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ERADICATING POVERTY AND HUNGER: TOWARDS A COHERENT POLICY AGENDA

*There is ample evidence that combating hunger and extreme poverty requires a renewed and expanded commitment to agriculture and rural development in developing countries. Overall, some 70 percent of the poor in developing countries live in rural areas and derive their livelihoods from agriculture directly or indirectly. This dependence on agriculture is greater in those countries where hunger is most prevalent. In the excerpts below, **Prabhu Pingali, Kostas Stamoulis and Randy Stringer** of the Food and Agricultural Organization of the United Nations (FAO) in Working Paper No. 06-01, call for a coherent and harmonized international as well as domestic policy agenda for the development of the agricultural sector.*

Introduction

The lessons to date suggest that no sustainable reduction in poverty is possible without improving rural livelihoods. Economic growth originating from agriculture can have a particularly strong impact in reducing poverty and hunger. Increasing employment and incomes in agriculture stimulates demand for non-agricultural goods and services, providing a boost to non-farm rural incomes as well. The corollary to this is that additional demand for agricultural products must come from outside of the rural communities and the communities must be able to meet the expectations of these external markets.

Hunger reduction: A prerequisite for fast development and poverty reduction

Poverty is a cause of hunger, but it is equally true that hungry people will always be poor. Hungry people cannot take full advantage of a pro-poor development strategy because hunger negatively affects health, labour productivity and investment choices, perpetuating poverty. It has been calculated that for each year that goes by without reducing hunger, developing countries suffer a total loss of about 500 billion US dollars in terms of lifetime earnings foregone due to hunger and nutritional deficiencies. Investment in hunger reduction is too often seen as “welfare” whereas, in practice, it is an investment with a potential for generating high economic rates of return.

It is obvious that hunger reduction is critical for reducing poverty and meeting the international goals related to health, child and maternal mortality, education and literacy. Poverty reduction is faster when carefully targeted programmes, such as food for work, provide immediate relief from hunger. As another example, school meal programmes lead to long-term inter-generational gains in poverty reduction.

Technology can make a difference but under the right conditions

Improved technology, especially for small-scale farmers, hastens poverty reduction through increased crop yields and higher incomes. The decline in food prices, in real terms, has benefited poor consumers, including the rural poor. However, poor farmer access to technology has been hampered by gaps in infrastructure, seed and input markets, extension systems, and very often their ability to afford these inputs. Market, institutional and policy failures have exacerbated the problem. A great deal needs to be done to alleviate small farmers' constraints to technology access and profitable use. Technologies that build on and complement local knowledge tend to be particularly effective in meeting the needs of poor farmers in marginal environments.

Trade can lead to substantial reductions in hunger and poverty

Trade offers opportunities for the poor and food insecure by acting as a catalyst for change and by promoting conditions in which the food insecure are able to raise their incomes and live longer, healthier, and more productive lives. Trade can also have adverse effects, especially in the short run as productive sectors and labour markets adjust. Opening national agricultural markets to international competition—especially from subsidized competitors—before basic market institutions and infrastructure are in place can undermine the agricultural sector with long term negative consequences for poverty and food security. Some households may lose, even in the long run. To minimize the adverse effects and to take better advantage of emerging opportunities, such as those arising from agriculture diversification to bio-energy and other non-food products, governments need to understand better how trade policy fits into the national strategy to promote poverty reduction and food security. Expanding the benefits of trade for the poor requires a range of other factors, including market infrastructure, institutions and domestic policy reforms.

Public investment fails to reflect the importance of agriculture

Public investment in infrastructure, agricultural research, education and extension is essential in stimulating private investment, agricultural production and resource conservation. But actual public expenditures for agriculture and rural development in the developing world do not reflect the importance of the sector to their national economies and the livelihood of their populations. In fact, government expenditures on agriculture come closest to matching the economic importance of the sector in those countries where hunger is least prevalent.

For the group of countries where undernourishment is most widespread, the share of government spending devoted to agriculture falls far short of matching the sector's importance in the economy. The trends are also discouraging. Throughout the 1990s, public investments targeted towards agriculture have been declining in countries where the prevalence of undernourishment is highest. Private investment, including farmers' own investment, tends to follow the trends set by the state. Rural communities have typically not benefited from privatization of infrastructure in the way that urban dwellers have and there is little, if any, evidence of the effective use of public private partnerships to provide new rural infrastructure.

