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May 30, 2012

Setting Investment Priorities for Achieving Poverty Reduction and Food Security

Speaker

Shenggen Fan, *IFPRI*

Facilitator

Zachary Baquet, *USAID Bureau for Food Security*



Setting Investment Priorities for Poverty Reduction and Food Security

Shenggen Fan

Director General | International Food Policy Research Institute

USAID Agriculture Sector Council Seminar
Washington, DC | May 30 2012



INTERNATIONAL FOOD POLICY
RESEARCH INSTITUTE

Key messages



- Donors and national governments have **increased support** to food and nutrition security
- While more support is important, **investment priorities** are equally important
- Investments in **agricultural R&D** and **early childhood nutrition** have higher returns
- **Reliable data** and **strong capacity** are crucial for monitoring trends and to analyze priorities



Renewed attention to agriculture



**More support to agriculture, food and
nutrition security**

Donors

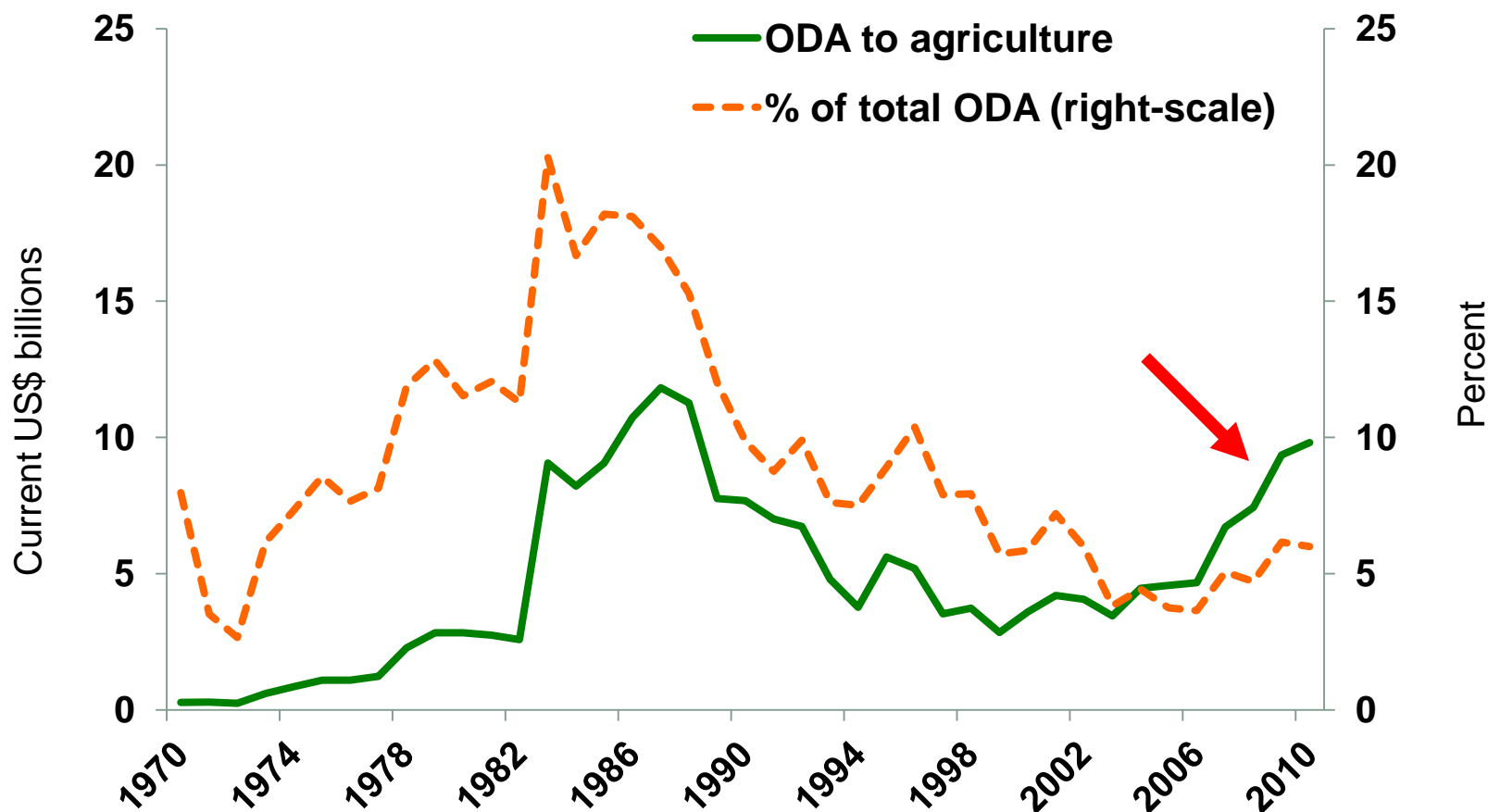
National Governments

Private sector, Philanthropies...

