



ActionAid – MDG1 Briefing Paper

## ACHIEVING MDG1 THROUGH SMALLHOLDER INVESTMENT

### Introduction

The number of hungry people in the world is rapidly increasing. For the first time in human history, more than one billion people in the world – one-sixth of humanity – are now hungry<sup>1</sup>. Nearly one in three of the world's children are growing up chronically malnourished<sup>2</sup>, with hunger playing a contributing factor in up to half of all child deaths<sup>3</sup>.

As a result, the world is now moving further away from meeting the Millennium Development Goal (MDG) target to halve hunger by 2015. If current trends continue, more than 1.5 billion will be undernourished by 2015.<sup>4</sup> This startling increase in hunger is also threatening to erode progress on other MDGs. Urgent action is needed to tackle this unprecedented growth in hunger and to get MDG1 back on track. ActionAid believes that small scale farming must be absolutely central to any 'hunger rescue' strategy.

Over half the hungry people in the world are small farmers, living on plots of two hectares or less, trying to eke out an existence for themselves and their families.<sup>5</sup> One third of all Africa's malnourished children live on small farms<sup>6</sup>. Yet small farmers have been systematically ignored for decades by governments and donors alike. Most striking of all is the colossal failure to support women, who make up the majority of farmers in most developing countries. Any global strategy for halving poverty and hunger must address the billions of small scale farmers across the developing world.

The few countries which have effectively invested and supported smallholder agriculture over the past two decades have shown striking results in tackling hunger and poverty. Evidence abounds that economic growth led by agriculture is better at reducing poverty. As a result of the food crisis of 2008, many world leaders have now acknowledged that food security cannot be left to the vagaries of the market and that strong and effective agricultural policies are necessary to tackle inequality and support poor farmers. However, this rhetoric is yet to translate into the level of ambition needed to turn the tide on years of endemic neglect or into a coherent plan to target smallholders.

Aid to agriculture, after collapsing between 1980-2005, is now rising but insufficiently to make progress on the MDG target to halve hunger. At US\$8.4 billion in 2008, donors spend about the same on aid to agriculture as on administering their own aid programmes. In response to the food crisis, donors committed themselves to spending \$22.2 billion on agricultural aid over 2009-2011 in the 2009 G8 L'Aquila Initiative. But ActionAid's calculation is that only around \$3.7 billion of this is actually new money. Most developing countries are also spending insufficiently, after massively cutting their spending on

agriculture between 1980 and 2000. Only eight African countries have met their commitment, agreed in 2003, to spend 10 per cent of their national budgets on agriculture.

So, what can be done? Firstly, aid and national budgets for agriculture must increase sharply to address hunger. But increases alone are not enough. The way this investment is implemented and the technologies it adopts, will determine whether or not this new effort will truly benefit the poor. Much donor aid and government spending to agriculture is still passing smallholders by. Currently, governments and donors are not spending enough on services that really matter to poor farmers – areas such as public credit, or public extension services – which became virtually non-existent during the neo-liberal reforms imposed during structural adjustment.

**ActionAid calls on the international community to take three concrete steps in order to achieve the MDG target to halve hunger.**

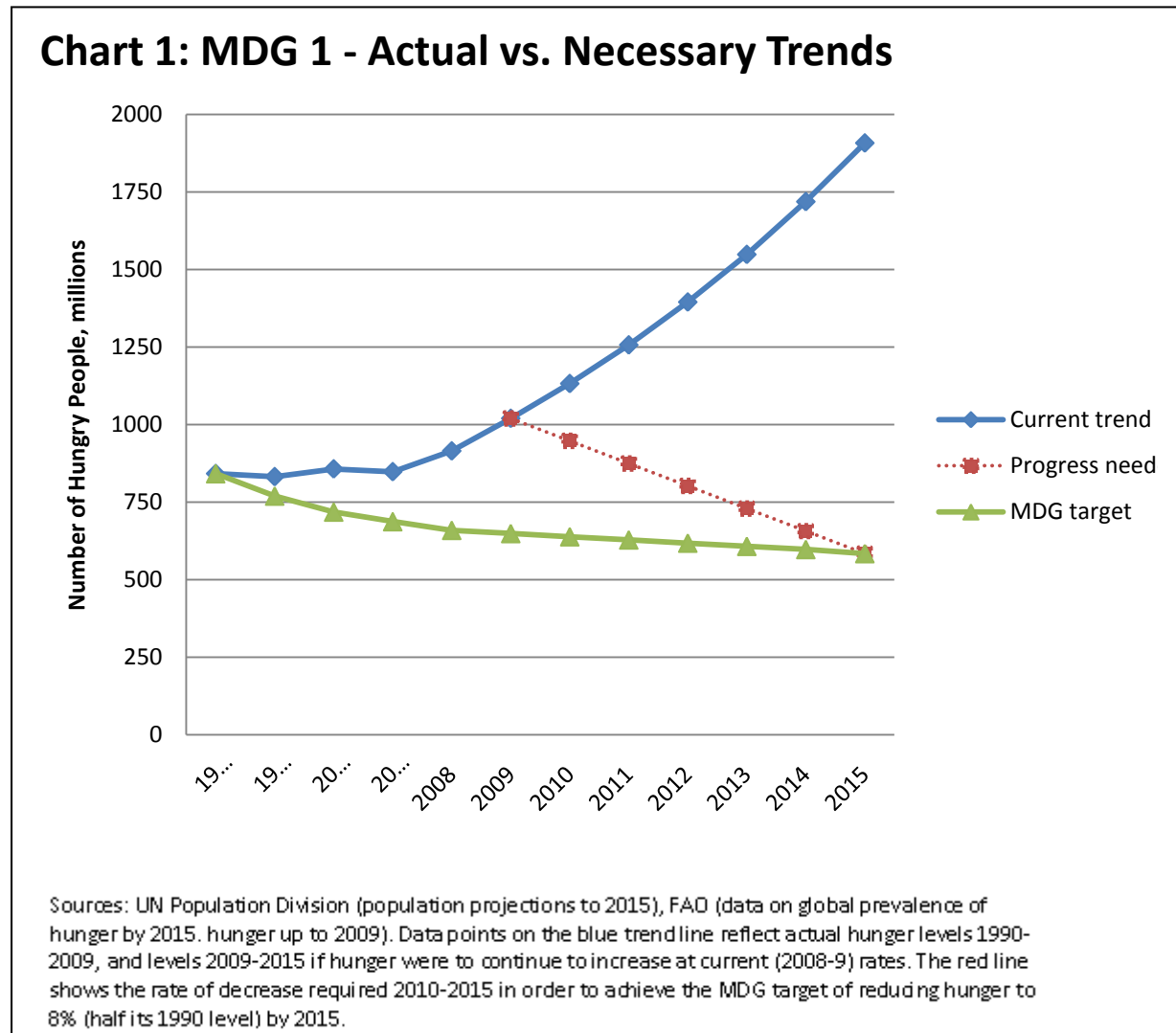
1. Massively increase global spending on food security by at least the UN \$40 billion per year to tackle urgent hunger needs. At least two thirds of the resources should be invested to promote sustainable livelihoods, particularly focused on supporting sustainable small scale agriculture and rural development; the remainder needs to protect lives and vulnerable livelihoods through short-term support to vulnerable communities and social protection programmes.
2. As part of the MDG review process developing countries need to put in place national MDG 1 'rescue plans', with costed, time-bound strategies for achieving the MDG target to halve hunger. These plans must build upon pre-existing agriculture and food security plans, for instance CAADP commitments, and must include a huge boost, to at least 10 per cent of budget on agricultural spending, focused on small scale farming. They should also include an increase in social protection and basic social services. Donors must commit to funding 'financing gaps' as part of their commitments to MDG1.
3. Shift agricultural spending towards the services which support smallholder agriculture. New research by ActionAid and our experience through field work has pointed to specific areas which governments and donors should focus on:
  - Focus their agricultural spending overwhelmingly on women farmers. The lack of investment and support to women smallholders must be reversed. They produce 60-80 per cent of the world's food. Yet women tend to have little control over, or access to, agricultural resources.<sup>7</sup>
  - Reverse the decline in extension services, which are vital for providing information and support to smallholders.
  - Provide credit to small farmers. Public credit is almost non-existent in many countries yet is central to enable small farms to flourish.
  - Ensure farmers have much greater access to vital services such as inputs, seed banks, water harvesting, land reform, support to develop organic fertiliser.

