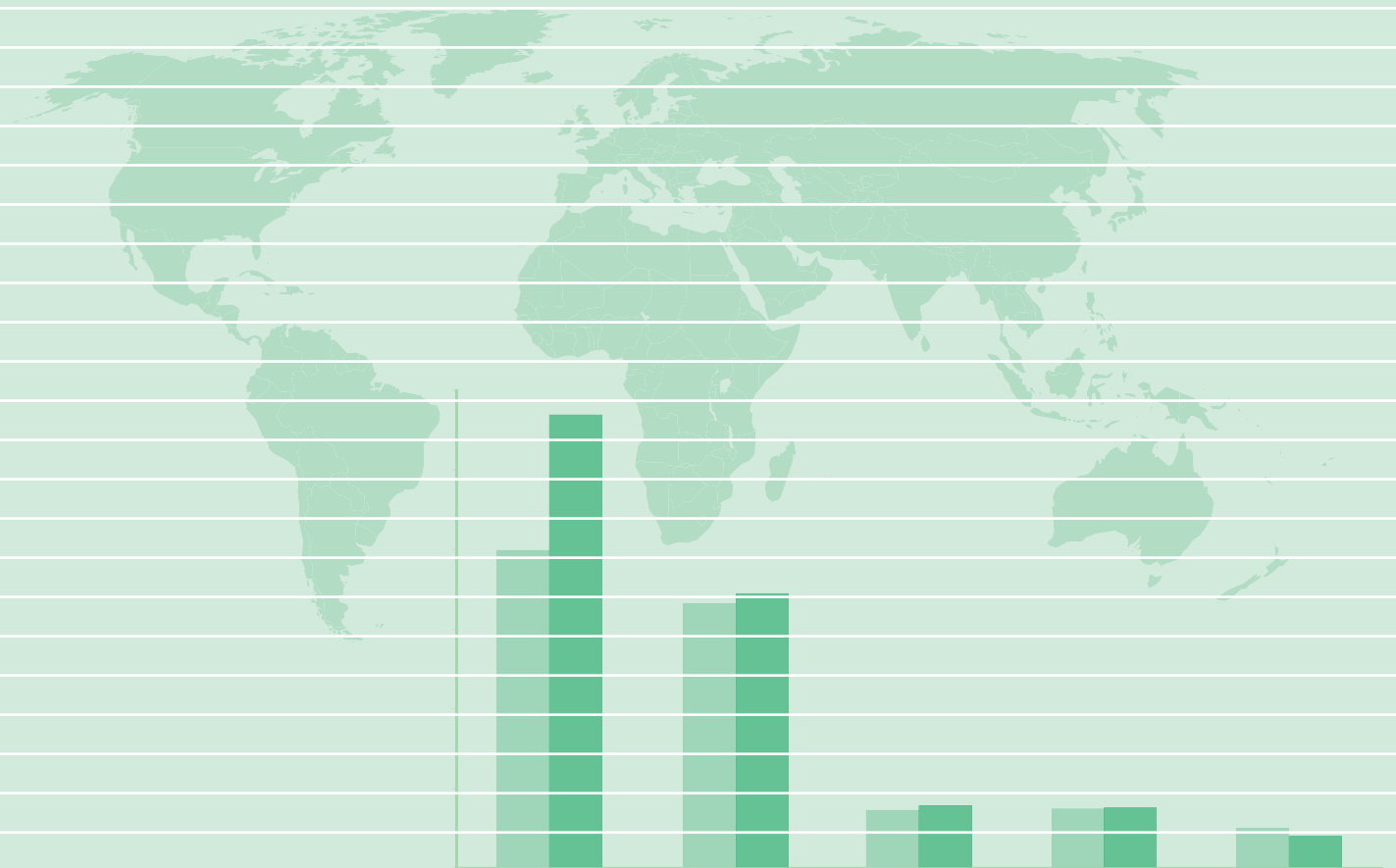


Millennium Development Goal No. 1

# Mobilizing resources to halve world hunger

Paper prepared by **FAO**



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**High-level Plenary Meeting of the  
UN General Assembly 60th Session**

New York, 14–16 September 2005



## A twin-track strategy for poverty and hunger reduction

It is unacceptable that 843 million people in developing and transition countries continue to be hungry and that more than 1 billion have to live on less than 1 dollar a day.<sup>1</sup> It is this reality that brings together all stakeholders to New York to reaffirm their commitment to end all aspects of human misery. The international community has realized that effective action against hunger and poverty is urgent given the slow progress made in reducing them.

