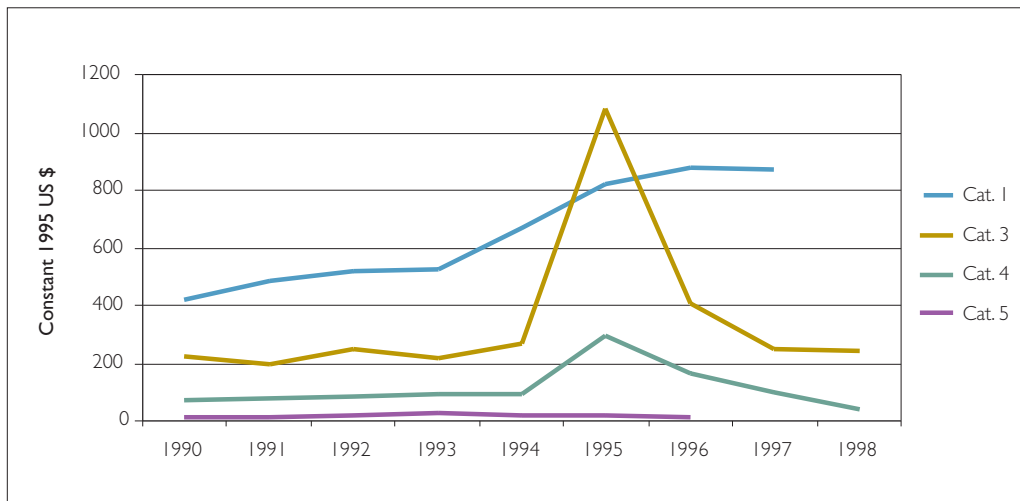
42. Most of the capital for development of the agricultural sector will come from private sector investment, especially from farmers themselves. However, public investment in agriculture is an essential element in attracting private-sector investment. National investments in irrigation, research and rural infrastructure, technology generation and dissemination, natural resource conservation and standard setting and monitoring are necessary to increase productivity, reduce transaction costs and improve the competitiveness of agriculture in developing countries.

43. Constraints faced in mobilising public resources for agricultural development in countries with widespread undernourishment are illustrated by relating government expenditure on agriculture to the size of the agricultural labour force. Clear patterns emerge, despite gaps in data. In countries where more than 35 percent of the people are undernourished, government expenditure per agricultural worker averages US\$14 or 50 times less than the US\$880 in countries with the lowest rates of undernourishment (Figure 5)⁶.

⁵ See footnote 1.

⁶ Category 2 is omitted due to lack of sufficient data.

Figure 5. Government Expenditure per Ag. Worker



Source: FAO calculations based on IMF data

44. The extent to which government expenditures on agriculture reflect its importance in an economy is shown in an “agricultural orientation index”, in which the proportion of public-sector agricultural expenditure is divided by the share of agriculture in GDP. The higher the index, the closer expenditure on agriculture reflects the share of agriculture in GDP.⁷ The index is shown in Figure 6 for countries grouped by undernourishment prevalence category.

45. Countries with very low prevalence of undernourishment – Category 1 – provide the strongest agricultural orientation, with a distinct upturn in 1993. For countries in Category 5, the agricultural orientation index is low and shows no signs of improvement over time.

46. Analysis of trends in government spending on agriculture may partly explain the trends in capital formation discussed above. Public and private investments in agriculture are complementary. Public investment in essential public goods must be stepped up to create the conditions and incentives for private investment, otherwise under-investment will continue.

47. Inadequate government spending and low gross capital formation seriously compromise agricultural productivity in countries with widespread poverty and undernourishment. Productivity figures for the various categories mirror the differences in capitalization of agriculture (Figure 7). Low capital stock per agricultural worker is reflected in low value-added per agricultural worker (a measure of labour productivity). A sharp divide is evident between the lower and higher hunger-prevalence categories. Between 1990 and 1999, value-added per worker in the lowest prevalence category was about 20 times higher than in the highest prevalence category. This ratio far exceeds the ratio of capital intensities of the two groups shown in Figure 4 hinting at additional factors which affect productivity. While the differences may reflect greater use of variable inputs in agricultural production in “better off” countries, they may also reflect differences

⁷ It should be noted that the “orientation” ratio is valid for comparisons among countries or country groups and does not indicate the treatment of agriculture in terms of government expenditures relative to other sectors in one country. Not all budget allocations go to functional activity categories.

in the prevalence of hunger. Undernourishment itself makes labour less productive, thus lowering the overall efficiency of capital investment.