In 2010, with only 5 years to go, the world will review its progress towards meeting the MDGs culminating in the September UN MDG Review Summit. With the hunger MDG threatening progress in other areas of poverty reduction, now more than ever we need bold and ambitious plans to tackle hunger. Small farms must be absolutely central to this battle against hunger and poverty.

# 1. THE HUNGER CRISIS AND THE NEED FOR ACTION ON MDG1

## 1.1 Hunger is increasing

More than one billion people in the world are hungry. If current trends continue, more than 1.5 billion will be undernourished by 2015. To meet the target of halving hunger, the ranks of the hungry must be reduced by over 70 million people per year for the next five years.<sup>8</sup>



The international community has set two major goals in reducing hunger:

- to halve the *number* of hungry people from 1990 to 2015 (set at the World Food Summit in 1996)
- to halve the *proportion* of people suffering from hunger between 1990 and 2015 (set as a Millennium Development Goal in 2000)

Number of people

For the first time in human history, more than one billion people in the world – one-sixth of humanity – are now undernourished: 642 million are in Asia, 265 million in sub-Saharan Africa and 53 million in Latin America and the Caribbean.<sup>9</sup> The number of hungry people globally rose from 842 million in 1990-1992 to 873 million in 2004-2006 and 1.02 billion people in 2009 – the highest level ever. Most are women and girls.<sup>10</sup>

Far from reducing, this number has been constantly rising since 1995. Over 100 million more people have been pushed into hunger during 2008-09 as a result of the food and financial crises. And more than 2 billion people are deficient in micro-nutrients: 129 million children are underweight and 195 million children are stunted.<sup>11</sup>

### Proportion of people

Since 1990, the proportion of undernourished people in the world had been slowly declining, but this trend was reversed in 2008, largely due to rising food prices: the proportion of undernourished people in developing countries rose by one percentage point during 2008.

Table 1: Proportion of undernourished population (%)<sup>12</sup>

	1990-92	2004-06	2008
Developing countries	20	16	17
South Asia	24	22	21
Sub-Saharan Africa	32	28	29
Latin America/Caribbean	12	8	8
Southeast Asia	24	15	15
East Asia (including China)	15	10	10

One of the MDG indicators for halving hunger relates to underweight prevalence among children under five. This proportion declined by just five per cent from 1990 to 2007, from 31 per cent to 26 per cent. This rate of progress is insufficient to meet the goal of reducing underweight prevalence by half. In South Asia, 48 per cent of under fives are now underweight; in sub-Saharan Africa, 28 per cent.<sup>13</sup>

## **1.2 Hunger and the MDGs**

Tackling hunger and malnutrition is intimately linked to the achievement of many other MDG goals, particularly MDG 4 and 5, which aim to reduce child deaths by two-thirds and reduce maternal mortality by three-quarters, respectively.

Globally, under-nutrition still contributes to roughly half of the 8.8 million child deaths that take place each year<sup>14</sup>, with poor nutrition directly leading to or playing a contributing part in 50 to 60 percent of child deaths.<sup>15</sup> Nearly one in three of the world's children are growing up chronically malnourished. As a result, many will die before the age of five. Those who survive are likely to suffer irreversible cognitive and physical damage. They will complete fewer years of school, and earn less as adults. Their immune systems permanently impaired, they are 12 times more likely to die from easily preventable and treatable diseases.<sup>16</sup> Not

tackling child and maternal malnutrition makes achieving the MDGs simply impossible: malnutrition is an indicator for the poverty MDG, but improving nutrition status is also an absolute requirement if the health and education MDGs are to be met<sup>17</sup>.

