



Food and Agriculture  
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# Achieving Zero Hunger

The critical role of investments  
in social protection and agriculture



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# Achieving Zero Hunger

**The critical role of investments  
in social protection and agriculture**

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Rome, 2015

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# Advocacy note

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**F**AO, IFAD and WFP have prepared new estimates on the additional investments required for sustainably ending hunger by 2030, in line with the highest aspirations of the post-2015 Sustainable Development agenda and the draft Addis Ababa Accord which clearly states, “Our goal is to end poverty and hunger”.

FAO, IFAD and WFP welcome this global commitment to end poverty, hunger and malnutrition by 2030. We are making our proposal on how to achieve zero hunger by 2030 in the context of the proposed Sustainable Development Goal 2 to eliminate hunger and malnutrition by 2030 which goes hand-in-hand with the proposed Strategic Development Goal 1 to eliminate poverty at the same time. With almost 800 million people suffering from hunger and four-fifths of the poor living in rural areas, it is necessary to raise agricultural and rural incomes to achieve the two most important Strategic Development Goals.

The ‘dollar-a-day’ extreme poverty line - adopted for Millennium Development Goal 1 monitoring purposes - was originally based on the estimated costs for individuals to meet their basic needs, of which access to food was, by far, the most significant. Food expenditure generally ranged between 50 to 70 percent of the poverty line income, depending on the country and context. The so called dollar-a-day extreme poverty line was last adjusted by the World Bank to US\$1.25 a day.

Hence, the extreme poverty line is a reasonably good indicator of who goes hungry, although the poverty and hunger numbers differ due to the different data and methodological approaches used.

## ■ We can end poverty and hunger!

We can end poverty and hunger by 2030. But we will need a new approach that combines public investment in social protection with public and private efforts to raise investment levels in productive sectors - especially in rural areas and particularly agriculture - to much higher levels than in a ‘business as usual’ scenario.

To eliminate hunger by 2030, much more investment will be needed, than what is expected in what may be described as a business as usual scenario. An average of US\$267 billion per year during 2016-2030, i.e. 0.3 percent of world economic output in 2014, is required to fund social protection and additional targeted pro-poor investments, of which rural areas would receive US\$181 billion annually. This would average US\$160 annually for each of the extreme poor over the 15-year period.

## ■ Agricultural investment and rural development

Increasing aggregate investments is expected to increase growth, employment and thus, incomes. Properly designed and implemented investments in zero hunger will increase the productivity and incomes of small-scale producers, while offering broader opportunities for the poor and vulnerable.

Of the total average annual financing of US\$267 billion needed, some US\$151 billion will be for additional pro-poor investments in the productive sectors – US\$105 billion for rural development and agriculture and US\$46 billion for urban areas.

To sustainably eradicate extreme poverty and hunger, we need to boost both private and public investment to raise rural and agricultural productivity and incomes, as well as to promote more productive, sustainable and inclusive food systems. Farmers are the major source of investment in the sector, but formal systems of credit and insurance often discriminate against them, especially smallholder family farmers and others less well endowed.

Most developing countries are characterized by high unemployment and underemployment, with youth unemployment growing rapidly. Sadly, this has also become a feature of many developed economies in recent years following the adoption of fiscal austerity measures.

Furthermore, there remains continued uncertainty about future economic prospects, especially with the recent slowing down of the world economy. As there are few effective measures in place likely to reverse this situation, we cannot rely on business as usual investment and growth to eliminate hunger and poverty by 2030.

## ■ Social protection

To break the vicious cycle of poverty and hunger, people who are extremely poor and hungry have to be assisted -- through social protection. Adequate, well designed social protection would enable the people in this category to quickly overcome poverty, hunger and undernutrition.

From the total investment of US\$267 billion, an investment of US\$116 billion per annum is needed for social protection programmes, of which US\$75 billion will go to rural areas, where most of the poor live, and US\$41 billion to urban areas.