Increased donor investment



Official development assistance (ODA) to agriculture, 1970-2010



Source: OECD 2012

Note: Agriculture = agriculture, forestry, and fishing; ODA to agriculture is for all donors

Rising public expenditure on agriculture

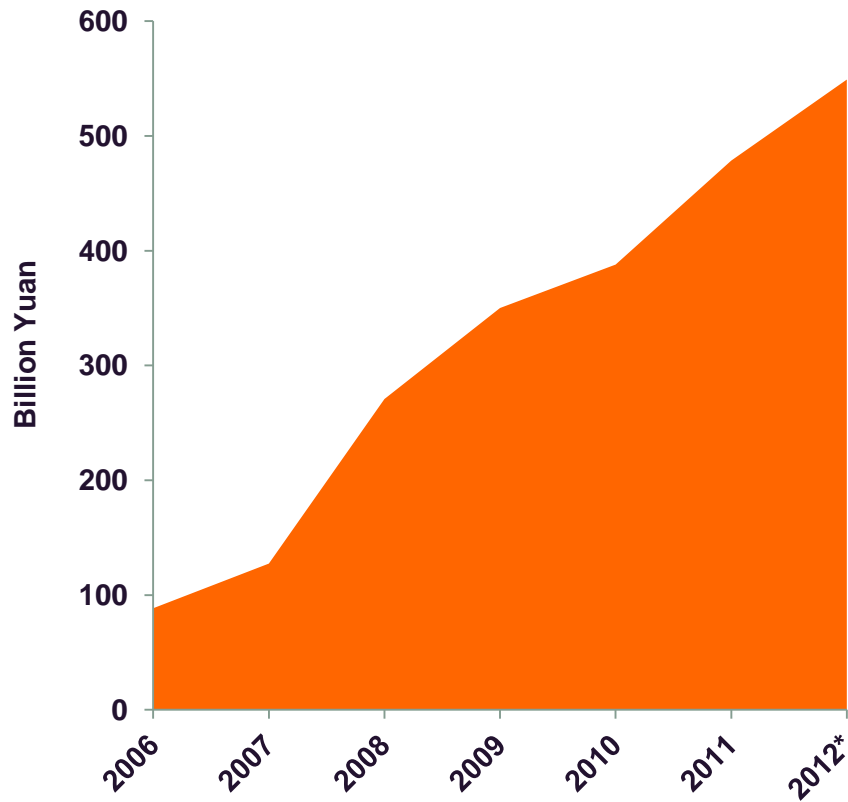


	1980	1990	2000	2007
	% of total expenditure			
East Asia & Pacific	10.0	8.8	6.4	6.1
Europe & Central Asia	-	-	3.0	2.8
Latin America & Caribbean	5.4	2.2	2.7	3.1
Middle East & North Africa	3.9	4.0	3.7	2.7
South Asia	6.6	6.9	4.8	4.9
Sub-Saharan Africa	5.6	5.8	4.3	5.3
	% of agricultural GDP			
East Asia & Pacific	9.1	7.6	8.8	11.6
Europe & Central Asia	-	-	8.8	14.4
Latin America & Caribbean	14.9	6.7	10.1	13.1
Middle East & North Africa	10.4	6.3	7.5	7.5
South Asia	2.8	4.5	3.6	4.4
Sub-Saharan Africa	3.9	2.5	2.4	3.3