Meanwhile, micronutrient deficiencies weaken the health, growth and productivity of over two billion people worldwide placing constraints on countries' development potential<sup>18</sup>.

Reduced access to food because of high food prices and the global financial and economic crisis, is leading to lower incomes and higher unemployment. The draft of upcoming UN Secretary General's report on progress on the MDG's says that: 'Rising global hunger has undermined confidence in the declining global poverty estimates, as extreme poverty is measured in terms of the basic expenditure or income considered necessary to avoid hunger'.<sup>19</sup> Thus, increasing hunger is eroding all development gains through increasing poverty: while simultaneously challenging twenty years of progress on education, child mortality and health.

In other words, delivering the MDG1 targets are critical to the achievement of all MDGs and to tackling poverty.

### **1.3 The food price crisis is still with us**

The food price crisis, which struck in 2008, is still spelling hardship for most poor farmers, who are net buyers (rather than sellers) of food. Although world food prices started declining towards the end of 2008, in many developing countries staple food prices continued to rise through 2009.<sup>20</sup> Maize prices remain 25-75 per cent higher in Southern and East Africa than before the food crisis.<sup>21</sup>

By the end of 2009, international prices of maize and wheat were up again, which is continuing into 2010. FAO and other UN agencies are now predicting that another food price hike could hit in 2010. The UN Special Rapporteur on the Right to Food, Olivier de Schutter, recently argued that the conditions are here for a re-run of the 2008 food price crisis in 2010 and 2011<sup>22</sup>. Moreover, higher prices are here to stay: the OECD estimates that over the next ten years, the price in real terms of cereals, rice and oilseeds will be 10-35 per cent higher than over the past decade.<sup>23</sup>

## **2. SMALLHOLDERS AS CENTRAL TO HUNGER AND POVERTY REDUCTION**

Hunger among food producers in the developing world is an ironic reality. Half the hungry people in the world are small farmers, producing food for their families on plots of two hectares or less.<sup>24</sup> An astonishing, seventy per cent of hungry people live in rural communities<sup>25</sup> and are mainly smallholders or landless labourers.<sup>26</sup> Meanwhile, three-quarters of Africa's malnourished children can be found on small farms.<sup>27</sup> It is now recognized that improving the lot of smallholder-based rural communities is essential to ending poverty and hunger.<sup>28 29</sup>

### **Box 1: Agriculture as a tool to tackle hunger and poverty: Country examples**

Evidence from countries that have made great strides forward in hunger and poverty reduction through strong state support to smallholders demonstrates the positive impact that support to smallholders could have on the achievement of MDG1:

- In Vietnam huge strides in agriculture were made in the 1980's and 1990's. Through equitable land redistribution to smallholders and huge government support to their farming, they brought income and food to some three quarters of the population<sup>33</sup>. Taken together these measures led to a decline in extreme poverty of the population from 58 percent in 1993 to 16 percent in 2006<sup>34</sup> and raised per capita incomes by nearly five times during the same period<sup>35</sup>.
- China reduced the number of hungry to 2001-03 by a whopping 44 million – much of this was as a result of boosting investment in agriculture – reducing the percentage of its population classified as hungry by a third. During the early eighties, a process of “reorganisation” led land reform on a broadly egalitarian basis to small-scale farmers.<sup>36</sup> At the same time, the government implemented a strong package of support to smallholders, through agricultural support. This was coupled with strong public procurement policies and the building of grain reserves; and huge investment in rural infrastructure.<sup>37</sup> These policies boosted an overall reduction of poverty, as growth in agriculture was broad-based and widely shared among a large smallholder farmer population. As a result, the country can now feed its 1.3 billion people. Underweight prevalence in children younger than five has also been reduced by more than half from 19 of undernourished in its population in 1990 to just under seven percent in 2005. The under-five mortality rate sharply dropped from 49 per 1000 live births in 1990 to 31 in 2004.
- A new government, in 2004 in Malawi, brought back the agricultural subsidies they had been forced to dismantle through liberalisation. Between 2005 and 2007, a miracle occurred: the country went from a food deficit of 43 percent to a food surplus of 57 percent as productivity increased two-fold. Maize production nearly trebled. Malawians had enough not only for themselves, but also for export. The government doubled its expenditure on agriculture from 7.4 percent of its budget to 14 percent. Malawi's economy has expanded an average of 6.6 percent a year since 2004, while the percentage of people living on less than \$1 a day has fallen to 40 percent from 52 percent. Per capita income rose to \$237 per year from \$175 over the same period<sup>38</sup>

Women farmers produce 60-80 per cent of food in most developing countries and are the main producers of the world's staple crops – rice, wheat and maize – that provide 90 per cent of the food consumed by the rural poor.<sup>30</sup> But women still have little control over, or access to, agricultural resources.<sup>31</sup> Women own only 1 per cent of the land in Africa; receive only 7 per cent of extension services and 1 per cent of all agricultural credit.<sup>32</sup>

Agriculture is the main source of livelihood for 80-90 per cent of the population in many developing countries. Smallholders feed poor communities – including themselves – and small increases in yields on their farms could have a profound impact on poverty and access to food at the local and regional levels.<sup>39 40</sup>

As such, agriculture is central to generating income and tackling poverty.<sup>41</sup> An increase in agricultural productivity can accomplish several things simultaneously: 1) reduced hunger; 2) reduced child mortality through improved nutrition; 3) reduced maternal mortality through improved nutrition and; 4) higher household incomes and economic growth<sup>42</sup>

According to the World Bank's 2008 World Development Report, new investment in agriculture in Africa will not only help meet the demand for food, it will boost the

continent's overall economic growth. GDP growth originating in agriculture is more than twice as effective in reducing poverty as growth deriving from other sectors, meaning that agriculture is also a long term path out of poverty.<sup>43</sup> Evidence abounds that economic growth led by agriculture is better at reducing poverty than other forms of economic growth:

- A one percent increase in agricultural GDP reduces poverty by four times as much as a percentage increase in non-agricultural GDP, according to the World Bank.<sup>44</sup>
- In Kenya, agriculture-led growth is more than twice as effective in reducing poverty as industry-led growth.<sup>45</sup>
- In Uganda, a one per cent increase in public spending on agriculture can generate a 0.3 per cent increase in agricultural growth, while one per cent growth in agricultural GDP leads to a reduction in poverty of between 0.64 and 1.38 per cent.<sup>46</sup>

Clearly, any successful strategy to reduce hunger and poverty must include smallholder farmers and landless labourers. The urgent need is to improve services to the world's 400 million smallholders, most of whom live on less than \$2 per day and who, taken with their families, total about 2 billion people – or one third of humanity. Particular emphasis must be placed on rectifying the complete lack of focus on targeting this support to women farmers.