Development assistance does not target the neediest countries

Development assistance is critical for very poor countries with limited ability to mobilize domestic private and public savings for investment. It is particularly critical for agriculture, which is largely bypassed by foreign private investors and yet official development assistance to agriculture, broadly defined, declined by an alarming 24 percent between 1990–92 and 1999–2001 in real terms. The

countries with the highest prevalence of undernourishment were the hardest hit. In those countries, External Assistance to Agriculture (EAA) declined by 49 percent in real terms. Many of these countries are badly starved of investable resources. International assistance to them, starting with a lasting solution of the debt problem, would be a tangible sign that the commitments to reach the World Food Summit and the Millennium Development Goals (MDGs) are being honoured. The recent decisions by major donors to increase the Official Development Assistance (ODA) and to cancel debts of the poorest nations are very encouraging.

Peace and stability are *sine quo non* conditions for growth and poverty reduction

Protracted conflicts and civil crises disrupt food production and undermine food security as they drive people from their homes, strike at the foundations of their livelihoods and erode the social fabric of families, communities and countries. Conversely, food insecurity may lead to or exacerbate conflict, particularly when compounded by other shocks and stresses. The interface between food insecurity and conflict has critical implications for food security and conflict prevention programs alike. Assessing and addressing the risk factors common to food insecurity and conflict, can serve as a mechanism both for preventing conflict and reducing hunger. A growing body of experience confirms the importance of strengthening the resilience of societies and food systems before crises erupt and of factoring resilience into responses to protracted crises. Relief and rehabilitation efforts are far more effective if they build on the foundation of resilience rather than relying exclusively on injections of external inputs, technology and institutions.

The changing world and persistent policy challenges

Alleviating hunger and poverty has been and continues to be the pre-dominant policy challenge facing global and national decision makers. However, policy interventions for addressing this challenge ought to be designed in the context of emerging global, regional and national trends. There are four major trends that are shaping the future food economy and consequently the prospects for meeting the hunger and poverty goals. These are:

- i) Rapid urbanization in the developing world and its impact on food markets;
- ii) Increasing integration of global food markets through trade;
- iii) Deterioration of natural resource base and the degradation of the global and local commons; and
- iv) Rising transactions costs in the acquisition and use of science and technology for development.

Urbanization and the transformation of food markets

With virtually all of the world's population growth between 2000 and 2030 expected in urban areas, provisioning the expanding urban markets is a major challenge for agriculture and food marketing systems in the years to come.

Rapidly rising urban food demand, accompanied by trends towards diet diversification, induces an increasingly commercial orientation of production systems, while inefficiencies in the marketing and transport infrastructure will either provide incentives for the location of production in peri-urban areas or encourage lower cost imports. The determinants and nature of food security are different in urban as compared to rural context. Compared to their rural counterparts, the urban poor rely almost exclusively on market purchases of food, and depend on wage income or self-employment in the informal sector.

Urbanization increases the scope for economies of scale in food marketing and distribution, while reductions in transaction costs increase the size of the market for distributors and retailers. The result is an impressive increase in the volume of food marketing handled by supermarkets, but also substantial organizational and institutional changes throughout the food marketing chain. Such changes include the setting of private grades and standards for food quality and safety, and the adoption of contracts between buyers and sellers at various points along the food marketing chain. Subcontracting for products of specified quality and traits is likely to proliferate as a form of interaction between retail food chains, processors and producers. The pressures to meet the requirements of a more exacting food system have brought with it a renewed interest in small farm welfare. For the small farmer, there are difficulties to commercialization that arise from poor public good provision that hinder market exchange and a new set of transaction costs that emerge from dealing with a food system characterized by different rules, regulations and players.

Changing patterns of trade in food

In general, the emergence and strengthening of international trade agreements have resulted in substantial improvements in the three aspects of food security: availability, access and stability. But it has also led to a reduction of national control over flows of goods and services between countries. The challenge facing the members of the World Trade Organization (WTO) is to manage and further adjust the new rules-based agricultural trading system in a way which is conducive to achieving greater efficiency, transparency and fairness with equal opportunities for all in international agricultural trade. In this regard, the Doha development agenda recognizes explicitly the food security and rural development needs of developing countries by granting them special and differential treatment. The practical question is how this recognition can be translated into concrete rules and modalities on which all WTO members can agree.

Developing countries are increasingly net importers of food and many have negative net agricultural trade balances due to low competitiveness of their domestic agriculture. A trend that is likely to continue, even if countries in the Organization for Economic Co-operation and Development (OECD) eliminate their agricultural protection and support policies. Low competitiveness is often the result of inappropriate policies and of insufficient resource mobilization for the enhanced competitiveness of poor rural communities, the sustainable use of natural resources and for adequate provision of market infrastructure and research. Limitations in domestic capacity to meet increasingly strict sanitary and phyto-sanitary standards exacerbate the problem of low competitiveness particularly with respect to the growing market for processed products.

