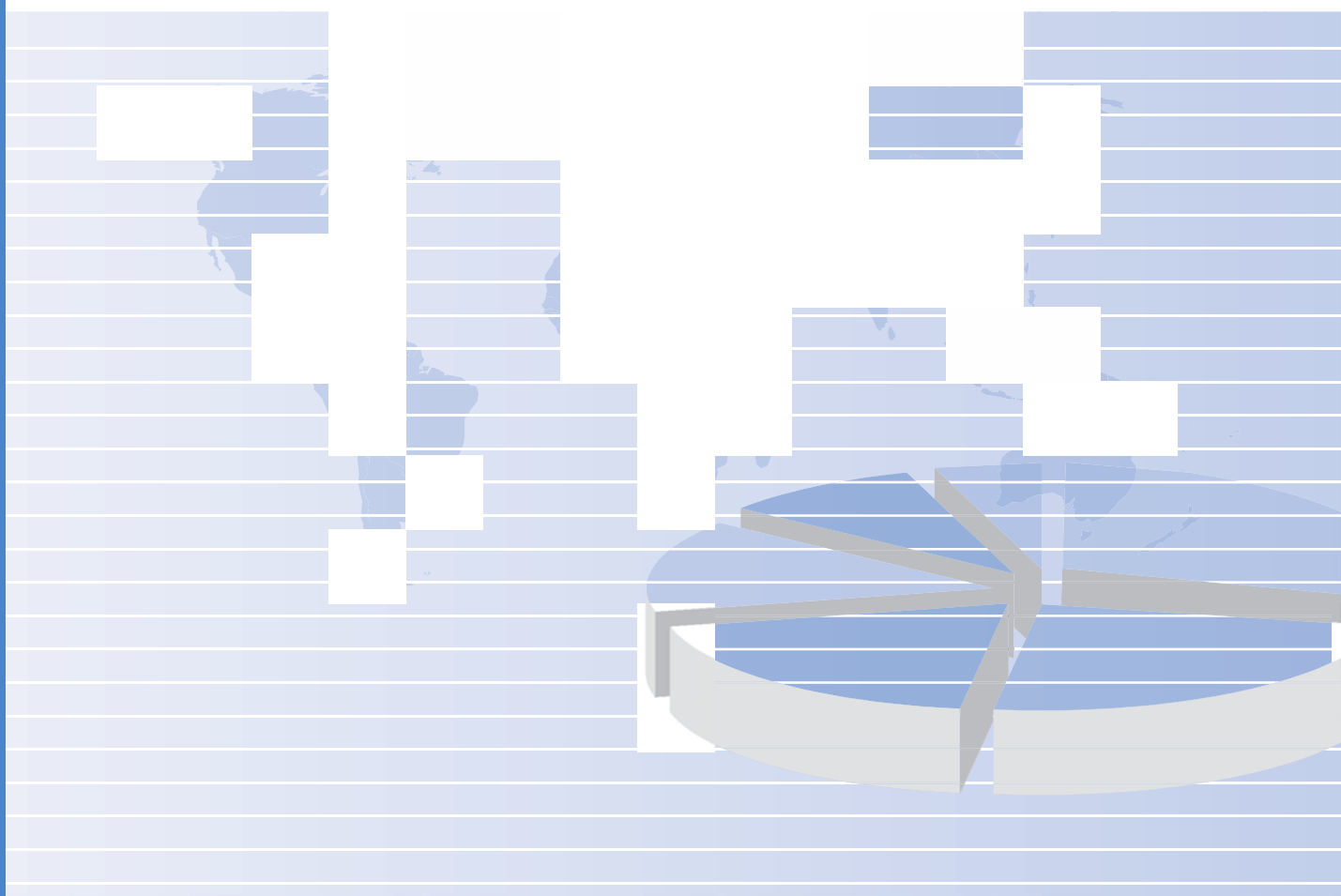


Millennium Development Goal No. 1

# Eradication of poverty and hunger

A note prepared jointly by **FAO, IFAD, WFP**



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Background paper for the

**High-Level Dialogue on Financing for Development  
and the ECOSOC High-Level Segment Roundtable Dialogue  
on the Eradication of Poverty and Hunger**

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# Introduction

It is unacceptable that 843 million people in developing and transition countries continue to suffer from hunger and that more than 1 billion still live on less than 1 dollar a day. Effective action against hunger and poverty has been impeded by a lack of political will to tackle the problem and, consequently, to provide the required resources. However, following the adoption of the Millennium Declaration, the formulation of the Millennium Development Goals (MDGs) and their reaffirmation at the Monterrey Summit in 2002, there are now encouraging signs of a strengthening of resolve to fight poverty and hunger.