While many may see social protection simply as consumption, the evidence is strong and growing that even modest savings will be deployed by the poor to enhance their productive capacities and their incomes. Also, better nutrition raises productivity, and thus, incomes, both in the short and long term. Social protection is a powerful investment in human capacities and the productive potential of the poor.

Thus, the combination of social protection and pro-poor investments will enable most of the rural poor to escape poverty and hunger sustainably. As other enabling factors are also needed, social protection and pro-poor investments are necessary, though not sufficient.

As rural incomes rise due to targeted, additional, pro-poor rural investments, there should be a corresponding decline in the amount of social protection needed.

## ■ Funding issues

The UN's Third International Conference on Financing for Development in Addis Ababa seeks to ensure that all countries, especially developing countries, have the means to implement national policies and programs to achieve their development objectives, including the post-2015 Sustainable Development Goals.

Currently, low income countries have very meagre fiscal resources because they are able to impose few taxes on relatively low national incomes. The least developed and other low-income countries must be enabled to enhance their fiscal resources efficiently and equitably.

Their funding gap should be closed and this can be achieved through more generous international resource transfers than what has been the case in the last quarter century. Such transfers should be used to increase poor countries' budget envelopes, to accelerate progress in eliminating poverty, hunger and malnutrition from our planet. International cooperation can also help share and develop appropriate know-how.

Other factors will need to be taken into account. For example, with the continued increase in greenhouse gas emissions, average temperatures and extreme weather events, efforts have to be made to address both adaptation to as well as mitigation of climate change. We intend to address these issues in the near future, especially in relation to agriculture.

This technical report should assure everyone that our proposal to end poverty, hunger and malnutrition is clearly viable and affordable, provided that a strong political will exists. This has been demonstrated in large and small countries, and also in middle income as well as poor countries.

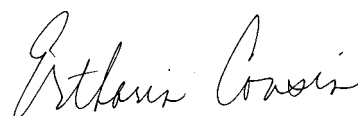
We look forward to working with governments and the rest of the international community to ensure that hunger and poverty will be history by 2030.



**José Graziano da Silva**  
FAO Director-General



**Kanayo F. Nwanze**  
IFAD President



**Ertharin Cousin**  
WFP Executive Director

# Executive Summary

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**D**espite progress in recent decades, including the near achievement of the Millennium Development Goal target of halving the proportion of hungry people in the world by the end of 2015, about 795 million people – or around one in nine – still suffer from chronic (dietary energy) undernourishment, or hunger.

The eradication of hunger by 2030 is likely to be a target of the new Sustainable Development Goal 2 (SDG2) to be approved in September 2015 at the 70<sup>th</sup> Session of the United Nations General Assembly. Ending hunger is also in line with the Zero Hunger Campaign promoted by the UN Secretary-General, and closely linked to the Sustainable Development Goal 1 target to eliminate poverty by 2030. Governments in various regions have responded to that call of the UN Secretary-General and have committed to eradicating hunger as a major step towards poverty reduction. Almost four-fifths of the world's poor live in rural areas.

To achieve zero hunger (ZH) by 2030, the international community needs to build upon approaches and options that have proven to be effective, and which ensure continuous access to food for the undernourished, and improve livelihood opportunities for the poor and hungry. This paper presents new estimates on investments required to eradicate hunger by 2030.

To estimate the additional investment requirements, we begin with reference to a “baseline” “business as usual” scenario. In this scenario, around 650 million people would still suffer from hunger, or chronically inadequate dietary energy, in 2030. We then estimate the investment requirements to eliminate hunger by 2030.

This paper specifically considers how hunger can be eliminated through a combination of social protection and targeted pro-poor investments.

The investment requirements proposed in this paper are prepared for the Third International Conference on Financing for Development taking place from 13 to 16 July 2015, in Addis Ababa, Ethiopia.