### **3. A LACK OF SUPPORT TO SMALLHOLDERS AS A DRIVER OF HUNGER**

In the last three decades, especially in Africa, structural adjustment programmes – imposed by donors and lenders such as the IMF and World Bank rolled back state support to agriculture and basic social services. The World Bank admitted in 2007 that its push for agricultural liberalisation had resulted in “huge costs in foregone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival”.<sup>47</sup>

The food crisis highlighted the impact of governments and donors steady withdrawal of funding from the services targeting poor farmers. Many world leaders now agree that markets alone cannot deliver on food security and that there is need for strong public support and investment in smallholder agriculture in the battle against hunger and poverty.

Both aid donors and developing country governments are failing to address the key challenges.

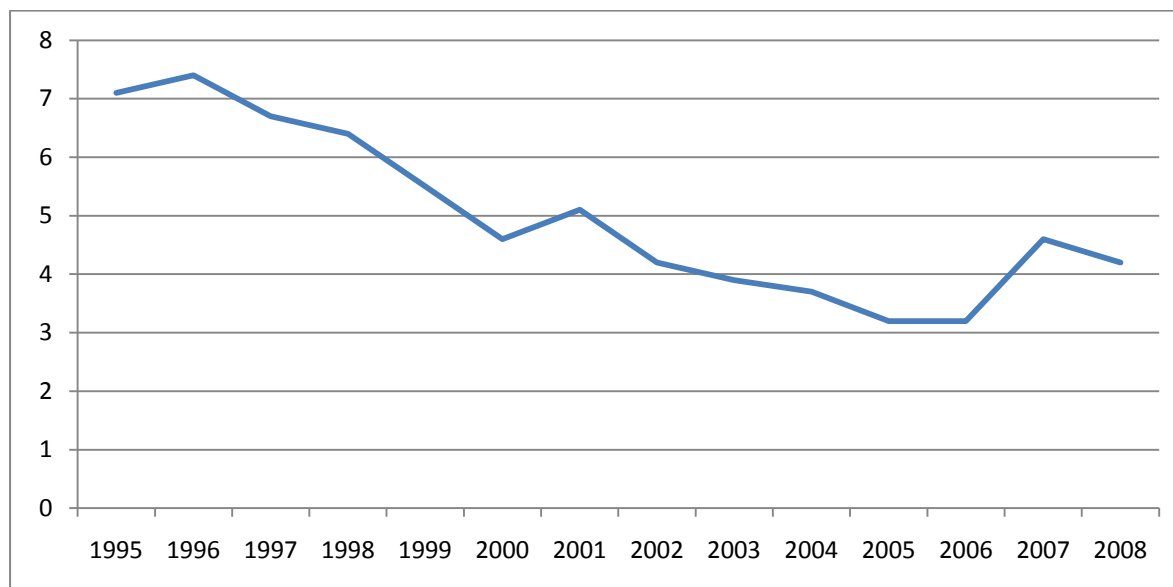
#### **3.1 Insufficient aid to agriculture**

Aid to agriculture collapsed from 16.8 per cent of all aid in 1980 to just 3.4 per cent by 2006 – a fall from \$7.6 billion to \$3.9 billion, measured in constant dollars.<sup>48</sup> Agricultural aid to Africa declined from around 15 per cent of all aid in during 1980-1995 to around 4 per cent in 2006.<sup>49</sup> A small minority of donors are delivering aid directly to governments as budget support, which can be used towards agriculture, but the reality is still that very little aid is really available to agriculture.

In 2007, agricultural aid increased to 4.6 per cent of all aid but in 2008 it actually fell again - to just 4.2 per cent of aid.<sup>50</sup> In volume terms, aid to agriculture has been significantly rising

since 2006, and in 2008 amounted to \$8.4 billion. However, this level should be put in perspective - donors still spend about the same on administering their own aid programmes as on aid for agriculture.\*

Chart 2: Agricultural aid as % of all aid, 1995-2008



The international community has reacted to the food and financial crises by pledging to increase aid:

- The G8 countries pledged at their 2009 summit in L'Aquila, Italy to work 'towards a goal of mobilizing' \$20 billion for agriculture and food security within three years.<sup>51</sup>
- The World Bank pledged agricultural lending of \$12 billion in the two years 2009-10, up from \$4 billion in 2008.<sup>52</sup>
- The European Commission has committed to improve access to inputs, increase agricultural production and provide safety nets.<sup>53</sup> In late 2008, the EU mobilised a €1 billion 'food facility' for 2009-11 and created the food facility as the EU's response to the food crisis and to improve access to inputs, increase agricultural production and provide safety nets.<sup>54</sup>

These pledges are a welcome source of financing and a good starting point to tackle hunger. However, the approach of the EU, the World Bank and other donors, lack vision and are too short-term to have a lasting impact and to address the underlying causes of hunger.

### **3.2 Is the G8 delivering on its 2009 L'Aquila promise?**

During the 2009 G8 Summit, the L'Aquila Food Security Initiative was announced, backed by 27 countries, which saw donors pledge to mobilise US\$20 billion over 3 years in support of country-led agriculture plans and smallholders. This was a welcome injection of new political will and funding towards addressing the neglect of smallholder agriculture.