Resource use and resource degradation

Over the past fifty years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fiber, and fuel. As a consequence, many ecosystem services are being

degraded or used unsustainably; including fresh water, capture fisheries, air and water purification, the regulation of regional and local climate, natural hazards, and pests. The Millennium Ecosystem Assessment concludes that the degradation of ecosystem services could grow significantly worse during the first half of this century and is a barrier to achieving the Millennium Development Goals. For example, observed recent changes in climate, especially warmer regional temperatures, have already had significant impacts on biodiversity and ecosystems, especially in dry-land environments such as the African Sahel. Degradation of ecosystem services is exacerbating the problems of poverty and food insecurity in the developing world, particularly in the poorest countries. Because many ecosystem services are not traded in markets, markets fail to provide appropriate signals that might otherwise contribute to the efficient allocation and sustainable use of the services.

The Millennium Assessment suggests a wide range of economic and financial instruments for influencing individual behavior with respect to the use of ecosystem services. These include: the elimination of subsidies that promote excessive use of ecosystem services; and the promotion of market based approaches, including user fees and payments for environmental and ecosystem services. In addition to market instruments, strengthening institutional and environmental governance mechanisms, including the empowerment of local communities, is absolutely crucial for the effective management of environmental resources.

Harnessing science and technology for development

Harnessing the best of scientific knowledge and technological breakthroughs is crucial in the attempt to “re-tool” agriculture to face the challenges of an increasingly commercialized and globalized agriculture sector. Modern science and technology can also help provide new impetus for addressing the age-old problems of production variability and food insecurity of rural populations living in marginal production environments. Whilst the real and potential gains from science and technology are apparent, it is also necessary to take into consideration the fact that research and technology development are more and more in the private domain: biotechnology is a prime example.

Biotechnology holds great promise, but may involve new risks. In most countries, the scientific, political, economic or institutional basis is not yet in place to provide adequate safeguards for biotechnology development and application, and to reap all the potential benefits. Clearly, the question is not what is technically possible, but where and how life sciences and biotechnology can contribute to meeting the challenges of sustainable agriculture and development in the twenty-first century, based on a science based evaluation system that would objectively determine, case by case, the benefits and risks of each individual Genetically Modified Organism (GMO). Similarly, the evolution of food chains has been led by the private sector with obvious benefits in terms of food safety and food price reductions. However, there have been casualties as some farmers and firms have been marginalized. In this case the question becomes one of whether there are technical solutions and business models that can enable engagement of such marginalized groups. Modern science can also provide opportunities for enhancing input efficiencies and for developing more sustainable production systems. The extent to which farmers in developing countries benefit from such technologies, which is often highly knowledge intensive is a matter of debate. Furthermore, it is doubtful if they are compensated for the environmental good that such changes effect.

Designing a coherent policy agenda for hunger and poverty reduction

Rapid progress in achieving the Millennium Development Goal (MDG) of hunger and poverty reduction would require coherence in international as well as domestic policies and harmonization between the two. It would require coherence in the setting of priorities and in the financing of agricultural and rural development. It would also require coherence between interventions designed to manage short-term crisis situations and long term development goals. Finally, peace, stability and “good governance” are crucial enabling conditions for improving the lives and livelihoods of the hungry and the poor. While the specific policy agenda is context specific, the following are some of the essential elements that ensure policy coherence.

- i) *Focus on the hotspots:* Programmes and investments must focus on poverty and hunger “hotspots”—those areas around the world and within a country where a significant proportion of people suffer from malnutrition and high incidence of poverty. Implementation of plans of action for country groups or regions (for example the New Partnership for Africa’s Development, (NEPAD)) should be supported in the context of the strategies to achieve the MDGs, tailored to their specific contexts.
- ii) *Focus on the long term while responding to immediate needs:* Hunger and poverty reduction requires a “twin-track approach” which combines, direct interventions and social investments to address the immediate needs of poor and hungry (social safety nets, conditional or unconditional cash transfers, health interventions, food and nutrition programmes) with; long-term development programmes to enhance the performance of the productive sectors (especially to promote agriculture and rural development), create employment and increase the value of the assets held by the poor (physical, human, financial). Coherence between policies and investments to increase productivity and economic efficiency and those in the social sectors improves the effectiveness of both.
- iii) *Enhance productivity of smallholder agriculture:* Enhancing food security in the rural areas entails scaling-up actions to improve the productivity of smallholder agriculture. In the first instance, this strategy contributes to improved standards of nutrition and thereby opens opportunities for further performance improvements. In the long term it broadens participation in market-led growth. Promoting sustainable use of natural resources, improving rural infrastructure, research and communications, facilitating the functioning of markets and enhancing rural institutions are integral parts of the strategy. Productivity-induced agricultural growth has a wider impact on rural areas through the strengthening of off-farm activities, rural employment and wages.
- iv) *Seek complementarity between trade and domestic policy:* Trade liberalization can be a powerful tool to promote economic growth, however, low income countries, in order to benefit from trade reform, will need to enhance domestic competitiveness through policy and institutional reform. Furthermore, in view of the continuing distortions on world markets, they must be granted more “policy space” necessary to reduce poverty and hunger by developing their rural areas and agriculture. Trade liberalization should go hand in hand with donor support for improving agricultural productivity.