Figure 6. Agricultural Orientation Index (1990-1998)⁸ by Undernourishment Prevalence Category

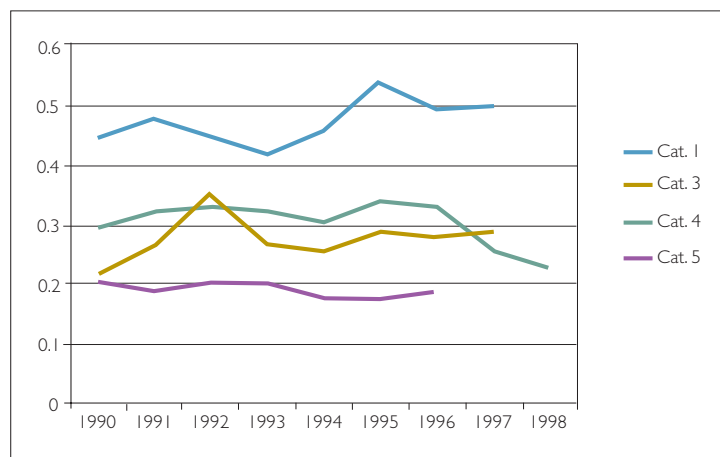
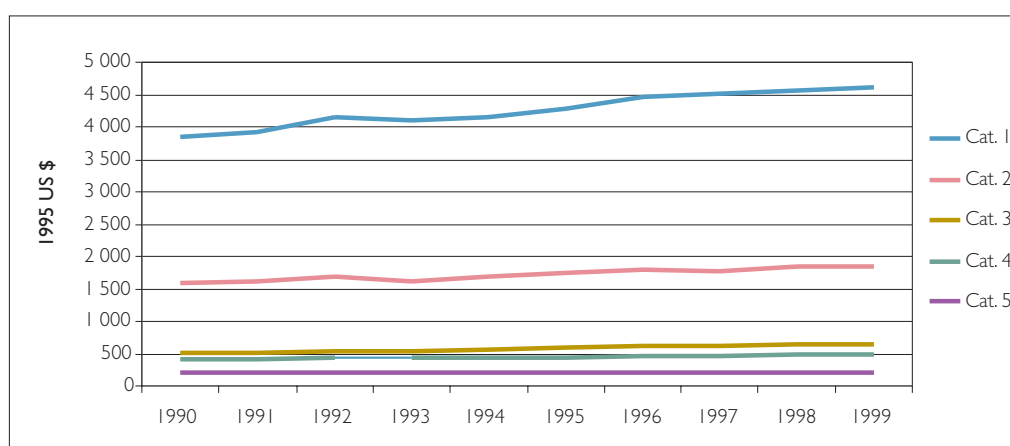


Figure 7. Agricultural Value Added per Agric. Worker by Undernourishment Prevalence Category



Source: World Bank: World Development Indicators and FAO Calculations

External financial flows

48. External financial resources are extremely important for promoting economic and social development and food security, especially in low-income countries with weak financial systems and low domestic savings.

49. Foreign direct investment (FDI) flows are negligible in most low-income food-deficit and least developed countries. The poorest countries cannot attract FDI, because of the high risks and transaction costs associated with poorly developed financial markets, limited human capital resources, insufficient information for potential investors and poorly developed infrastructure and services.

⁸ Category 2 is missing from the table due to lack of sufficient data.