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\* All figures on aid used here do not include: agriculture, forestry and fishing (DAC category 310: III.1); rural development (43040); bio-diversity (41030); and emergency food aid (72040).

Unfortunately, to date, there has been no comprehensive official information of how the 20bn will be spent, and a tracking system to monitor these pledges has yet to be established<sup>55</sup>. Information provided to ActionAid reveals that donors are committed to spending \$22.2 billion over 2009-2011, which surpasses the L'Aquila promise. But there are two problems:

First, little of the money committed appears to be new. ActionAid's understanding is that only around \$3.7 billion is extra money committed over and above plans announced before June 2009 – this includes \$600 million from Canada; \$464 million from Australia, to be spent over 4 not 3 years; \$2 billion from the US; \$500 million from Spain; and \$220 million from Italy. The commitments from, for example, the UK, France, Japan and the EC are all old money, previously announced.

Second, proposed spending of \$22.2 billion over three years amounts to an average of \$7.4 billion during 2009-11. It includes not just aid to agriculture, as defined by the OECD's Development Assistance Committee, but also social protection measures such as food aid and food security assistance. In 2008 aid from the G8 countries to these areas combined amounted to \$5.6 billion.<sup>56</sup> Given then that little of this appears to be new and an overall amount of only \$7.4 billion annually is being committed in the total L'Aquila commitment then this is insufficient to address world hunger.

### **3.3 Failing to meet aid effectiveness commitments**

The Paris Declaration on Aid Effectiveness agreed in March 2005 commits donors to respect developing country leadership over development policies, to align their policies to developing countries' strategies and to better coordinate and complement their aid programmes.<sup>57</sup> Donors now claim to be improving the quality of their agricultural aid but major concerns remain.

A 2008 report by the Global Donor Platform for Rural Development on agricultural sector experiences in implementing the Paris Declaration, notes bluntly that 'farmers and rural communities have been largely excluded from agricultural policy processes', such as PRSPs, sector-wide approaches and donor joint assistance strategies.<sup>58</sup>

Agricultural aid programmes are particularly poorly coordinated among donors. An extensive review of the World Bank's aid to agriculture published in 2007 stated that 'there is little systematic evidence to suggest that Bank support for agricultural development is part of a coordinated approach among donors' and that two-thirds of the Bank's country assistance strategies do not discuss donor coordination while 'of those that do, there is little detail on specifics'.<sup>59</sup> ActionAid's country analysis shows that, although there have been recent steps to improve agricultural aid coordination, many problems remain. For instance, in Uganda, one problem with coordination arises from the still high level of project support to agriculture, which accounts for around half of agricultural aid to the country. In Kenya, donors are organized in a Harmonisation, Alignment and Coordination group which has registered improvements in the coordination of agricultural aid in recent years. However, in 2008/09 donors were still promoting over 30 separate projects just in the two largest agriculture ministries' (those for Agriculture and for Livestock Development).<sup>60</sup>

### **Box 2. Where can extra money be raised from?**

- Keeping to aid commitments: Donors set themselves a 0.7% 2015 target and have since repeatedly reaffirmed it. All countries must reaffirm their aid commitments as part of the MDG review and set out binding timetables to reach these commitments
  
- Finding new sources of financing: Given the current economic climate and that the international community will need to mobilise new and substantial resources for climate financing, in addition to ODA, it is now clear that the international community will need to find ways to mobilise additional financing for meeting the MDG's and for climate financing. ActionAid is currently supporting three proposals for these new innovative financing mechanisms:
  - The idea of a financial transaction tax (FTT) is currently gaining ground in a number of countries. ActionAid is calling for this FTT to help to fight global poverty and climate change. The current proposal is for a small tax on the trade of financial assets to be implemented globally. This could generate up to \$400 billion every year.
  - The IMF can increase its allocations of Special Drawing Rights (SDRs), its "reserve currency", which is created at no cost. SDRs bolster countries reserve accounts, making them more creditworthy, and can also be converted into hard currency by paying a relatively small interest fee. No conditions apply to the use of SDR-derived funds, making them among the cheapest sources of unrestricted capital resources available to most developing countries. An allocation of \$250 billion was made in 2009 in response to the financial crisis – the first such allocation in 28 years. The IMF can increase the frequency of such allocations and facilitate the transfer of rich countries' idle SDRs to developing countries.
  - Enable developing countries to boost their own development financing through increasing their own domestic revenues. ActionAid has calculated that, if all developing countries could raise tax revenues amounting to at least 15% of their GDP (compared to over 35% in rich countries) an additional \$198 billion of public revenue per year would be available. An important tool to help developing countries do this is international tax transparency, so that countries can crack down on tax avoidance and evasion by multinational companies.

### **3.4 Insufficient spending on agriculture by developing countries**

Developing countries massively cut their spending on agriculture between 1980 and 2000 – as a proportion of all government spending, agriculture expenditure halved in Asia and sub-Saharan Africa and declined by two-thirds in Latin America. Since 2000, spending has picked up in many countries but is still far too low to tackle the current global scale of hunger. In India, where the largest number of hungry people reside (over 200 million) agriculture receives just 3.7 per cent of government spending.

This proportion has declined from 4.9 per cent in 1997-02 and from 3.9 per cent in 2002-07.<sup>61</sup> Yet agriculture in India, as in Africa, is the very basis of socio-economic life in the country.