Developing countries are acknowledging the need to commit more resources for development activities that benefit the poor. Donor countries are taking steps to increase official development assistance (ODA) to countries committed to poverty and hunger reduction. The work of non-governmental and civil society organizations is creating a groundswell of public opinion in developing and developed countries alike. The United Nations Millennium Project Report, *Investing in Development*, and the Project's various task force reports to the Secretary-General call for specific steps to achieve the MDGs, while the Report of the Commission for Africa calls for a doubling of ODA to Africa by 2015. The activities of private foundations as providers of funds for critical initiatives are also worth noting.

However, one segment of international aid is decreasing; that is global food aid, which plummeted by almost 30 percent from 2003 to 2004. The international community should provide sufficient food aid that targets vulnerable and food-insecure households.

There is an emerging consensus on effective strategies for poverty and hunger reduction: a twin-track approach is required that combines investments in productive activities with targeted programmes to provide the neediest with direct and immediate access to food as well as other basic goods and services. With about 75 percent of the poor and hungry in developing countries living in rural areas, promoting investments in agricultural and rural development is fundamental. This twin-track approach was first presented by FAO, IFAD and WFP at the International Conference on Financing for Development in Monterrey, Mexico, in March 2002. It was further elaborated in FAO's *Anti-Hunger Programme* publication in 2003, and its main elements are reiterated in the report of the Hunger Task Force of the UN Millennium Project.

However, for implementing the twin-track strategy, three urgent requirements remain:

1. that hunger reduction be recognized as a key component of all national poverty reduction strategies;
2. that agricultural and rural development be recognized as key engines of pro-poor growth and hunger reduction;
3. that consensus on strategies to reduce poverty and hunger be translated into concrete action at the scale required.

## Prospects for meeting the hunger and poverty goals

Some progress towards the two targets of MDG 1 has been made. The world appears to be on track to achieve a halving of the *proportion* of the population living in extreme poverty. Between 1990 and 2001, the proportion of people living in extreme poverty (less than 1 dollar a day) in developing countries declined from 28 to 21 percent, i.e. by 129 million people, and it is set to decline to 10 percent (622 million people) by 2015.

Concerning the hunger target in MDG 1, the proportion of undernourished people in the developing countries declined from 20 to 17 percent in the 1990s. Even if the prevalence of hunger were to be halved by 2015, a halving of the global absolute number of undernourished people, which is the goal of the World Food Summit 1996, is unlikely. The absolute number of undernourished people in developing countries fell by only 9 million in the 1990s.

Moreover, progress in hunger and poverty reduction at global level masks significant differences among regions, countries and areas within national borders. Much of the global progress is accounted for by developments in China and India. In sub-Saharan Africa in particular, progress has been insufficient to meet either of the two targets of MDG 1.

Countries with the highest levels of poverty must achieve very high rates of sustained economic growth to make a serious dent in poverty, although these countries are likely to face the most serious handicaps in this endeavour. Even within countries undergoing economic growth, there are pockets of persistently high levels of poverty and hunger. Particular groups of people suffer a higher overall incidence of poverty and hunger and will not necessarily share the fruits of economic growth. They include children, female-headed households, indigenous and tribal peoples and populations without sufficient access to natural, financial or human assets. Approaches to poverty reduction often neglect gender differentials in terms of women's access to income, resources and services. To reach those untouched by economic growth because they live in isolated regions as well as those who cannot take advantage of the opportunities offered by such growth, swift and *targeted action* is required. This will in itself have a positive economic impact and create a stronger basis for sustainable and broad-based economic growth.

