

Eradicating Extreme Poverty and Hunger: Towards a Coherent Policy Agenda

**Prabhu Pingali
Kostas Stamoulis
Randy Stringer**

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<p>Prabhu Pingali Agricultural and Development Economics Division Food and Agriculture Organization Italy prabhu.pingali@fao.org</p>	<p>Kostas Stamoulis Agricultural and Development Economics Division Food and Agriculture Organization Italy kostas.stamoulis@fao.org</p>	<p>Randy Stringer Agricultural and Development Economics Division Food and Agriculture Organization Italy randy.stringer@fao.org</p>
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Abstract

Alleviating hunger and poverty has been and continues to be the pre-dominant policy challenge facing global and national decision makers. This paper argues that policy interventions for addressing this challenge should be designed in the context of emerging global, regional and national trends. This paper discusses four major trends that are shaping the future food economy and consequently the prospects for meeting the hunger and poverty goals. These trends are: i) rapid urbanisation 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.

Key Words: Agricultural Development, Poverty and Food Security.

JEL: Q18, O1, O19

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1 Introduction and overview¹

The most recent food security data present a rather bleak picture for a large number of developing countries. Between 1995/97 and 2000/02, the number of undernourished people in the developing countries increased by 18 million (SOFI, 2005), a disturbing development, given the global community's commitment to food security concerns, its capacity to produce more than enough food for every human being, and its power to use modern information systems to pinpoint exactly where food is needed and to mobilize rapid transport systems to move food quickly around the globe. The food security problem remains a persistent, formidable and elusive development problem.

From a longer term perspective, progress in hunger reduction has been nothing short of remarkable. The proportion of people in developing countries living with average daily food intakes of less than 2200 kcal fell from 57 percent in the early 1960s to just 10 percent by the end of the century. In spite of a near doubling of their population during this period, average per caput food consumption in developing countries increased 30 percent. A large number of countries have shown that success is possible. More than 30 developing countries, with a total population exceeding 2.2 billion people, have reduced their population of undernourished by 25 percent.

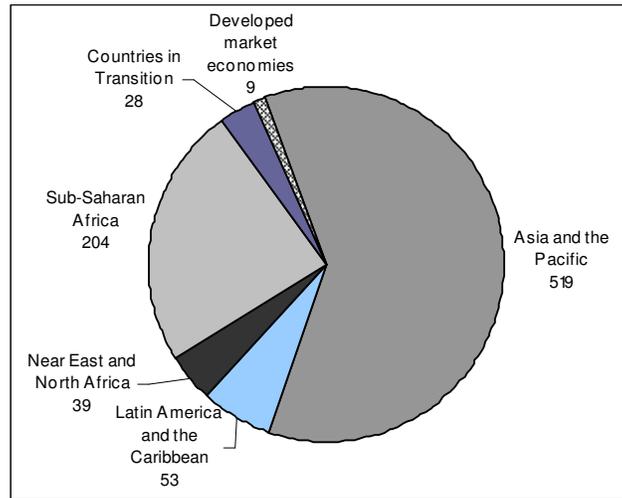
FAO's most recent estimates indicate that the number of undernourished people in the world in 2000-2002 is 852 million, of which 815 million are in the developing countries (Figure 1). Just under two-thirds of the total number of undernourished are found in Asia and the Pacific, followed by sub-Saharan Africa, which accounts for 24 percent of the total (SOFI, 2005). Undernourishment is defined as food consumption insufficient to meet minimum levels of dietary energy requirements

The proportion of the population which is undernourished varies between the different developing country regions (Figure 2). The highest incidence of undernourishment is found in sub-Saharan Africa, where FAO estimates 33 percent of the population to be undernourished. This is well above the 16 percent undernourished estimated for Asia and the Pacific and the 10 percent estimated for both Latin America and the Caribbean and the Near East and North Africa.

One of the more conspicuous characteristics gleaned from food security indicators is the difference between progress in availability of food and the lack of progress in access to food. To date, growth of global agricultural production has been more than sufficient to meet the growth of effective demand for food coming from expanding populations and rising incomes.