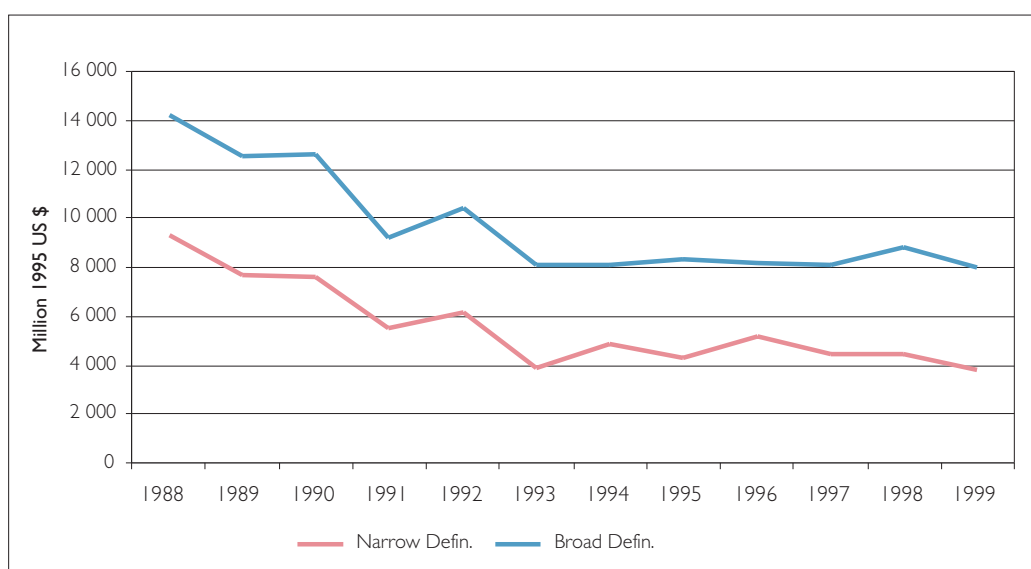
50. Net private flows from Development Assistance Committee (DAC) countries to developing countries and multilateral organisations has increased from US\$25.6 billion in 1984-85 to US\$115.1 billion in 1999 although it declined to 74.5 billion in 2000. This is an important development, but private flows were concentrated in a few newly industrialized economies.

51. The major bilateral and multilateral donors committed US\$14 223 million in Official Development Assistance (ODA) to agriculture (broadly defined) in 1988, but only US\$8 005 million in 1999 (in 1995 prices). The ODA decline for agriculture (narrowly defined) was even sharper from almost US\$9 300 million in 1988 to about US\$3 822 million in 1999 (Figure 8)⁹. In terms of main purpose groups (activities) within agriculture, there have been sharp decreases in ODA for agricultural services, crop production and forestry, although the share of ODA for environmental protection, research, training and extension has increased. The share of ODA for land and water projects in 1999, returned to the 1990 levels (13 percent of total) after a sharp increase (to 23 percent) in the mid 1990s.

52. In terms of Official Development Finance the proportion of commitments granted with concessional terms declined from 77 percent in 1988 to 65 percent in 1998. The share of grants in total commitments was 28 percent in 1998, having remained relatively stable during the decade.

53. World Bank lending for agriculture declined from US\$3.66 billion in 1990 to US\$1.34 billion in 2000. Loans to agriculture accounted for 18 percent of World Bank lending in 1990, but only about 9 percent in 2000. Except for IFAD, all of whose lending is to agriculture, there was a

Figure 8. ODA Commitments to Agriculture: In 1995 US \$



Source: OECD/DAC

⁹ The narrow definition of agriculture includes the following sectors: land and water; research; training and extension; supply of production inputs; agricultural services; crop production; livestock development; fisheries; and forestry; others. The broad definition includes all elements in the narrow definition as well as manufacturing of inputs; environment protection; agro-industries; rural development and infrastructure; regional and river development.

substantial decline in total IFI lending to agriculture during the 1990s, both in absolute terms and for individual lenders, as a proportion of loans (see Table 2).¹⁰

54. These figures show that the vital role of agriculture is just not reflected in a comparable flow of domestic or foreign resources for its development. This mismatch must be addressed urgently if the MDGs on poverty and hunger are to be achieved.