## Linkages between MDG 1 and the other MDGs

Action to achieve the MDGs and other goals set by the conferences and summits of the 1990s should be based on the recognition that such goals are multidimensional, multisectoral and interdependent. To allow coordinated action on several fronts and to achieve a strong and lasting impact on poverty, the ways in which income, hunger reduction, education, health, gender and environmental issues interact must be understood. Access to safe drinking-water and basic sanitation (MDG 7) is closely related to reducing the incidence of poverty (MDG 1) and of major diseases (MDG 6), while hunger reduction (MDG 1) cannot be divorced from the achievement of universal primary education (MDG 2) and the goal regarding major diseases (MDG 6). Progress towards meeting commitments on trade, debt and ODA (MDG 8) is essential to support the national processes to achieve all MDGs.

For achieving MDG 1, recognition of the close relationship between poverty and hunger is critical. It is well understood that extreme poverty is at the root of chronic hunger. Poor people do not possess the means to access and/or produce the food necessary for an active and healthy life and are more vulnerable to destitution, following extreme events.

There is less recognition of hunger as an important cause of poverty. Hunger imposes human and economic costs on individuals and societies by adversely affecting the health and productivity of populations. It causes the loss of millions of productive life years as a result of the disease, disabilities and premature death that it inflicts. Recent calculations show that the present discounted value of the combined costs of protein-energy malnutrition, low birth-weight babies and micronutrient deficiencies (such as iron and iodine deficiency) throughout the lifetime of one cohort of undernourished children would add up to at least 5 to 10 percent of GDP of the developing world – roughly US\$500 billion to US\$1 trillion. The “hunger–low-productivity–extreme poverty” nexus acts as a trap from which hungry people find it hard to escape.

The developing world spends at least US\$30 billion a year, a sum amounting to almost half of total ODA, to deal with the direct damage caused by hunger: for example, treating the problem pregnancies and deliveries of anaemic, underweight mothers and the severe and frequent illnesses of children whose bodies and immune systems have been weakened by hunger. Eradicating hunger and extreme poverty could prevent this drain on scarce financial resources. 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.

## Elements of a strategy for meeting MDG 1

Meeting the targets of MDG 1 is a shared responsibility of rich and poor nations. Strategies for reaching the MDGs must be tailored to individual countries, but certain general elements are critical for success:

- **Set targets and agree on coordinated actions in each country.** This involves profiling the poor and hungry, agreeing on priorities, targeting, roadmaps and timetables, exploiting synergies among the goals, mobilizing resources and allocating them strategically. Nationally-owned Poverty Reduction Strategies are increasingly fulfilling this function, despite some perceived shortcomings,<sup>1</sup> and are becoming principal national tools to achieve the MDGs. International cooperation should support such national efforts.
- **Build capacity using bottom-up and participatory approaches.** Local institutions are needed that are managed by and accountable to local people and communities. Local capacity building and skill development are key elements in the empowerment of poor people. Legal and property rights and access to resources must be enhanced, especially for vulnerable groups such as women and indigenous people. MDG-based strategies should be transparent and inclusive, working closely with civil society organizations, the domestic private sector and international partners.
- **Give priority to actions in 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 a high incidence of poverty. Implementation of plans of action for country groups or regions (the New Partnership for Africa's Development [NEPAD], the Brussels Programme of Action for the Least Developed Countries, the Barbados Programme of Action for the Sustainable Development of Small Island Developing States, etc.) should be supported in the context of the strategies to achieve the MDGs, tailored to their specific circumstances.
- **Combine policies and programmes for social sectors with long-term development programmes.** Poverty reduction requires a *twin-track approach* that combines, ideally within the same communities: i) 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 ii) long-term development programmes to enhance the performance of the productive sectors (especially to promote agricultural and rural development), to create employment and to increase the value of the assets (physical, human, financial) held by the poor. Coherence between policies and investments to increase productivity and economic efficiency and

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<sup>1</sup> Criticisms often include the fact that strategies: i) underestimate the importance of investment in such sectors as agriculture; ii) fail to make the connection between poverty hunger, agriculture and economic growth; iii) do not provide for adequate inclusion of social targets; iv) do not ensure sufficient participation by the private sector or consultation with vulnerable and disadvantaged groups.

those in the social sectors improves the effectiveness of both. Reducing inequalities in income and access to assets strengthens the impact of economic growth on poverty reduction. In accordance with the Millennium Declaration, efforts should be made to promote the *human right to adequate food* and implement the related Voluntary Guidelines to support the progressive realization of the right to adequate food in the context of national food security, recently adopted by governments.