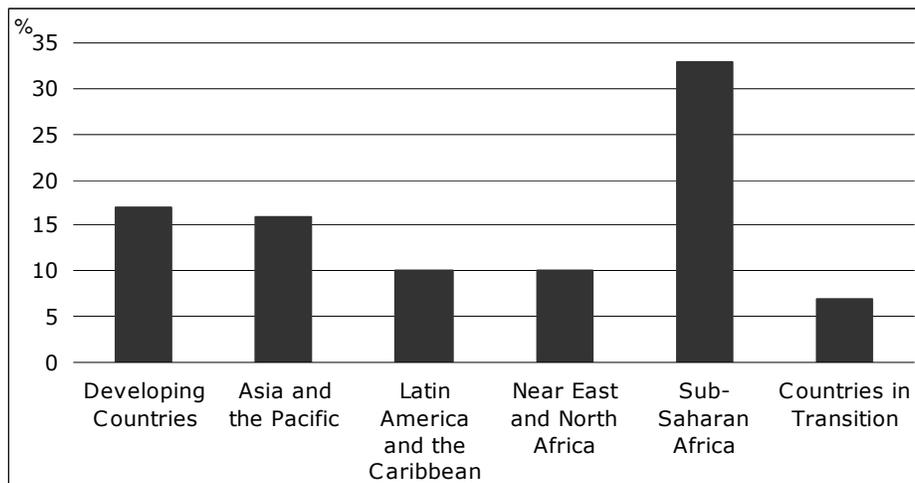
¹ This paper is prepared for OECD's 2005 Global Forum on Agriculture: Policy Coherence for Development. Prabhu Pingali is Director, and Kostas Stamoulis and Randy Stringer are Service Chiefs, Agricultural and Development Economics Division, FAO. This paper draws from the background paper prepared by FAO for the International Dialogue on Agriculture and Rural Development in the 21st Century, held in Beijing China from 9-10 September 2005.

Figure 1
Undernourished population by region, 2000-2002 (millions)



Source: FAO (2005)

Figure 2
Percentage of population undernourished, by region, 2000-2002



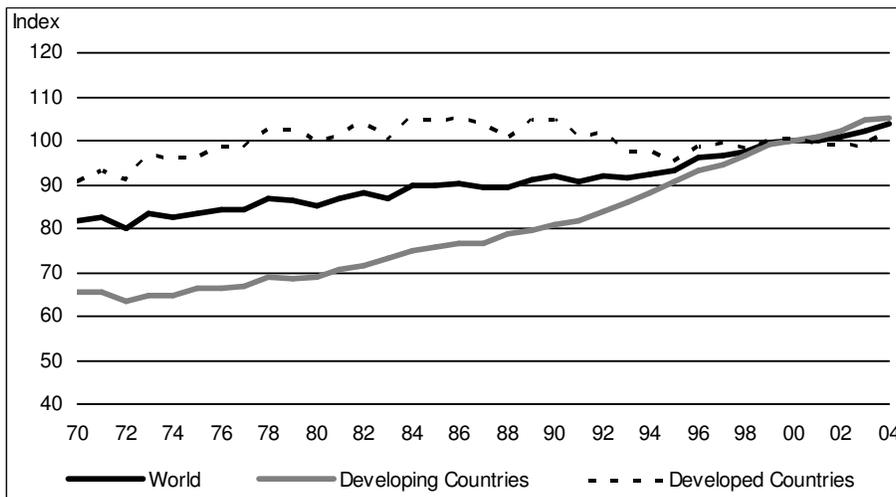
Source: FAO (2005)

The average global calorie supply per person grew by 19 percent since the mid-1960s to reach 2800 kcal/person/day in 2002, with the developing country average expanding by more than 30 percent. An encouraging feature of this rapid food production growth is that developing countries growth rates are higher than the world average during the last

three decades, both in aggregate and in per caput terms (Figure 3). The declining trends in world commodity prices and rising real incomes in many developing countries mean that consumers gain access to more efficient calories at lower prices than past generations.