The World Food Summit held in Rome in 1996 set the goal of reducing by half the number of hungry people in the world between 1990 and 2015. The first Millennium Development Goal (MDG) restated and reaffirmed the goal of halving hunger by setting hunger reduction as a specific target to be achieved as part of MDG 1. During the World Food Summit: *five years later* world leaders pointed out how hunger reduction is an essential precondition for reducing poverty. Unfortunately, the rate at which hunger is being reduced is painfully slow – substantially slower than what is required to meet the World Food Summit goal, especially in Africa.

The document *Eradication of poverty and hunger* (ERP), produced jointly by FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) and circulated at this meeting, provides concise evidence on how hunger is an effective impediment to the efforts by individuals and societies to exit out of poverty. Hunger compromises peoples' health and their ability to work and learn. The document also provides evidence on why investment in agriculture and rural development is a powerful means for reducing poverty and hunger: not only do the vast majority of poor and hungry people live in rural areas, but growth in smallholder agriculture turns out to be the most important engine for the creation of employment and incomes for the poor.

The detrimental impact of hunger and the essential role of agricultural growth in fighting hunger and poverty constitute the basis of a "twin-track approach to poverty and hunger reduction". The strategy calls for enhanced access to food through transfers, safety nets and other social programmes on the one hand, and investment in development, in particular in support of agriculture and rural development, on the other. The basic elements of the strategy and issues related to its implementation are summarized in the *Eradication of poverty and hunger* document.

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<sup>1</sup> *Global economic prospects 2005: trade, regionalism, and development*. 2005. Washington, DC, World Bank.

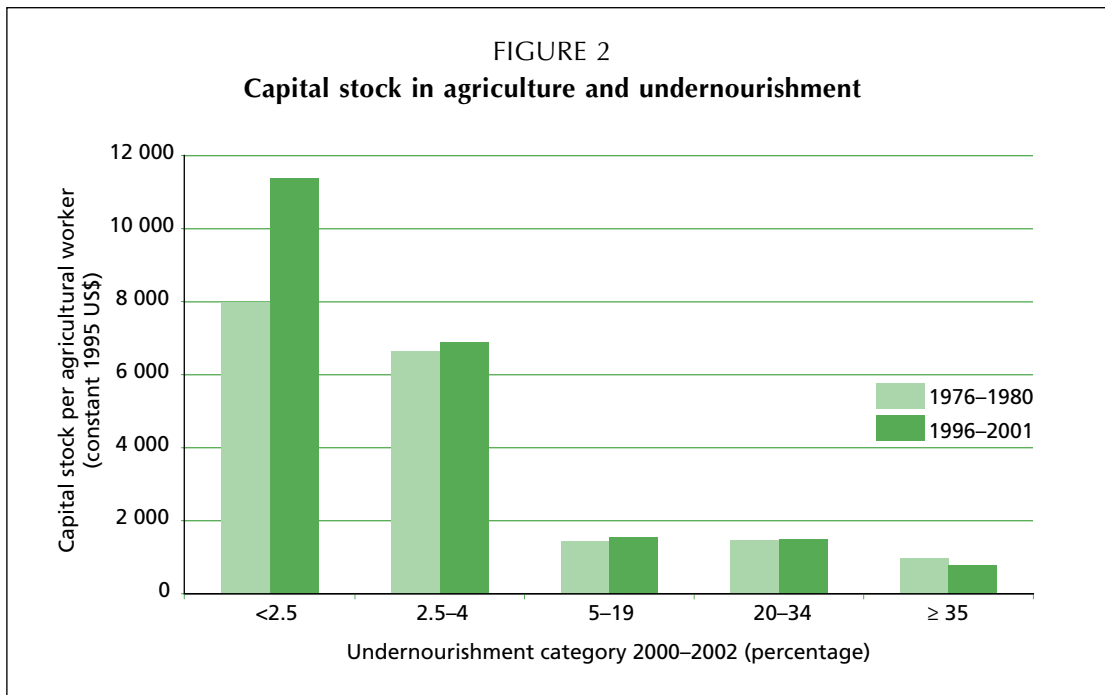
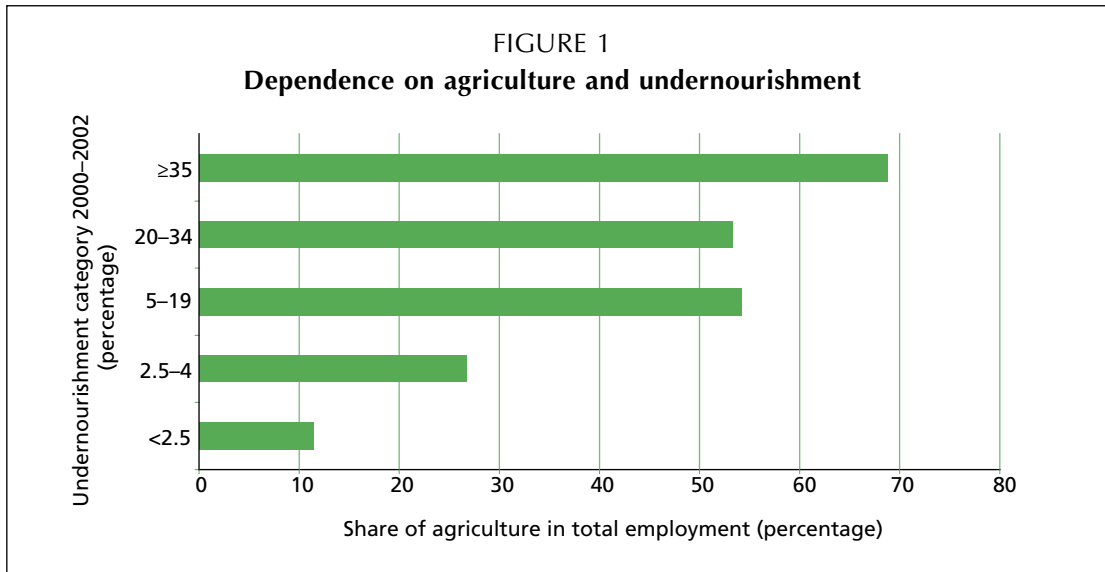
## **A welcome increase in resources for development**