55. It is difficult to reconcile the apparent contradiction between the recognised importance of agriculture and rural development on one hand and the declining resources directed at them on the other. Some of the possible reasons may have to do with (a) the abundance of food in the world at declining prices (b) the perceived high potential of agriculture to respond to technological opportunities even in the absence of substantial investment (c) the inherent complexity of agriculture and rural development projects especially in relation to their environmental implications and (d) the widely held view within the IFIs that agricultural and rural development projects are risky and generate lower rates of return than other types of projects (despite recent evidence to the contrary).

Table 2. Lending for Agriculture by Principal Financing Institutions
(loan approvals) (millions of US dollars)

| Year | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| TOTAL LENDING FOR AGRICULTURE (APPROVALS) | | | | | | | | | | | |
| World Bank/IDA (Fiscal Years) | 3 656 | 3 707 | 3 894 | 3 267 | 3 868 | 2 576 | 2 063 | 3 541 | 2 637 | 2 763 | 1 337 |
| AfDB/F (Calendar Years) | 683 | 854 | 502 | 592 | 106 | 14 | 105 | 228 | 238 | 458 | 228 |
| AsDB " " | 1 242 | 1 035 | 753 | 361 | 486 | 897 | 802 | 1 004 | 421 | 430 | 1 051 |
| IDB " " | 319 | 570 | 735 | 77 | 210 | 552 | 580 | 156 | 122 | 100 | 311 |
| IFAD " " | 308 | 276 | 324 | 336 | 349 | 392 | 408 | 398 | 413 | 433 | 409 |
| EBRD " " | | | | | | 256 | 268 | 398 | 204 | 222 | 327 |
| Grand Total * | 6 208 | 6 442 | 6 208 | 4 633 | 5 019 | 4 431 | 3 958 | 5 327 | 3 831 | 4 184 | 3 336 |
| AGRICULTURE AS PERCENTAGE OF TOTAL LENDING | | | | | | | | | | | |
| WB/IDA | 18% | 16% | 18% | 14% | 19% | 12% | 10% | 19% | 9% | 10% | 9% |
| AfDB | 21% | 25% | 17% | 24% | 7% | 2% | 13% | 13% | 14% | 27% | 9% |
| AsDB | 31% | 21% | 15% | 7% | 13% | 16% | 14% | 11% | 7% | 9% | 18% |
| IDB | 8% | 11% | 12% | 1% | 4% | 7% | 8% | 3% | 1% | 1% | 6% |
| EBRD | | | | | | 7% | 8% | 16% | 7% | 10% | 13% |

IFAD is 100% agriculture

* Does not include EBRD.

Source: Annual Reports.

N.B. As of FY 98, World Bank reclassified figures used.

¹⁰ The reduction in total lending would be greater if lending by the World Bank to transition countries had been excluded.

Agricultural trade and trade liberalisation

56. Trade has an important role to play in improving food security and fostering agriculture. The potential gains from freer trade in agriculture could amount to an annual increase in global welfare of US\$160 billion dwarfing current aid flows. But the actual progress made in the ongoing negotiations has been limited so far and the benefits remained modest. And even if further liberalisation occurred, the lion's share of the additional gains might be reaped by developed countries, particularly if reforms focus too narrowly on a removal of OECD subsidies. More important for developing countries are: a specific removal of trade barriers for products where they have a comparative advantage (sugar, fruits and vegetables); a reduction or reversal of tariff escalation for processed tropical commodities (coffee, cocoa); a further reduction of the bias against agriculture in their own countries; more and deeper preferential access for the poorest of the least developed countries; open borders for long-term foreign investments (FDI); and improved quality and food safety levels that enable developing countries to compete more efficiently in markets abroad.

57. With such companion policies in place, a freer trading environment can also play an important role in fighting poverty and undernourishment. But if left alone, trade liberalisation is unlikely to bring about a massive reduction in poverty and the benefits, if any, could remain in the hands of a few. Support is required to strengthen the supply response of developing countries. Lower export subsidies from or trade barriers to developed countries alone will not generate the investments (in roads, irrigation, research and skills) needed in developing countries to boost agricultural production and to improve competitiveness in international markets. Nor will it bring quality standards up to the level needed to make significant inroads into industrial markets. And even where exports increase and farmers in developing countries benefit, safety nets may be needed for those who face higher food prices.