Even as developing countries attempt to solve the perennial problems of poverty and food insecurity they face new policy challenges emerging from rapid urbanisation and globalization and the consequent changes in diets and lifestyles. Evolving food supply systems driven by the rapid rise in demand for food are placing unprecedented pressure on environmental resources at the local and global levels. The policy agenda for hunger and poverty reduction in the 21st century needs to address these emerging challenges even as it pursues the unfinished business of the last century.

Figure 3
Long-term trend in per caput food production by developing country region
(Index 1999-2001 = 100)



Source: FAO (2005)

2 Measuring Progress: MDG 1 and the World Food Summit Goal

At FAO's 1996 World Food Summit (WFS), and again at the 2002 Millennium Summit, the international development community established an ambitious agenda for reducing hunger and poverty. The MDGs and WFS both set targets for 2015, using 1990 as a benchmark. The MDG 1 Goal includes two targets: (i) halving the proportion of population undernourished and (ii) halving the proportion of people living in poverty. The WFS target is to halve the *number* of undernourished people over this 25 year period. The latter is a more ambitious target given the rising populations in developing countries.

At the global level the MDG hunger goal to half the proportion of undernourished does appear to be within reach, presuming high levels of investment in and policy commitment to enhancing food security. Table 1 summaries FAO's most recent data and projections to 2015. In 1990, 20 percent of developing country population (824 million) was undernourished, while FAO's most recent estimate of undernourished people in the world (2000/02) is 17 percent of the population (815 million). The projection to 2015 is 11 percent.

The regional data suggest that East Asia, South East Asia and Latin America and the Caribbean can reach their Millennium Development Goal (MDG) target. By the 2000/02, East Asia had reduced its undernourished population from 16 percent to 11 percent with a 2015 target of 8 percent. The corresponding numbers for South Asia are from 26 percent in 1990, to 22 percent in 2000/02, with a target of 12 percent in 2015. And, for Latin America: 13 percent in 1990, to 10 percent in 2000/02, with a target of 6.5 percent in 2015.

The highest incidence of undernourishment is found in sub-Saharan Africa, where FAO estimates 33 percent of the population to be undernourished. Even in 2030, the region is expected to have a prevalence of hunger at 15%, two and-a-half times that of South Asia and than the average of the developing countries as a group.

Table 1: Projections of Food and Hunger Indicators by Region

Year	Sub-Saharan Africa	Near East and North Africa	South Asia	East Asia	Latin America and Caribbean	Developing Countries
Per capita food consumption (kcal/person/day)						
1964-66	2058	2290	2017	1957	2393	2054
2000-02*	2195	3006	2403	2921	2824	2800
2015	2360	3090	2700	3060	2980	2850
2030	2540	3170	2900	3190	3140	2980
Millions of persons undernourished						
1990-92	168	25	289	275	59	824
2000-02*	204	39	301	217	53	815
2015	205	37	195	135	40	610
2030	183	34	119	82	25	443
Percentage of population undernourished						
1990-92	35	8	26	16	13	20
2000-02*	33	10	22	11	10	17
2015	23	7	12	6	6	11
2030	15	5	6	4	4	6

* Projections to 2015 and 2030 have 1997-99 as base period.

Source: FAO, *World agriculture towards 2015/30, Summary Report*, Rome 2002.

Because of the successes in much of Asia, including China and Indonesia, the long term prevalence of undernourishment in developing countries has declined steadily, from 37 percent of the total population in 1969-71 to 17 percent in 2000-2002. Asia reduced the

proportion of its undernourished by 25 percent. Nevertheless, more than half of the total number of undernourished, 61 percent, are in Asia and the Pacific, followed by sub-Saharan Africa, which accounts for 24 percent of the total. In sub-Saharan Africa, the number of undernourished actually rose from 92 million in 1969/71 to 204 million in 2000/02. Latin America and the Caribbean experienced a significant decrease in both proportion and absolute numbers of undernourished in the 1970s, but has made little progress since (SOFI, 2005).