To be effective, actions and initiatives to reduce hunger and poverty need to be adequately funded through a combination of public and private resources. There are now encouraging signs of a strengthening of resolve to reduce poverty and hunger following the commitments made in summits and conferences of the 1990s, the adoption of the Millennium Declaration and the formulation of the MDGs. A significant step towards the implementation of the MDGs has been the Monterrey Summit in 2002, which set in motion the modalities for the implementation and funding of the MDGs. Several initiatives (described in more detail in the ERP document) bring the promise of a substantial increase in resources available for the achievement of the MDGs. FAO welcomes those clear signs of a renewed political commitment to poverty reduction and the pledges for increased resources to development assistance and debt relief.

### **Resources for agriculture and rural development: a key priority**

It is essential that a larger share of the new development funding be allocated to agriculture and rural development than in the past decades. Despite the widely recognized fundamental role of agriculture in economic development and poverty reduction, public resources mobilized for the sector by both donors and national governments have been low and declining. The low level of public expenditure in national budgets and the long-term decline in official development assistance (ODA) for agriculture and rural development in developing countries (both total and in per agricultural worker terms) are totally at odds with the importance of agriculture in the national economies, especially for those countries with a high prevalence of hunger and where agriculture constitutes the basis of poor peoples' livelihoods (Figure 1). Agriculture is the principal economic sector and source of employment in countries where undernourishment is particularly high.