Likewise in Africa, as the International Food Policy Research Institute (IFPRI) notes: 'As a result of inadequate investment in the African agriculture sector, the continent's overall agricultural productivity has fallen since the mid-1980s, leaving it vulnerable to frequent food crises and dependent on emergency food aid and food imports'.<sup>62</sup>

### 3.5 Africa's failure to meet spending commitments

In 2003, African governments who met in Maputo committed themselves to achieving a number of spending targets within five years as part of their Comprehensive Africa Agriculture Development Programme, or CAADP. Seven years on, most targets are not being met. The main goal was to spend at least 10 per cent of national budgets on agriculture within five years. Many countries have recently increased their agricultural spending, but:

- by 2010 only 8 African countries had met the 10 per cent target.\*
- the average allocation across Africa is around 6 per cent of government spending, but this varies widely by country: 14 countries spend less than 5 per cent while 16 countries spend between 5 and 10 per cent.<sup>63</sup>
- of 34 states reporting figures in 2008, almost as many had *reduced* their agriculture spending in recent years (12) as increased it (14), the others reporting no change.<sup>64</sup>

By contrast, countries in Asia have recently increased their spending more significantly and now devote on average 8.5 - 11 per cent of national budgets to agriculture.<sup>65</sup> Africa's performance has been so bad that, at the African Union summit in June 2009, the deadline for meeting the 10 per cent target was extended until 2015.<sup>66</sup>

It is completely unacceptable that African governments have delayed reaching their 10 per cent commitment from 2008 to 2015. It is even worse that many governments' current plans

#### **Box 3: Spending in Uganda, Kenya and Zambia needed to meet growth targets**

- In Uganda, reaching CAADP's target of 6 per cent annual agricultural growth would lift 2.9 million people above the poverty line by 2015. But Uganda needs to do more than double its present growth rate of around 2.7 per cent.<sup>1</sup> In 2008/09, the sector received just 3.8 per cent of government spending. Government budget plans envisage increasing this only to 4.4 per cent in 2009/10 and 4.6 per cent in 2010/11<sup>1</sup>.
- Spending 10 per cent of Kenya's budget on agriculture could lift 1.5 million people above the poverty line by 2015.<sup>1</sup> Kenya allocated KShs 24 billion to agriculture\* in 2008/09, amounting to 4.1 per cent of the government budget.<sup>1</sup> The proportion actually fell in 2009/10 and current government plans are to increase the budget to only 5.2 per cent of spending in 2011/12.<sup>1</sup>
- Zambia increased spending on agriculture from 2.3 per cent in 2003 to 8 per cent in 2006. But IFPRI estimates that it must increase agriculture spending by 17-27 per cent a year, and spend up to 18 per cent of its total expenditure on agriculture by 2015, in order to meet the CAADP growth target. If it did surpass 6 per cent growth, 780,000 Zambians would be lifted above the poverty line.<sup>1</sup>

Source: ActionAid's forthcoming 'Public financing Report' due for release April 2010

\* These were Burkina Faso, Niger, Guinea, Senegal, Malawi, Ethiopia, Mali and Ghana

do not even envisage reaching this 10 per cent commitment by 2015. ActionAid is calling for all developing countries to bring in 10 percent targets as part of the MDG review.

**Box 4. Agriculture spending can work for meeting MDG1**

The FAO notes that the countries with the least hunger tend to have higher expenditures on agriculture whereas the countries enduring most undernourishment tend to spend less.<sup>67</sup> In the 14 more successful African countries likely to meet the MDG target of halving hunger, agriculture has recorded rapid growth and increasing food production and cereal yields, whereas in the failing countries, food production has fallen while agricultural value added has increased only marginally.<sup>68</sup>

All eight African countries that spend more than 10 per cent of their budgets on agriculture have reduced the proportion of hungry people over the past decade. In some cases this reduction has been substantial, as in Ethiopia (64 per cent to 44 per cent between 1995/97 and 2004/06) and in Ghana (16 to 8 per cent).

**3.6 Failure to spend on supporting sustainable smallholder agriculture and other services targeting the poorest**

Not only does the overall quantity of funding targeting agriculture need to be increased but the areas of current funding and public support needs to be significantly re-configured. The way investment is implemented, the technologies it adopts, will determine whether or not this new effort will truly benefit the poor. Governments are simply not spending enough on services that really matter to poor farmers. Much donor aid and government spending to agriculture is still passing smallholders by.

Enormous amounts of funding are being channelled into complex technologies dependent on expensive chemical inputs controlled by agribusiness corporations, while simpler, 'sustainable' approaches are neglected despite evidence that they can be equally, if not more, productive, more affordable to poor farmers, and better for the environment and the climate. Hardly any services are reaching women farmers, who make up the majority of farmers in most developing countries<sup>69</sup>.

Other critical areas for governments to focus their budgets on are: extension services, which provide advice and training to farmers to improve their farming; rural credit, which provides crucial loans to allow farmers to invest in their farming; agricultural research and development, which develop new crop varieties and technologies; and the provision of key inputs, such as organic fertilisers or seed, which can boost productivity.

**Box 4. Lack of support for the poorest women: Case study from Uganda**

Magdalena is a 56 year old widow who takes care of her own children and 20 grandchildren. She does not benefit from NAADS (which is a government extension service), and fails to understand why not; "I thought the program was initiated to help the poor and vulnerable people like me", she says. After drought left her hens and ducks dead, Magdalena has struggled to pay fees for her children and some of her grandchildren and younger children now sell labour to survive... "If this government program really is geared towards assisting the poor and vulnerable, I do not understand why I cannot get it" she says.

In many countries 'shocks' (for instance, bad weather) are particularly difficult for smallholders and the rural poor. This often keeps them chronically poor and hungry. Poor farmers often remain poor and hungry not only because they do not produce enough to eat, but because they lack storage facilities and sell much of their harvest when prices are low. They frequently run out of food stocks before the next harvest, and are forced to buy back their grains at inflated prices. Programmes such as cash for work schemes during these hungry seasons have been shown to support poor people through these hungry seasons.

To tackle this, there is also a need to ensure measures to support access to food for the world's rural poor. Therefore, alongside additional support to smallholders to produce more food, these measures must go hand-in-hand with increases in both donor and developing country investment in 'social protection' measures. These may include programmes to immediately increase food intake (such as school meals, subsidized foodgrains); to boost incomes (such as old age pensions, child benefit, cash-for-work programmes); and to build human capital (such as free basic education and healthcare). Currently government and donor governments expenditure in social protection remains woefully low and yet in a number of countries, from Brazil to Lesotho, social protection policies have been widely recognised as having a positive impact on reducing extreme hunger<sup>70</sup>.

