

Taking Action for the World's Poor and Hungry People

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SPEAKER SUMMARY NOTE

Session: Targeting the Poor—Policies and Programs
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Title: Investments to Support Hunger Reduction

Commitment Six of the World Food Summit (WFS) Plan of Action is to "... promote optimal allocation and use of public and private investments to foster human resources, sustainable food, agriculture, fisheries and forestry systems, and rural development, in high and low potential areas." Emerging from the WFS, the International Alliance Against Hunger, which brings together a wide range of stakeholders from food producers through agribusinesses and scientists, to civil society, emphasises the need for a twin-track approach to fighting hunger. This means addressing longer-term ways of achieving sustainable growth in agriculture as well as direct assistance to feeding the hungry. This approach is grounded on the Right to Food – the theme of this year's World Food Day – and in the belief that investment in agriculture is essential in achieving the MDGs, and can be effective in making the sector an engine of growth, employment and poverty and hunger reduction.

Priorities for Investment

Priorities for investment have been outlined rather comprehensively by the Rome-based agencies' Anti-Hunger Programme:

- **improving agricultural productivity and enhancing livelihoods in poor communities:** the focus should be on enabling small farmers to build up productive assets on their farms, financing the uptake of new technologies, such as seed of improved varieties, plants, manure or fertilizers; small-scale on-farm works and equipment; breeding stock; and, community-led measures to improve food security.
- **developing and conserving natural resources:** extension and improvement of irrigation systems and programmes to foster farmers' adoption of soil and water conservation practices; conservation and use of plant genetic resources, as the basis for yield increases; conservation of farm animal genetic resources and genetic improvement to increase animal productivity; enhancing fisheries production but with monitoring and protection, aquaculture, and alternative livelihoods for fishermen; agro-forestry and, sustainable use of forests, wild food sources in forests, and alternative livelihoods for food-insecure forest-dependent populations.
- **rural infrastructure and market access:** to increase the competitiveness of developing country agriculture and reduce the costs of supplying growing urban markets including rural roads; market infrastructure; food marketing, storage and processing; measures to improve plant and animal health and prevent the spread of pests and diseases; strengthen food safety and quality and compliance with international standards; and, post-production such as food handling, processing, distribution and marketing.
- **capacity for knowledge generation and dissemination:** ensuring small-scale farmers' access to relevant knowledge through effective knowledge-generation and dissemination systems, strengthening linkages; agricultural research and technology development through CGIAR and national research systems; pro-poor technology development such as integrated pest management, and soil nutrition including improving fertilizer use efficiency; improving the effectiveness of agricultural extension including better radio, television and information technology connectivity; and, education about food and nutrition.
- **access to food for the most needy:** on humanitarian grounds and to respect the right to food, providing direct access to food through: targeted direct feeding programmes; food-for-work programmes; income-transfer programmes; and support for transitional investments that lay the foundations for sustainable production for those emerging from emergencies.

Scale of Investment

Estimates of the investment needed to implement such programmes vary enormously. The AHP estimates that some US\$24 billion per year is needed globally, bringing benefits calculated at US\$120 billion. For Africa alone, however, the Comprehensive Africa Agriculture Development Programme (CAADP) has put a figure of US\$251 billion on total costs and roughly US\$13 billion per year in incremental investment.

Programmes Supported by FAO with Governments

Building upon the experiences of its 12-year Special Programme for Food Security, FAO is now assisting governments and Regional Economic Integration Organisations (REIOs) in formulating and implementing National and Regional Programmes for Food Security (NPFs and RPFS). National programmes include a broad range of components that address access, availability and utilisation dimensions of food security. Around 15 countries are currently implementing NPFs, with over US\$1.2 billion committed, targeting small farmers throughout rural areas. Each programme is tailored to specific country contexts, but all are aimed at helping poor rural households and urban slum dwellers achieve sustainable livelihoods through increased and more diversified agricultural production for home consumption and income through on-farm and off-farm income-generating activities. NPFs also includes safety net programmes to ensure that the needs of the most vulnerable households are catered for.