In contrast to the MDG hunger reduction target, only East Asia and a few countries in Latin America will reach the more ambitious World Food Summit (WFS) goal of halving the number of hungry people, from about 800 million to 400 million. World population is expected to grow by approximately two billion between the baseline period (1990–92) and 2015. So, even if the proportion of that larger population who are undernourished is reduced by half, nearly 600 million people in the developing world will still suffer from chronic hunger. To reach the WFS target of 400 million, the proportion of the population who are undernourished would need to be reduced not by half, but by two thirds.

The poverty target

The MDG 1 poverty reduction goal to halve the proportion of poverty between 1990 and 2015 is on track based on the World Bank poverty projections (less than US\$1 per day). At the global level, poverty has declined both in absolute numbers (if only marginally) and in relative terms. The East Asia region met its poverty reduction target by 2001, 14 years ahead of the timetable. In China and East Asia, GDP per capita more than tripled and the proportion of people in extreme poverty fell from 56 per cent to 17 per cent over the past two decades. South Asia, too, made considerable progress in percentage terms during the 1990s, and achieving the goal of halving US\$1/day poverty is feasible.

The poverty reduction goals seem much more challenging in the other regions. In sub-Saharan Africa poverty has in fact increased between 1990 and 1999. The available projections suggest that for sub-Saharan Africa the MDG poverty goal may be beyond reach. Very little progress will be achieved unless performance is significantly enhanced in the near future, and the absolute number of poor may in fact rise considerably. Should this scenario materialize, close to half the world's poor will live in sub-Saharan Africa in 2015.

Latin America and the Near East/North Africa have made only marginal progress (in relative terms) during the 1990s. If the forecasts are accurate they should at least come within reach of the poverty reduction target. The transition countries in Eastern Europe and Central Asia present a different picture. A big surge in poverty occurred in the region after 1990 (the base year for the target). Most of these countries were then on the brink of a recession after the collapse of the centrally planned regimes and the beginning of the transition towards market economies.

At present, the hunger and poverty projections imply that:

- a) At a global level, the goal of halving by 2015 the proportion of hungry people from that prevailing in 1990-92 may be achieved provided high levels of investments and policy commitment are targetted towards hunger reduction.
- b) Sub-Saharan Africa and South Asia will continue to account for a high proportion of the global population of hungry in 2015.
- c) The goal of reducing the actual number of hungry people by half by 2015 is probably not attainable, given current trends in hunger reduction and projected population growth rates.
- d) the goal of halving by 2015 the proportion of people living in poverty from that prevailing in 1990 may be achieved – the proportion falls from 29.0 percent in 1990 to 12.3 percent in 2015;
- e) the absolute numbers in poverty may not be halved, as they decline from 1.27 billion in 1990 to 0.75 billion in 2015;
- f) much of the decline in poverty results from prospective developments in East Asia and South Asia; and
- g) in contrast, sub-Saharan Africa's absolute numbers in poverty kept increasing in the 1990s and are projected to continue to do so until 2015.

3 Lessons from past performance in poverty and hunger reduction

The reduction of hunger and the attainment of many other Millennium Development Goals are inter-related. Levels of child and maternal mortality and low rates of school attendance in developing countries are intimately linked to the prevalence of hunger and under-nourishment. The same applies to environmental sustainability: the overexploitation or misuse of natural resources too often compromises people's food security. To a great extent the achievement of most of the MDGs depends critically on progress in improving nutrition and reducing hunger.

The following are some of the key policy lessons learnt from past successes and failures in hunger and poverty reduction.