**Box 5: Kantam in India talks about the difficulties of the 'hungry season'**

Kantam, 45, a fisherwoman in India explains her recurring seasonal food crisis, "During the rainy season it is very difficult because we cannot store fish. We do not have the equipment to keep them dry so they spoil. No fish, no food. Then we have to borrow from the money lenders." These bouts of food insecurity, for a variety of reasons, add to the inability of the poor to cope with food crises – be they one-off, recurring or permanent.

## **4. SOLUTIONS: MDG 1 RESCUE PACKAGES**

**ActionAid calls on the international community to take three concrete steps in order to achieve the MDG target to halve hunger.**

- 1) Massively increase global spending on food security by at least \$40 billion per year.
- 2) Develop national MDG 1 'rescue plans' with donor support as part of costed, time-bound strategies.
- 3) Shift agricultural spending towards the services which support smallholder agriculture and the rural poor.

### **4.1 Increase global food security spending by at least the UN recommended \$40 billion a year**

Globally, agriculture and food security spending must increase incrementally by an additional minimum of \$40 billion a year to meet the MDG goal of halving hunger by 2015 and to tackle urgent hunger needs. Of this:

- At least two thirds of the resources should be invested to promote sustainable livelihoods, particularly focused on supporting sustainable small scale agriculture and rural development; the remainder needs to protect lives and vulnerable livelihoods through, short-term support to vulnerable communities and social protection programmes.
- Of the extra \$40 billion, ActionAid believes that donors and developing countries have equal and mutual responsibility to fund this urgently needed additional financing. Therefore, US\$20 billion should be spent by donor countries and the remaining US\$20 billion should be from developing countries. *However*, developing countries, as the evidence presented in this report shows, must ultimately aim to incrementally increase their spending over time to at least 10 per cent of budget to agriculture.

ActionAid's estimate of financing needs is based on the figures from the UN Secretary-General's High-level Task Force on the Global Food Security Crisis (UN HLTF), which looks at a number of different UN figures of estimates of what is needed to tackle hunger (see annex one for more information).

These estimates show the tremendous leap forward required, to address growing hunger and set the world on track to meet the MDG target for having hunger. For instance, donors must nearly quadruple their aid by an *additional* US\$20 billion to \$US28 billion per year.<sup>71</sup>

As part of increasing aid to agriculture, donors must also improve the quality of aid as per the Paris Declaration and Accra Agenda for Action. They must provide multi-year, predictable and guaranteed flows, without attaching conditionalities other than those necessary to meet fiduciary responsibility, to support country led plans and provide accurate and timely public information on these flows.

#### **4.2 Urgently develop national MDG 1 'rescue plans' as part of costed, time-bound strategies.**

As part of the MDG Review Process, developing countries must, in 2010, put forward costed, time-bound strategies for achieving the MDG target to halve hunger. These plans must build upon pre-existing agriculture and food security plans, for instance CAADP commitments. Donors must commit to funding 'financing gaps' as part of their commitments to MDG1. These plans should include:

- A huge boost to agricultural spending. Within this, governments must spend at least 10 per cent of their government budgets on agriculture. All developing country governments – including those outside of Africa - must set a target date for spending at least 10 per cent of national budgets on agriculture and re-configure this spending to support smallholders.
- National anti-hunger plans should include an increase in social protection and basic social services. Programmes to immediately increase food intake (such as school meals, subsidized foodgrains); to boost incomes (such as old age pensions, child benefit, cash-for-work programmes); and to build human capital (such as free basic education and healthcare).

Countries must be supported to produce these country plans and budgets by donors and the international community – while donors commit to fund financing gaps.

The FAO, IFAD, World Bank and others need to work together urgently to develop country-by-country costings (including realistic estimates of governments' spending capacity), providing a more transparent basis for holding both governments and donors to account for upholding their part of the commitment to halve hunger by 2015.

The international community urgently needs a realistic global financing plan for smallholders. Ultimately, the UN HLFT figure of US \$40 billion increase for tackling hunger can only be a broad global estimate - and is almost certainly a gross underestimate of the ultimate needs - due to lack of information available on national financing needs. The UNHLTF itself suggests that this figure needs to be supplemented with detailed and country assessments to estimate country specific needs to gain a true global picture. The MDG review process offers an opportunity for countries to look in detail at a plan of action to reach their MDG goal and put in place a detailed financing plan for reaching this.

#### **4.3 Shift agricultural spending towards the services which support smallholder agriculture.**

Governments and donors need to re-configure their spending to support sustainable smallholder agriculture. Few figures are available for global expenditure in these areas but new country research from ActionAid<sup>72</sup> reveals very low spending in most countries, which is grossly insufficient to meet smallholder farmers' needs. Our field work also points to many areas that could be more sustainably scaled-up both financially and environmentally (such as seed banks, water harvesting, multi-cropping, etc.).

On the basis of these findings ActionAid believes there are certain key areas which the international community must focus on in order to deliver services for the poorest farmers:

- 1. Focus their agricultural spending overwhelmingly on women farmers.** If governments want to tackle hunger and poverty then they have to start targeting women farmers. Women farmers provide 90 per cent of the food consumed by the rural poor.<sup>73</sup> Yet almost all government and donor agricultural policies assume farmers are men. Less than 10 per cent of all agricultural aid from donors has an explicit gender focus.<sup>74</sup> This means potentially in 2008, a maximum of \$630 million was being spent by donors to target women farmers – possibly \$1 for every undernourished woman in the world.  
But one study has estimated that if women farmers in Africa have access and control over resources such as land, seed and organic fertilizer, farm productivity could increase by up to 20 per cent.<sup>75</sup>
- 2. Reverse the decline in extension services.** Extension services are vital in helping poor farmers to improve food productivity by accessing training or information on the best farming techniques. Yet extension services are hugely under-funded in many

countries, and consequently few farmers are able to access them on a regular basis, if at all. Women are generally ignored in extension services – they receive only 7 per cent of extension services worldwide.<sup>76</sup> In India, one survey found that only 6 per cent of farmers received advice from a government extension worker.