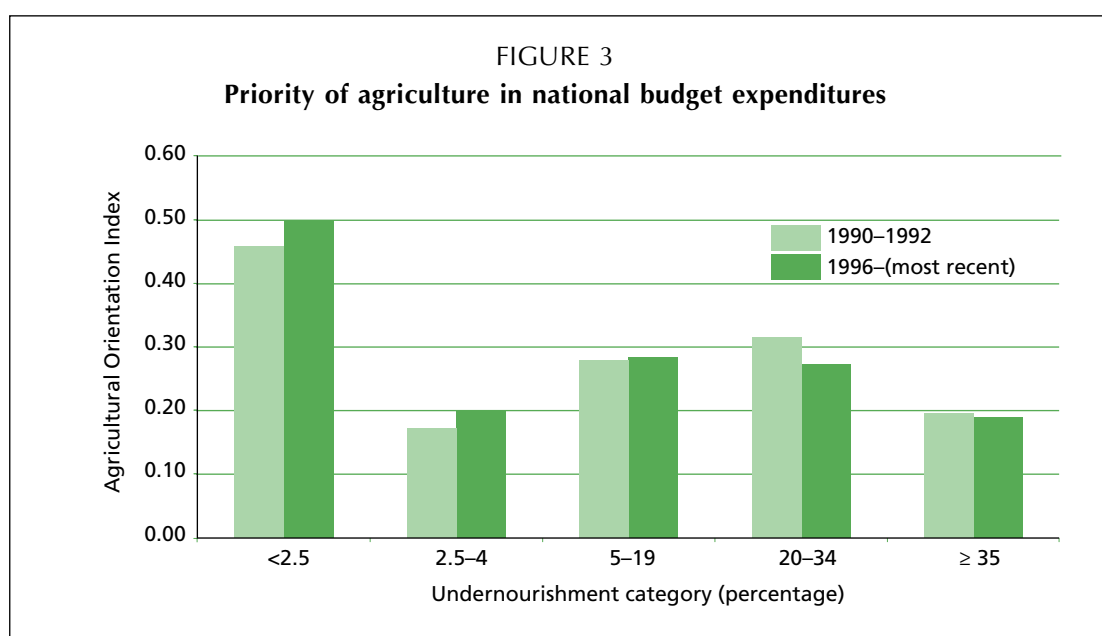
Capital stock in agriculture is essential for rural income growth and poverty reduction. Yet, as Figure 2 shows, it is extremely low and stagnant in countries where the prevalence of undernourishment is high, compared with those that have managed to reduce hunger and where the investment gap is growing. Countries with the lowest levels of undernourishment (less than 5 percent of the population) have also had strong growth in capital stock in agriculture since 1975. In all other categories, investment has increased little, if at all. The result is undercapitalization of agriculture in countries where undernourishment is high while an outright decapitalization has occurred in countries where the prevalence of hunger is highest.



Private investment is key for total capital formation. Agriculture is practised by farmers, not by governments. However, in many developing countries, inadequate public funding for essential public goods such as infrastructure, research and capacity building, extension and market development has resulted in disincentives to private-sector activity and investment.

## National commitment to agriculture not commensurate with the sector's role

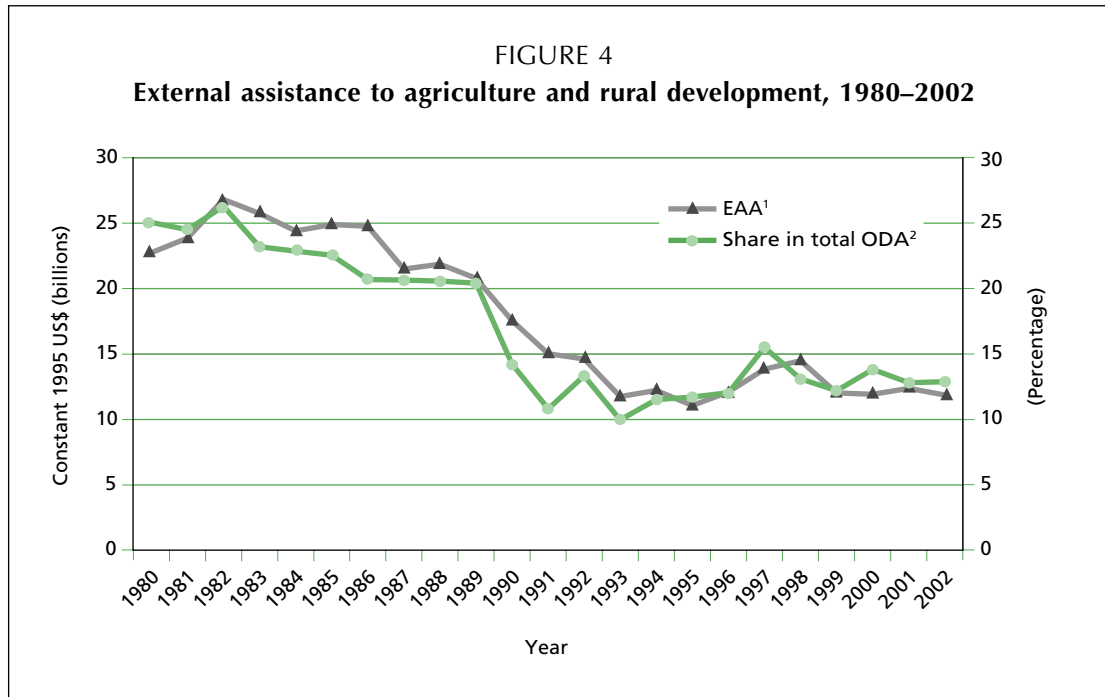
Domestic national spending on agriculture and rural development in many countries has not reflected the role of agriculture in overall development and poverty reduction. Figure 3 shows FAO's Agricultural Orientation Index. The index is a measure of the extent to which the share of national budget expenditures for agriculture reflects the importance of agriculture in the economy (in this case measured as the share of agricultural labour in the total labour force). The lower the index is, the less the importance of the sector is reflected in national expenditure.<sup>2</sup> The figure reveals that agriculture is relatively underfunded in countries with a high incidence of hunger. Initiatives such as the recent decision by African countries to increase the share of national spending on agriculture and rural development to 10 percent is a most encouraging step towards overcoming this public underfunding.