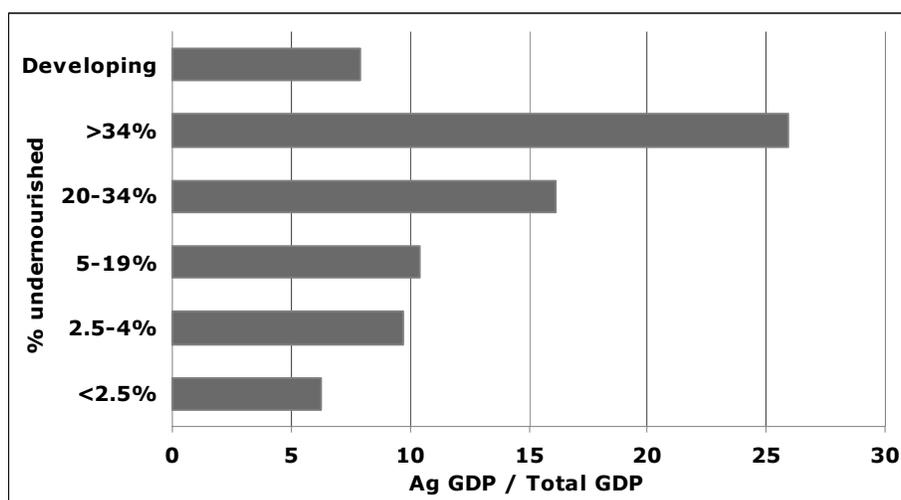
Agricultural growth plays a critical role in enhancing food security and reducing poverty in developing countries

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. Figure 4 presents the percentage share of agriculture in GDP in 1998-2002 for developing countries grouped according to the incidence of under-nourishment in 2000-2002. For countries with more than one third of the population undernourished, the share of agriculture in GDP is almost 25 percent.

The lessons to date suggest that no sustainable reduction in poverty is possible without improving rural livelihoods. Economic growth originating in 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.

Figure 4

Agricultural GDP and under-nourishment



Source: FAO (2004) and World Bank

Hunger reduction is 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 (SOFI, 2004). 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 but for also 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 hunger relief. 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, hastenes 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 bioenergy 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.

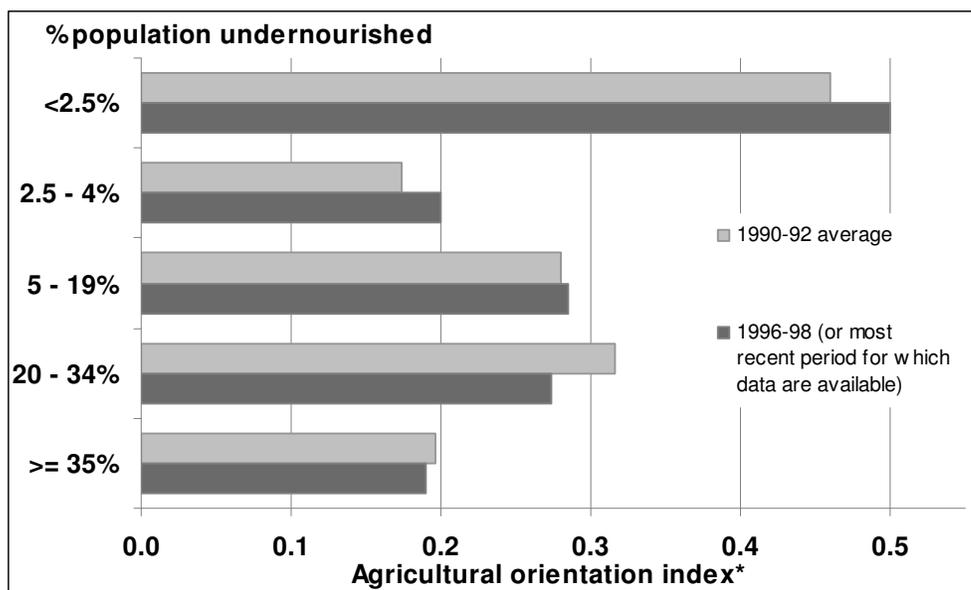
Public investment fails to reflect the importance of agriculture.

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 (Fig. 5). 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.