1. **Provide credit to small farmers.** Without access to loans at low interest rates, farmers are unable to invest in future production, to expand their farming or to take a risks and diversify into producing new crops. But governments are failing to invest resources in providing credit to farmers - Kenya and Malawi, for example, allocate less than 1 per

#### **Box 7. Women farmers' top priorities**

ActionAid focus group discussions in Salima and Machinga in Malawi illustrate the kinds of support that women smallholder farmers typically say they need to increase their productivity and make the most of their crops.

- Inputs such as seed, fertilizer and pesticides
- Working capital in form of agricultural credit
- Small farm tools and implements such as hoes, pangas (machetes) etc
- Adequate extension services including up to date training
- Livestock (new and improved breeds)
- Markets for farm produce
- Transportation system and good roads
- Access to more land for cultivation
- Help in establishing farmer groups
- Adequate water supply and equipment, and proper nutrition

cent of their agriculture spending to providing rural credit, this leaves less than 14 per cent of Malawian farmers with access to financial services such as credit.<sup>77</sup> Governments see credit as a private activity – but private banks are not lending in sufficient quantities and micro-credit facilities are invariably under-capitalised. Globally only around 10 per cent of people living in rural areas of the developing world have access to even the most basic financial services.<sup>78</sup>

3. **Spend more on agricultural research.** Investing in agricultural research and development (ARD) is vital for imparting knowledge to farmers and developing improved crop varieties and techniques to increase yields or use natural resources sustainably. ARD has one of the largest impacts on agricultural productivity, yet developing countries as a whole spend just 0.5 of their agricultural GDP on this area.<sup>79</sup> Public ARD funding in developing countries amounted to around \$5 billion in 2008; IFPRI has called for this to double to \$10 billion by 2013. If this investment were targeted at the poorest regions of the world – sub-Saharan Africa and South Asia – 282 million people would be lifted above the poverty line by 2020 through income and consumption effects.<sup>80</sup>
4. **Ensure farmers have much greater access to key inputs, seeds, water harvesting, land, organic fertiliser etc.** To increase food security and productivity, farmers often need more inputs, whether appropriate seed, some form of fertilizer or new (preferably low-tech, for reasons of affordability) technologies. There are two main ways to ensure

farmers' access such inputs – in competitive free markets supplying them at affordable prices or by government intervention, notably subsidies (or some combination of both). But many governments are neither establishing a sufficiently enabling environment for the private sector nor spending enough to meet farmers' needs.

Input subsidy programmes are being reintroduced in many countries and have been notably successful in Malawi which, after years of being a net importer of maize, the country's staple food, has achieved surplus national maize production since 2006, the first year of the new subsidy programme.<sup>81</sup> However, over the long-run these particular subsidies may be simply unsustainable as a long term strategy. For instance, they soaked up about 15 percent of Malawi's national budget and accounted for about 80 percent of agriculture spending<sup>82</sup> thereby raising questions of affordability in the face of growing fertiliser prices. As such, governments must also increase investment in small-scale sustainable agro-ecological support. Priorities include abolishing restrictions on seed saving and farmer-to-farmer seed exchanges: organic fertilisers, building and maintaining appropriate irrigation and water management.

## 5. CONCLUSION

After decades of relative neglect by the international community and national governments, the food crisis and rising hunger numbers have put hunger and agriculture firmly back in the global spotlight and back on development agendas. But much, much more needs to be done to tackle hunger.

The international community now accepts that spending has been too low on agriculture: but spending still needs to rise considerably to tackle spiralling hunger and poverty and climatic change. How we spend money also matters if we are to equitably tackle hunger and poverty – the irony of endemic hunger being that it is found predominantly among the food producers and smallholders of the world.

In 2010, with only 5 years to go, the world will review its progress towards meeting the MDGs in September at the UN MDG Review Summit. With the hunger MDG threatening progress in other areas of poverty reduction, now more than ever we need bold and ambitious plans to tackle hunger, which firmly place small scale farming at the centre.

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## **Annex One: Explanation of Financing Estimates**

ActionAid's calculation of \$US40 billion is based on the actions that the UN Secretary-General's High-level Task Force on the Global Food Security Crisis (UN HLTF) say is needed to make progress on MDG1. The UN HLTF took estimates from across the UN system that range from US\$25 billion to US\$40 billion of additional resources needed annually to make progress on the MDG target of halving hunger.

Given that these figures were drawn at the start of the food crisis and before the total impact of the financial crisis was felt, ActionAid has taken the upper end (i.e. US\$40 billion) as the absolutely basic minimum. It must be noted that this is an estimate of what is needed to progress on the MDG hunger target and, ultimately, eradication of hunger will entail even greater spending. The UN figures are also consistent with the estimated investment needed in African agriculture, coupled with social protection and emergency measures needed for Africa to address MDG1.

In line with these figures, ActionAid believes that an effective anti-hunger package would entail at least two thirds of the resources being invested to promote sustainable livelihoods, particularly focused on supporting sustainable small scale agriculture and rural development; the remainder should protect lives and vulnerable livelihoods through emergency food security, nutrition and social protection programmes.

The UN US \$40 billion increase can only be a broad global estimate - and is almost certainly a gross underestimate of the ultimate needs - due to lack of information available on national financing needs. The UNHLTF itself suggests that this figure needs to be supplemented with detailed and country assessments to estimate country specific needs so gain a true global picture. The MDG review process offers an opportunity for countries to look in detail at a plan of action to reach their MDG goal and put in place a detailed financing plan for reaching this.

As such, the FAO, IFAD, World Bank and others need to work together urgently to develop country-by-country costings (including realistic estimates of governments' spending capacity), providing a more transparent basis for holding both governments and donors to account for upholding their part of the commitment to halve hunger by 2015.