- **Intervene directly to enable the neediest.** Implementation of a twin-track approach in the context of hunger reduction means enabling the neediest to escape from the “hunger–low-productivity–extreme poverty” trap. This requires programmes to enhance *direct and immediate access to food and good nutrition* for the most vulnerable groups such as indigenous peoples, female-headed households and particularly children, as they suffer disproportionately from the long-term negative effects of malnutrition. Approaches to direct assistance must be context-specific. Initiatives such as school meals supplied by local production should be scaled up when good results have been attained. Investment in health services (including access to reproductive health services and programmes to combat HIV-AIDS), sanitation and clean water programmes are essential complementary interventions.
- **Use food assistance to strengthen human capital and build physical assets.** This helps families build resilience to shocks and protect their livelihoods and also opens up development opportunities. Human capital is often the only resource the hungry and poor actually possess, yet in many cases it is undervalued or remains untapped as a result of hunger. Food-supported activities are used to develop and enhance skills, or to create physical assets, such as food storage facilities, water and erosion control structures that help communities face crisis and are necessary to reach longer-term development aspirations.
- **Focus policies and investments on rural areas and agriculture.** The fight to meet MDG 1 will be won or lost in the rural areas of developing countries, home to up to 75 percent of the poor and hungry, who derive their livelihoods from agriculture and related activities. Enhancing food security in the rural areas entails scaling up actions to improve the productivity of smallholder agriculture in ways which, in the first instance, contribute to improved standards of nutrition and thereby open up opportunities for further performance improvements and broadened participation in market-led growth. It also implies promoting the sustainable use of natural resources; improving rural infrastructure, research and communications; facilitating the functioning of markets; and enhancing rural institutions. Productivity-induced agricultural growth has a wider impact on rural areas through the strengthening of off-farm activities, rural employment and wages. The development of rural strategies in the context of Poverty Reduction Strategies will help to target poverty where it is concentrated in developing countries.
- **Support a dynamic growth process.** The promotion of rural development in a sustainable manner can stem rural-urban migration, bring employment opportunities to rural

areas, reduce regional income disparities, and ultimately fight deep poverty at its very source. Emphasis needs to be placed on diversification towards rural non-farm activities, including value-added production, and strengthening productive capacities of micro, small and medium enterprises, a process in which women in rural areas play a major role.

- **Strengthen poor urban livelihoods.** Important as the rural space is for economic development and poverty reduction, it should be noted that the world population is increasingly “urbanizing”. The promotion of *urban food security* entails a number of interventions: pro-poor employment and asset generation combined with measures to assist the urban poor in meeting their basic needs such as housing, nutrition, clean water, safe food, health and primary education. In some cases, urban agriculture can be a source of livelihoods and household food supplies, especially in formerly rural areas incorporated into cities.
- **Accelerate progress towards an open and fair international trading system.** Progress is particularly needed on issues of market access, export subsidies and trade-distorting domestic support in agriculture. Low-income countries must strengthen the competitiveness of their domestic food production and their compliance with sanitary and phytosanitary standards. They need trade-related financial and technical assistance. Furthermore, in view of the continuing distortions on world markets, they must be granted more “policy space” to reduce poverty and hunger by developing their rural areas and agriculture. The agreements in WTO should contain strengthened provisions for safety nets at the international level, thus assuring reliable and affordable import of foods, such as the provisions in the Marrakech Decision.

## Financing the strategy

To be effective, actions and initiatives to achieve MDG 1 need to be adequately funded through a combination of public and private resources. Several initiatives bring the promise of a substantial increase in future resources available for the achievement of the MDGs. In conformity with the Millennium Compact, NEPAD is giving priority to improved governance, with an emphasis on inclusiveness, conflict prevention and anti-corruption activities. Its African Peer Review Mechanism has been endorsed by the African Union as a key means for region-wide peer pressure for positive change. In the Maputo Declaration, African Heads of State and Government made a commitment to raise the share of their national budgets allocated to agriculture and rural development to 10 percent within five years. Many African countries have programmes and strategies in place to revitalize agriculture.