## ■ Social Protection

Hunger, undernutrition and poverty can be rapidly eliminated through social protection as soon as possible. Access to food is the most significant basic need by far, with the minimal cost of basic food ranging between 50 to 70 percent of the total poverty line income. Income is provided to the poor and hungry through social protection so that they can afford sufficient food to meet their basic nourishment needs.

Bringing people to the US\$1.25/day extreme poverty line income in purchasing power parity (PPP) terms would ensure that everyone has access to their basic food needs. The poor can be immediately brought to the US\$1.25/day poverty line through social protection by a “Transfer to cover the Poverty Gap” (PGT). This PGT eliminates poverty and hunger as soon as possible. The PGT is thus the cost of bringing all those with less than US\$1.25/day to that income level.

## ■ Accelerating pro-poor growth

In the longer term, additional investment is required to stimulate and to sustain higher pro-poor rural growth of incomes and employment than in the business as usual scenario. To be pro-poor, investments in urban and rural areas, including in agriculture, should be properly targeted so that the poor could earn enough to overcome poverty. In the longer term, as the incomes of the poor increase because of investments, the need for social protection to close the poverty gap declines.

Consequently, the cost of this approach will require adding the costs of both components while also recognizing the implications of the higher incomes generated. First, the annual average “gross PGT” – inclusive of a mark-up of

20 percent for administrative costs and leakages –between 2016 and 2030 is estimated. Second, the additional annual global investment requirements are also estimated.

An average of US\$267 (bn) per year is estimated to be required to fund the PGT and additional targeted agricultural investments from 2016 to 2030, of which rural areas would receive US\$181 bn annually. Initially, the poor are expected to earn incomes from wage work and their meagre productive assets (such as land), but are not expected to be able to invest much. This means that to induce private investments, the additional investment required has to be adequately remunerated. However, as the poor save more, they are able to invest more, and thus become more productive and increase their earnings.

Both public and private investments can help to accelerate the transition from social protection to production. While private agents including farmers are, by far, the largest source of investment in rural areas, investment in public goods, such as rural transport and other infrastructure as well as productivity-enhancing research, development and extension, should attract more productive investments. Additional public investment can also diversify sources of rural income and expand the provision of rural and agricultural goods and services.

To summarize, hunger and extreme poverty can be eliminated immediately with adequate investments in social protection. However, low income countries will find it unaffordable, and will require continuous external support until they are able to raise incomes and tax revenues sufficiently. A combination of social protection and targeted pro-poor investments can quickly take people out of hunger and extreme poverty while raising earned incomes for the poor in the medium term. Doing so requires an appropriate mix of public and private investments, and appropriate policies and coordinated programmes to ensure that the poor actually benefit from such additional investment and the growth and employment opportunities thus generated.

## ■ Appendices

Pro-poor growth can be organized in many different ways. Appendix 1 considers the costs and benefits of providing more generous social protection by comparing the likely implications of transfers equivalent to a poverty line of US\$2/day compared to US\$1.25/day. Additional social protection over the poverty line can assure access to basic food and other needs and augment investments by the poor, enabling them to become more productive and to earn more. This option is premised on the “from protection to production” assumption that additional social protection will increase investments by the poor, enabling them to become more productive and earn more, thus transitioning from a vicious cycle of poverty, hunger, and low productivity to a virtuous cycle by enabling income growth.

A higher PGT would enable more diverse and thus healthier diets. The higher PGT can also improve nutrition by addressing ‘hidden hunger’, or micronutrient deficiencies, due to the inadequate intake of vitamins, minerals and trace elements critical for a healthy human life. Improving nutrition in the short and long term should enable the poor to engage more productively in economic activities, improving their incomes and livelihoods.

More generous transfers would also enable the poor to save and invest parts of their income to improve their productivity, and livelihoods. After all, almost by definition, an income of US\$1.25 a day would only cover basic needs, but would not enable saving and investing. Savings and investments would allow the poor to break out of vicious cycles of poverty, hunger, low productivity and incomes and to enter these virtuous cycles leading to higher incomes, more investments, greater resilience and lives of dignity.

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