ADDRESSING THE DECLINE OF RESOURCES FOR HUNGER AND POVERTY REDUCTION

Assessing the resource gap in the fight against hunger reduction and agricultural development

58. Exactly how much needs to be spent globally on nutrition, agriculture and rural development, particularly in the developing world? It is difficult to estimate current resource requirements in the fight against poverty and hunger, but it is useful to try to get an idea of the magnitude of the effort required.

59. The two tracks of the proposed strategy cannot be considered independently in terms of mobilizing resources. Investing in measures to improve access to food for extremely poor and undernourished people makes individuals more productive, which in turn enhances the effectiveness of investments in agriculture. Separate assessments of the two elements of the strategy are thus bound to be inaccurate.

60. In terms of direct action against hunger, an estimate has been recently attempted in the study on Asia quoted earlier (ADB, 2001). The total resource needed to halve the prevalence of child undernutrition in a decade for the eight countries included in that analysis (home to nearly 60 percent of the developing world population), was set to about US\$1.4 billion per year. These costs are those corresponding to the setting up of effective large scale community based programs directed at children (at a cost of US\$5 per child per year). These should be supplemented by micronutrient deficiency control programs, applied to all age groups, the unit cost of which tends to be much lower, at about US\$0.5 per caput/year, for a total cost of a further US\$1.4 billion per year¹¹.

61. Scaling up the Asian estimates to the developing world as a whole, yields a total resource need for nutrition intervention programmes of just over US\$5 billion per year¹². This figure probably underestimates the actual needs. It is calculated on the lower-bound assumption regarding the costs for effective large scale community-based nutrition programs (US\$5 per child per year). The upper bound for such programs is US\$15 per person. Using this higher figure the total aggregate requirement would amount to US\$15 billion per year.

62. FAO estimates that US\$180 billion annually in gross agricultural investment in developing countries is needed to achieve the WFS target of halving the number of undernourished people by 2015. This is US\$57 billion more than historical trends suggest would be invested without a deliberate effort to increase investment in the sector. Experience suggests that 75 percent of this amount will have to come from the private sector, especially farmers.

63. Only limited funding is available for global public goods (GPGs) relating to agriculture and rural development, a point that needs to be stressed in the context of the International Conference on Financing for Development. GPGs include technologies for sustainable management of land, forest and marine resources, agro-biodiversity, food safety, transboundary animal and crop pests and diseases, destruction of stocks of obsolete pesticides, and monitoring and predicting the impact of climate change on agriculture and food supplies. The livelihoods of poor people are profoundly affected if GPGs are neither nationally nor privately accessible. Grant funding for GPGs by international agencies responsible for agriculture and rural development must keep pace with the increasing importance of this category of goods, but not at the expense of ODA flows.

64. It is particularly worrying that, in spite of studies which point to the high returns on expenditure on international agricultural research, the funding to the CGIAR system and on technological research in the past 10 years has continuously declined and the CGIAR centres are experiencing increasing financial stress. The inadequacy of funding could obviously lead to a drop in the ability of these centres to conduct research and disseminate knowledge required for raising

¹¹ Note that while the first figure is per child, the cost of micronutrient programs is for the entire population.

¹² This figure clearly represent simply an order of magnitude of the kind of effort that might be required. To come up with more accurate estimates, a more careful calculation is needed that takes into account the local conditions of different regions, the prevalence of the various nutrition problems, the existing capacity and infrastructure, and other relevant factors.

food production in developing countries and taking people out of hunger and poverty, where much of the required technology generates few privately appropriable returns and hence is of little interest to the private sector.

Closing the resource gap: policies and resource mobilization issues at national level

65. The private and public sectors have important roles to play in the battle against poverty and hunger. These roles are complementary, although each sector may have advantages in different areas.

66. The public sector has a catalytic role, providing the public goods without which private initiative cannot flourish. However, the bulk of resources for agriculture and rural development will be mobilized by the private sector.