## More and better distributed ODA resources needed for agriculture and rural development

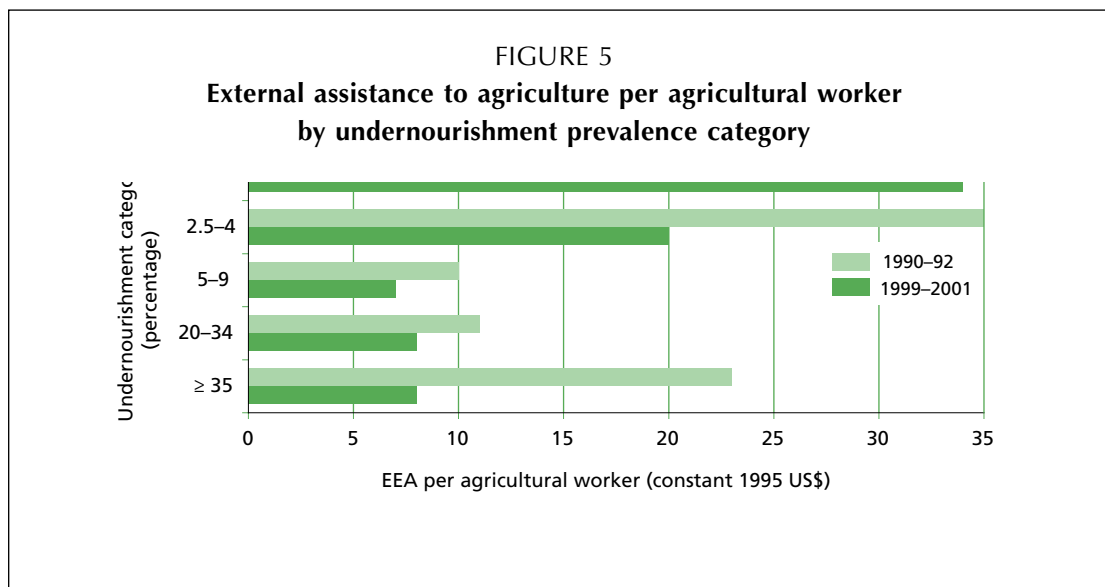
It is unlikely that resource mobilization from national budgets will be sufficient for drastic reduction in hunger and rural poverty, especially for the poorest of developing countries, which are limited in their ability to mobilize public funds. While there are pledges for increases in the overall development assistance, no specific commitments have been made for channelling resources to agriculture and rural development. Yet, past experience shows a dramatic decline

<sup>2</sup> The index is calculated as the share of agricultural employment divided by the share of agriculture in total labour force.



<sup>1</sup> FAO calculation. FAO's definition of external assistance to agriculture (EAA) is broader than that of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD/DAC) in that the coverage is broader than the one used by the OECD/DAC.

<sup>2</sup> The share in total ODA (right axis) reflects the share of official development assistance in agriculture in total ODA. Both measures are calculated by OECD/DAC.



in external assistance (concessional and non-concessional) to agriculture and rural development and a distribution that does not reflect the recipients' apparent needs. Figure 4 shows a consistent decline in both the level and the share of donor funding for agriculture and rural development, while Figure 5 shows that, adjusted by the size of the agriculture sector, external resources have not been distributed to the most needy country groups. Worse, for the most needy groups of countries, the changes seem to go in the wrong direction.



## Investment requirements to achieve the World Food Summit goal

The slow progress in hunger reduction implies that a “business as usual” approach to policies and resource mobilization will not achieve the World Food Summit and MDG goals. It is this realization that has prompted pledges for a substantial increase in development resources. However, a much higher share of those resources should be mobilized for agriculture and rural development if the internationally agreed goals regarding hunger and poverty are to be achieved.