The overall goal of Regional Programmes for Food Security is to create regional-level policy and institutional environments that support food security and improve regional integration. This involves addressing issues such as inter- and intra-regional agricultural trade; control of plant and animal pests and diseases and management of trans-boundary natural resources. In the West African Monetary Union (UEMOA), harmonizing food safety standards so as to facilitate intra- and inter-Regional trade in food, is a focus. In the Caribbean, the emphasis is on increasing the Region's capacity to manage natural disasters that threaten food security. So far, FAO has assisted 21 REIOs in the formulation of RPFS.

Lessons Learnt in the Fight Against Hunger

Some important policy lessons that have implications for investment are emerging from experience in tackling hunger reduction¹.

- Agricultural growth is critical for hunger reduction
- Hunger reduction is necessary for accelerating development and poverty reduction
- Technology can contribute under the right conditions
- Trade can contribute to hunger reduction and poverty alleviation
- Peace and stability are a sine qua non for hunger and poverty reduction

Two lessons require particular attention in addressing the setting for investment to tackle hunger:

- Public investment is essential for agricultural growth
- Development assistance does not target the neediest countries

Public Investment: Creating a Favourable Investment Climate for the Private Sector

The proper role for public investment in support of hunger reduction is to create an enabling environment for private investment. Primary responsibility rest with governments to establish legal frameworks for access to land and water, enforcing grades and standards, fostering a better and predictable climate for private investment, and providing essential rural infrastructure. Furthermore, it is crucial to improve the quality of public spending by focusing on investments that have the greatest impact on the overall climate for private investment and to enhance the credibility of investments in the sector.

The theme of World Food Day in 2006 was "Investing in agriculture for food security" so that "the whole world will profit". The focus was on promoting profitable partnerships as the new model for cooperation between the public and private sectors. This means finding new ways of bringing together producers—small farmers and cooperatives—with agribusiness and governments to create profitable ventures.

¹ FAO, *The State of Food Insecurity in the World, 2006*

In the end, it is private investment that will lead the developing world out of hunger. Most of the world's farmers are small-scale and they are the biggest investors in agriculture. They also tend to be food-insecure. They need to be able to make a profit from farming, so they can feed their families and reinvest in their farms by purchasing fertilizer, better quality seed and basic equipment. They face many obstacles: lack of credit, insecure land tenure, poor transport, low prices and poorly developed business relations with agribusinesses at the commercial end of the agricultural supply chain, as well as natural factors such as drought, flood, pests and disease are beyond their control. Complementary investments by traders, small and large agro-processors and increasingly by trans-national agribusinesses are all part of global and local value chains that can help small farmers reap profits from agricultural production and trade.

Private capital flows, or foreign direct investment (FDI), to developing countries have substantially increased in recent years from 17% to 36% of the total. However, agriculture has hardly benefited, amounting to less than 1 percent of global FDI to developing countries. This reflects the perceived high risks involved, particularly in Africa.

More Effective Development Assistance

Increasing the volume and sustainability of public investment in agriculture involves commitment of resources by developing country governments and effective partnerships with the international community. For example, African leaders have committed to allocating 10% of budget resources to agriculture under the Maputo Declaration. In view of its critical role in achieving MDG 1, it is important to ensure that agriculture and rural development be brought back to the development agenda and that donor assistance be made more effective. The Global Donor Platform for Rural Development (GDPRD), is a consortium of 29 donor development agencies, which jointly account for around 80% of official development assistance to the sector. FAO co-chairs the GDPRD with Germany's Federal Ministry for Economic Cooperation and Development (BMZ). Its mandate is to improve the coherence of donor support for agriculture and rural development through advocacy for the importance of investment in agriculture in achieving the MDGs, shared learning to identify and close information gaps and, in line with the Paris Declaration, measures to enhance aid effectiveness through harmonization and alignment at country level, including a Code of Conduct for donors in the sector.

The development assistance landscape is changing dramatically as non-traditional donors such as China, Brazil and India, as well as the foundations such as Gates and Rockefeller, come to play an increasingly important role in the sector, especially in Africa. As major players, new donors and civil society at all levels, need to be brought into the dialogue on aid effectiveness in the follow up to Paris at the High Level Forum on Aid Effectiveness in Accra in 2008.