67. It is essential to have a policy framework that promotes a pro-investment climate in agriculture. In the last two decades, governments have addressed the anti-agricultural bias of the past by adopting policies to deregulate agricultural markets, reduce price distortions and promote private economic activity. Such measures are not always enough, however, to attract the investments necessary for sustained productivity and production increases. It is now widely accepted that a more active role by the public sector in public goods provision is an essential part of an enabling environment for agricultural and rural development.

68. Public investment is essential for agriculture and rural development especially in areas such as: agricultural research and extension; education; infrastructure and services; incentives and regulation for sustainable management of water and natural resources; decentralized social programmes in partnership with the private sector and civil society; market institutions; property legislation; food quality and food safeguards.

69. Nutrition, like education, is a long-term investment. There are strong reasons why governments must invest in nutrition. Investments by the poor in nutrition will be too low, and gender bias may result in under-investment in girls' nutrition. The result is that poverty is passed from generation to generation. It is unlikely that parents in developing countries are aware of the importance of micronutrients and nutritional education in this respect is a public good with a high payoff

70. Rural non-farm activities, in spite of their importance for rural economic growth and poverty reduction, often fall victim to the "institutional vacuum": no executive branch of government has responsibility for them. Expansion is thus constrained by lack of credit and market institutions as well as of appropriate infrastructure.

71. Microfinance and other rural financial institutions can mobilize substantial resources to enable poor people to become more productive by providing loans and mobilizing savings. They are an established, cost-effective means of channelling external development assistance to the poor.

Migrants' remittances are an important part of savings and investments in rural areas. Financial institutions to channel remittances into productive activities should be promoted.

Closing the resource gap: possible mechanisms for mobilizing international resources

72. IFAD, FAO and WFP have been jointly exploring innovative ways of increasing the volume of funding available for improving food security and rural livelihoods. Good progress has been made in working with the Italian government and middle income highly indebted countries in developing programmes (in Egypt, Ecuador and Peru) under which bilateral debt is cancelled in return for borrower commitments to commit the resources (in local currency terms) which they would have used to amortise the debt for demand driven rural development and food security programmes. Our hope is that other donor countries will follow this example.

73. One of the surprising aspects of the FfD process is the lack of in-depth consideration given to possible new financing mechanisms, given their potential importance in transferring resources between developed and developing countries and hence the extent to which they could supplement or even substitute for Official Development Assistance funded from the general fiscal revenue of developed countries. While the call for a significant rise in ODA is very welcome, measures have to be taken to ensure adherence to agreed targets. Proposals have to be made which would ensure smoother and more dependable replenishment arrangements especially regarding concessional loan funds administered by the IFIs. It is important also that credible recommendations are made on the financing of an expanded flow of the global public goods – now in desperately short supply and competing with ODA – required to ensure the smooth operation of the processes of globalisation and the sustainable management of the world's resources.

74. The fact that international trading in carbon has already started to build up to substantial levels ahead of the ratification of the Kyoto Protocol and the formal establishment of the Clean Development Mechanism (CDM), suggests that it is likely to be far easier to launch market-based transfer mechanisms than to reach agreement on global taxes. The CDM, once it reaches cruising speed, seems likely to generate annual transfers of at least US\$10 billion and possibly two or 3 times as much, putting it in the same league as ODA in terms of volume (US\$50 billion per year), but with comparative advantages related to low transaction costs, a high degree of automaticity, non-reimbursability and its support for least-cost approaches to reducing global warming. The CDM can be thought of both as a market-based mechanism for raising the supply of an important global public good (reduced rate of climate change) at least global cost and as a conduit for shifting large amounts of resources between rich and poor countries to the mutual benefit of both. IFAD, FAO and WFP are very interested in it and mechanisms which could emulate the CDM in other ways because of their potential impact on the livelihoods of poor and hungry rural people.