Many donor countries are pledging a substantial increase in development assistance: On 24 May 2005, the European Union announced that its Member States – which now provide about US\$37 billion in ODA – would double ODA to developing countries by 2015. An agreement was recently reached by the G8 under which the World Bank, the International Monetary Fund and the African Development Bank will immediately cancel all debts, amounting to about US\$40 billion, owed to them by the 18 countries that have completed their Poverty Reduction Strategy Papers (PRSPs), with more countries to be included in this list in the future.

These encouraging initiatives have still to be translated into concrete financing strategies. The following general issues and principles need to be considered in this context:

- **Increasing effectiveness of official development assistance.** 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*, 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.
- **Ensuring 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.
- **Ensuring additionality in public financing for development.** It is important to ensure "additionality" in financing for development, whether cash or food aid, i.e. such aid

should not reduce other resources available to the recipient country or other developing countries and should not jeopardize the long-term financial viability of international financial institutions.

- **Creating 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.
- **Increasing resources for agricultural and rural development.** It is urgent that the apparent consensus over the importance of agricultural and rural development for growth and poverty reduction is translated into commensurate resource commitments. Over the past 20 years, we have witnessed a 57 percent decline in resources for these sectors: from an average of US\$5.14 billion per year in 1983-1987 (2002 prices) to US\$2.22 billion in 1998-2002. Lending from international financial institutions and domestic public investment followed a similar pattern. To make matters worse, development-oriented food assistance has fallen significantly. Moreover, there is a growing recognition of the need for a better balance between social sector development and infrastructure investment in the allocation of both domestic and external resources.
- **Making PRSPs more inclusive in addressing food security and rural development.** Hunger reduction strategies have to be implemented in the context of PRSPs, the framework for national development and poverty reduction efforts. However the implementation of the PRSPs in many countries still lacks focus on food insecurity and a clear appreciation of the potential of agricultural and rural 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 a greater integration and coordination of PRSPs and existing national food security and rural development policies and strategies.
- **Dealing with instability inherent in agricultural and other rural activities.** Financial instruments and risk management tools are needed which address the particular volatility of production, prices and incomes in agriculture to enhance incentives for private investment in agriculture and to reduce the vulnerability of small farmers to various shocks. Partnerships among donors, governments, local communities and civil society hold the promise of strengthening the provision of rural financial services, mobilisation of savings and remittances and the enhanced access to rural credit by small farms and firms. Resource flows should support diversification and other risk-reducing strategies of small farmers.
- **Ensure effectiveness and efficiency of food aid.** Non-market distorting food aid, carefully targeted to the needs of food-insecure and vulnerable households and used to

finance food for assets or food for education, qualifies as a form of development finance. Therefore, the general principles of funding for development also apply to food aid. In keeping with the twin track-strategy, food aid should be focused on direct assistance to the most vulnerable, particularly women and children.

- **Using debt relief for poverty and hunger reduction.** Debt relief holds the potential of substantially increasing investment in key sectors for achieving the MDGs, including education, health, participatory rural development, integrated nutrition programmes and other rural poverty and hunger reduction initiatives.

## Conclusion

In the past, political will and resources – rather than knowledge – have been missing from the struggle against poverty and hunger. Today, there are signs of strengthened political will and increased awareness of the need for action. Hopefully, this will continue and will be further strengthened at the forthcoming High-Level Plenary Meeting of the United Nations General Assembly. The Rome-based agencies welcome the calls for gender equality, innovative research and increased agricultural productivity in Africa, contained in the Draft Outcome Document for this important event. However, they also note that the document does not yet adequately recognize the very significant roles that food security, rural development and agriculture can play in reducing poverty in all its multiple and interdependent manifestations.

It is indisputable that the means and opportunity to fight hunger and poverty effectively are finally available. A failure to implement the proposals currently on the table would squander a most valuable opportunity, which may never arise again. What is needed now is action that focuses on agricultural and rural development in a way that has the greatest impact on poverty, food security and nutritional standards, coupled with social safety net programmes to ensure access to food by the neediest.