In 2003, FAO proposed a twin-track approach to hunger reduction (Anti-Hunger Programme<sup>3</sup>), for which it estimated the incremental resource flows to agriculture and rural development and for an enhanced direct access to food that would be necessary to achieve the World Food Summit goal. In accordance with the twin-track approach, these incremental investment needs would be allocated to: (a) four priority areas related to agriculture and rural development; and (b) programmes to enhance direct access to food and adequate nutrition. The estimates represent *annual incremental public resource flows* (investments) and are detailed by region in Table 1.

The estimated investments in agricultural and rural development (priority areas 1 to 4) can be thought of as components of national programmes that reduce hunger through rural development and reduction of rural poverty, while at the same time increasing the availability of food. Such Anti-Hunger Programmes are, in essence, programmes to combat rural poverty and, as such, contribute directly to both targets of MDG 1 (halving poverty and hunger).<sup>4</sup>

The proposed Anti-Hunger Programme is designed to have a sustainable impact (on infrastructure, capacity-building, technology and knowledge generation), but in a way that promotes sustainability of the resource base (by developing and conserving natural resources). It also foresees the provision of simple “start-up” technology packages to poor rural households, with the aim of improving agricultural productivity .

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<sup>3</sup> The programme is described in more detail in the FAO publication: *Anti-Hunger Programme – a twin-track approach to hunger reduction: priorities for national and international action*. Rome, November 2003. Available at [http://www.fao.org/documents/show\\_cdr.asp?url\\_file=/DOCREP/006/J0563E/J0563E00.HTM](http://www.fao.org/documents/show_cdr.asp?url_file=/DOCREP/006/J0563E/J0563E00.HTM)

<sup>4</sup> Hunger reduction contributes indirectly to the achievement of many development goals such as those regarding education, literacy and child and maternal mortality. For more details, including the direct and indirect contributions of the FAO Programme and activities on the MDGs, see <ftp://ftp.fao.org/docrep/fao/meeting/009/j5259e/j5259e00.pdf>

TABLE 1  
**Breakdown of investment requirements by priority area and world region**

Priority areas	Developing countries	Asia and Pacific	Latin America and the Caribbean	Near East and North Africa	Sub-Saharan Africa	Countries in transition
<i>US\$ billions per year (2000 base)</i>						
1. Improve agricultural productivity in poor rural communities	2.3	1.5	0.1	0.1	0.5	0.1
2. Develop and conserve natural resources	7.4	2.7	1.3	0.8	2.1	0.5
3. Expand rural infrastructure and market access	7.8	5.5	0.4	0.2	1.7	0.1
4. Strengthen capacity for knowledge and dissemination generation	1.1	0.2	0.4	0.2	0.2	0.1
<b>Subtotal agriculture and rural development</b>	<b>18.6</b>	<b>9.8</b>	<b>2.3</b>	<b>1.3</b>	<b>4.6</b>	<b>0.7</b>
5. Ensure access to food for the most needy	5.2	3.3	0.3	0.2	1.2	0.2
<b>Total</b>	<b>23.8</b>	<b>13.1</b>	<b>2.6</b>	<b>1.5</b>	<b>5.7</b>	<b>0.9</b>

The means of financing the Programme should reflect the need for commitment by both national governments and international donors. Of the several possible arrangements for financing the proposed investments, one option is that national governments and international donors share the cost, on average, on a “50/50” basis. The shares could vary according to the ability of the country to raise the rest of the needed funds.

## **Increasing effectiveness of development resources requires changes in policies and institutions**

A prerequisite for the success of investments under the twin-track approach is the creation of a policy environment, both internationally and nationally, that is conducive to broad-based economic growth. The creation of such a climate is the responsibility of national governments of the developing countries as well as of the international community. Nationally, there is a need for policies that improve access by the poor, especially people living in remote areas, to knowledge and information that are both relevant to their needs and empower them to share in the benefits of technological progress. Mechanisms must be developed for social protection, leading to the creation of reliable safety nets for those people who are unable to meet their essential needs – including food needs – through production, purchase or traditional coping systems.

At the international level, this implies measures to promote peace and political and economic stability, as well as a trading environment, especially for agricultural commodities, that protects and promotes the development and food-security interests of developing countries. FAO strongly believes that there is a strong potential for sharing more equitably the fruits of growth and prosperity among peoples and nations. However, we need to make sure that our promise to the needy and the vulnerable does not remain a promise, but is put into practice immediately.