- v) *Increase effectiveness of Official Development Assistance (ODA)*: It is widely recognized that there is ample scope for increasing the effectiveness of ODA. The Paris Declaration on Aid Effectiveness, adopted in March 2005, calls for: ownership (reflect recipient rather than donor priorities); alignment (aligned with recipient countries' budgetary cycles and behind national strategies and programmes); and harmonization (more donor coordination to exploit complementarities, combined with simplified procedures for disbursement).
- vi) *Ensure complementarity of public resources, domestic and international*: Given the common purpose, ODA and public domestic resources for reducing poverty and hunger should be well coordinated and targeted. The key notion should be mutual accountability of donor and partner countries for development results. Therefore, recipient countries would strive to involve all stakeholders, including parliaments, in the formulation of national development strategies in a participatory manner. Donors would commit to providing timely, transparent and untied aid flows to allow partners to manage these resources more effectively.
- vii) *Create an environment conducive to private investment*: Public investments must be accompanied by policies that induce complementary flows of private investment. The quality and transparency of governance and public administration political stability, reliance on market signals and macroeconomic discipline and stability, are essential for stimulating private investment.
- viii) *Make Poverty Reduction Strategy Papers (PRSPs) more inclusive in addressing food security and rural development*: The implementation of the PRSPs in many countries still lacks focus on food insecurity and a clear appreciation of the potential of rural and agricultural development in reducing poverty. The result is insufficient budgetary allocations for these key areas. The dilution of institutional responsibilities for rural development and the inadequate empowerment of rural stakeholders have to be addressed in order to strengthen the political leverage for increased "rural" resources. Furthermore, there is a need for greater integration and coordination of PRSPs and existing national food security and rural development policies and strategies.
- ix) *Combine poverty reduction with increased provision of global public goods*. Financing of payments to farmers for example maintaining agricultural biological diversity and for following practices which result in reduced carbon emissions in the atmosphere can result in both poverty reduction while promoting environmental and resource sustainability.

Conclusion

Alleviating hunger and poverty continues to be the pre-dominant policy challenge facing global and national decision makers. Therefore, the policy agenda should address these emerging challenges even as it pursues unfinished business of the last century.

Full text is available on www.fao.org/es/esa

COMMUNICATION

The Danish Networks for Agricultural Research for Development (NETARD) website (www.netard.dk) has access to a wide range of information on agricultural research for development. Following the menu on the left, one finds information on conferences and workshops, funding possibilities for research projects, information about Danida and agricultural programmes in partner countries, among others. Latest information is available at the “News” section. To subscribe to NETARD’s newsletter, contact netard@netard.dk

ECAPAPA received this information from D. Mwesigye Gumikiriza, Makerere University. He is gratefully acknowledged.

Announcement

The Bill & Melinda Gates Foundation and the Rockefeller Foundation have announced that they will form an alliance to contribute to a “Green Revolution” in Africa that will dramatically increase the productivity of small farms, moving tens of millions of people out of extreme poverty and significantly reducing hunger.

This joint effort builds on the work of the Rockefeller Foundation between the 1940s and 1960s to launch what is known as the “Green Revolution,” an effort that pioneered the historic transformation of farming methods in Latin America and South and Southeast Asia, helping to double food production and stave off widespread famine. Over the long term, the partnership, called Alliance for a Green Revolution in Africa (AGRA), intends to improve agricultural development in Africa by addressing both farming and relevant economic issues, including soil fertility and irrigation, farmer management practices, and farmer access to markets and financing. Almost three-quarters of Africa’s land area is being farmed without improved inputs such as fertilizer and advanced seeds.

The Alliance for a Green Revolution in Africa’s first investment of \$150 million (\$100 million from the Gates Foundation and \$50 million from the Rockefeller Foundation) will support the Program for Africa’s Seed Systems (PASS). PASS will mount an across-the-board effort to improve the availability and variety of seeds that can produce higher yields in the often harsh conditions of sub-Saharan Africa. Specifically, PASS will help: develop improved varieties of African crops; train new generation of African crop scientists; ensure improved seeds reach smallholder farmers; develop a network of African agro-dealers and monitor, evaluate and manage PASS projects through a new organization based in Nairobi, Kenya.

For more information visit: <http://www.rockfound.org/Agriculture/Announcement/218>.

ECAPAPA received this information from Dr. Peter Ewell, USAID/EA/REGI. He is gratefully acknowledged.

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