75. An important channel for the mobilisation of resources for poverty reduction is the Debt Initiative for Heavily Indebted Poor Countries (HIPC). Under the Initiative participating

countries elaborate Poverty Reduction Strategy Papers (PRSPs), and need to make demonstrable progress in their implementation in order to be eligible for debt service relief. There are indeed indications that the Debt Initiative has helped governments to raise resources devoted to anti-poverty measures, but our agencies have also noted that many PRSPs have paid inadequate attention to food security, agriculture and the rural sector. Given the importance of the agricultural and rural sector for poverty reduction in most of these countries, this is a bias that needs to be addressed if the capacity of the Initiative to be effective in reducing poverty is to be strengthened.

CONCLUSIONS

76. It is easily within the capacity of the global society to eradicate poverty and hunger in a short period of time. There must be political will to achieve this, and the objective must be addressed directly rather than obliquely. This is the main message of our Organizations, to be brought to the world's attention in the context of the International Conference on Financing for Development.

77. Economic growth, especially broad-based growth in agriculture and the rural economy, is a necessary condition for sustainable poverty and hunger reduction. At the same time, priority action needs to be taken to reduce hunger directly. Hunger is not only an effect but also a cause of poverty. There is plenty of evidence which shows that fighting hunger is an investment with high returns in growth and overall welfare and not just a moral imperative or an act of human compassion. We now know a great deal about what works in the fight against hunger and food insecurity.

78. It is most encouraging that the DAC group of major donors has recognized the need to include an explicit hunger target among its priority development goals, as set out in the Millennium Declaration. The specific reference to food security, hunger and the importance of agriculture in the communiqué of the G8 meeting in Genoa in 2001 is also a sign of increased political sensitivity towards these important issues. The World Food Summit in Rome in June 2002 will be a significant opportunity for the international community to reaffirm its commitment to the 1996 Rome Declaration and Plan of Action.

79. The need to achieve substantial and sustainable poverty reduction, requires that concrete steps be taken to promote agriculture and rural development. Three fourths of the poor live in rural areas and derive the basis for their livelihoods from agriculture or from rural activities which depend on the agricultural sector for their survival. Agriculture and rural development is therefore key to achieving overall economic growth and poverty reduction for most developing countries.

80. The peoples and governments of the countries concerned have the main responsibility for the achievement of hunger and poverty reduction targets. However, countries with widespread extreme poverty and malnutrition cannot raise the resources domestically to directly assist the needy and to foster growth in the productive sectors. These countries cannot make progress in the battle against hunger and poverty without a sustained flow of external resources.

81. National and international funding for hunger eradication and agriculture and rural development must be sufficient to meet requirements. It must be advanced under affordable terms and conditions that do not lead to increased indebtedness among developing countries. Our Organizations consider alarming the declining trend in overall resources for hunger reduction and agriculture and rural development. FAO, IFAD and WFP emphasize the need for concessional funds and grants appropriate to the situations of recipient countries, which has been noted in the review of international cooperation being prepared for the International Conference on Financing for Development.

82. Innovative and market-based means of resource mobilization need to be studied and adopted. Some have been discussed in this paper; others may be developed in the follow-up to the International Conference on Financing for Development.

83. Developed countries, backed by international trade institutions, have an opportunity to demonstrate their willingness to make significant contributions to hunger and rural poverty eradication. They can open their markets, especially to agricultural exports from developing countries, reduce subsidies on farm production, share technology and assist developing countries to take advantage of expanded international markets. The question is not “aid versus trade” but “aid to expand trade”.

84. Civil organizations, especially international and national NGOs operating in developing countries, must commit themselves with renewed vigour to addressing the problems of hunger and rural poverty. They have important roles in mobilizing resources and providing technical services and advocacy. They may assume responsibility for monitoring performance against reaffirmed commitments, using score cards as a basis for measuring achievements.

85. The Financing for Development Conference presents a unique opportunity for building a global partnership among all those involved in the effort to achieve the internationally agreed goals on poverty, hunger and development. Such a partnership would act as a guarantee that pledges made are adhered to and that objectives set are achieved. It is through such a partnership that the global community can promote a process of globalisation in which the benefits are more equitably shared than in the past and which is inclusive rather than exclusive. Such an opportunity should not be missed.

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