Fig. 5. Agricultural orientation of public investment



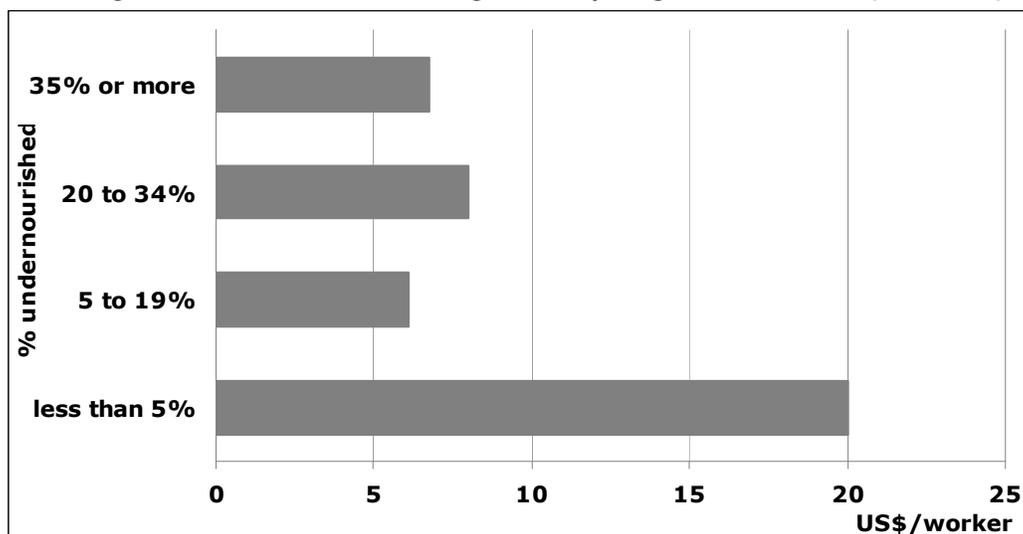
* (share of agriculture in total public expenditure/share of agriculture in GDP)

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 (Fig. 6). In those countries, External Assistance to Agriculture (EAA) declined by 49 percent in real terms (FAO 2002).

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 are being honoured. The recent decisions by major donors to increase ODA and to cancel debts of the poorest nations are very encouraging in this regard. The Council of the European Union has set an ODI/GNI ratio of 0.56 percent by 2010 rising to 0.70 percent by 2015. Moreover the recent agreement reached by the G8 cancels all debts owed to them by 18 countries without a reduction in the overall funds available to those or other countries. These are important steps towards implementing the Monterrey consensus which will also require a greater share of commitments going to agriculture and rural areas.

Fig. 6. External assistance to agriculture per agricultural worker (1998-2000)



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.

4 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. This section discusses 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 urbanisation 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.

Urbanisation 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 an urban as compared to a 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.

Urbanisation increases the scope for economies of scale in food marketing and distribution, while reductions in transactions 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 organisational 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. Sub-contracting 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 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 recognises 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 OECD countries eliminate their agricultural protection and support policies). Low competitiveness is often the result of inappropriate policies and of insufficient resource mobilisation 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 fuel². 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 dryland 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 as we attempt to “retool” agriculture to face the challenges of an increasingly commercialised and globalised 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

² This section draws from the Millennium Ecosystem Assessment, Synthesis Report, 2005

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 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 marginalised. In this case the question becomes one of whether there are technical solutions and business models that can enable engagement of such marginalised 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 are 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.

5 Designing a coherent policy agenda for hunger and poverty reduction³

Rapid progress in achieving the Millennium Development goal 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.

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 (e.g. NEPAD) should be supported in the context of the strategies to achieve the MDGs, tailored to their specific contexts.

³ Based on the Background note for Round Table 1: Eradication of Poverty and Hunger. ECOSOC 2005, High Level Segment, 29 June-1 July, 2005. United Nations, New York.

Focus on the long term while responding to immediate needs. Hunger and poverty reduction requires a **twin-track approach** which combines, (a) 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 (b) 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.

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 open 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.

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 agriculture productivity.

Increase effectiveness of Official Development Assistance: It is widely recognised that there is ample scope for increasing the effectiveness of ODA. The Paris Declaration on Aid Effectiveness, adopted in March 2005, calls for: *ownership*, i.e. aid should reflect recipient rather than donor priorities; *alignment*, i.e. aid should be aligned with recipient countries’ budgetary cycles and behind national strategies and programmes; and *harmonization*, i.e. there should be more donor coordination to exploit complementarities, combined with simplified procedures for disbursement.

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.

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.

Make 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/coordination of PRSPs and existing national food security and rural development policies and strategies.

Combine poverty reduction with increased provision of global public goods. Financing of payments to farmers for e.g. 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.

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