Increased national investment: China and India

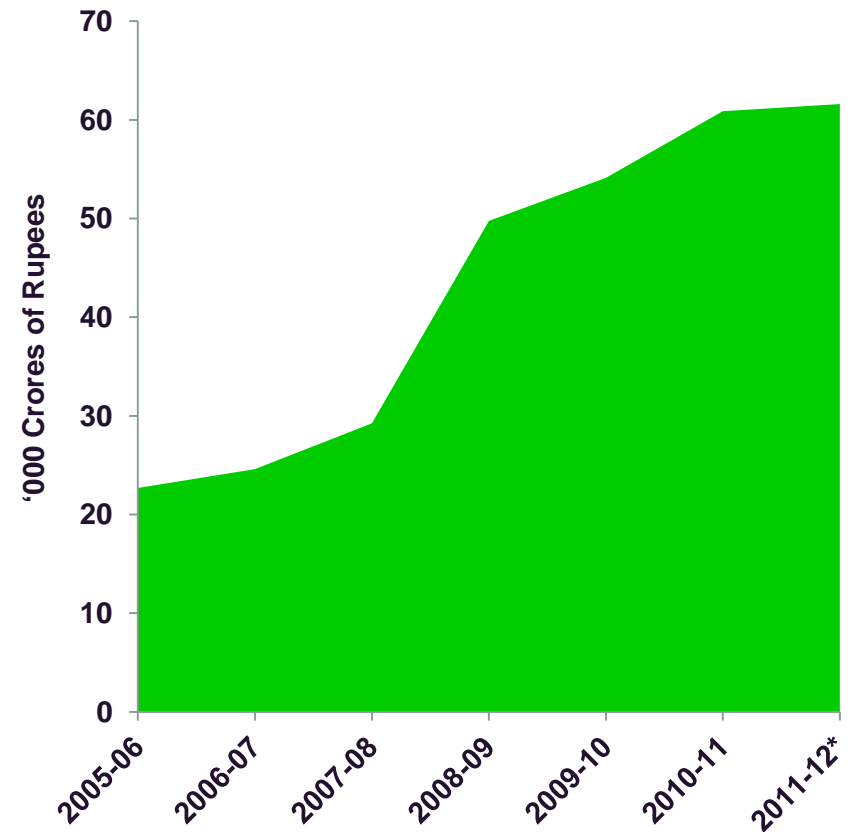


China



Source: Government of the People's Republic of China 2012
Note: * refers to Budget

India



Source: Government of India 2012
Note: * refers to Budget

Increased commitments: African countries



CAADP progress: though 10% target is still slow to reach

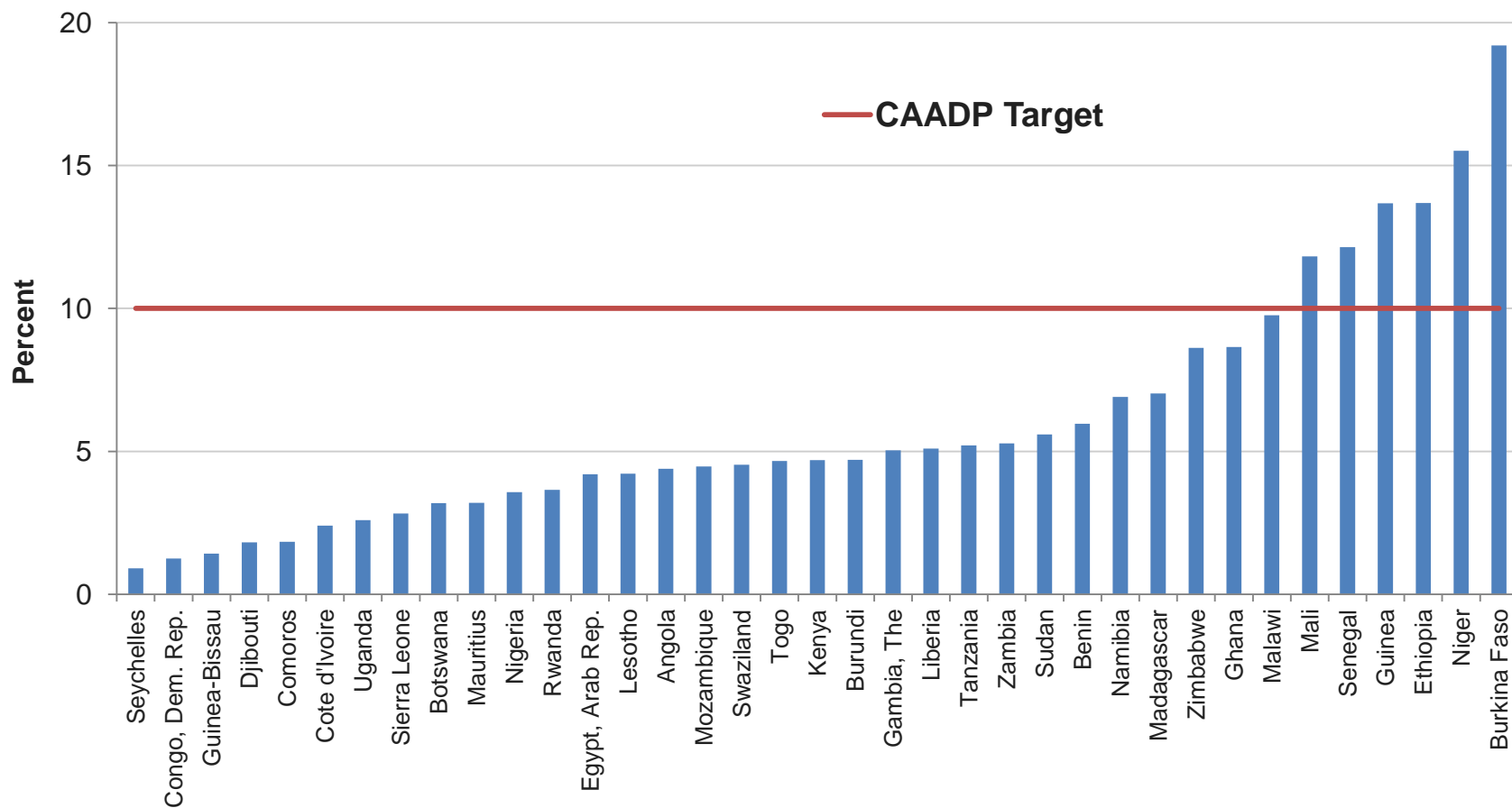
- **29** countries have signed *CAADP Compacts*
- Of which **23** have *Investment Plans* ready



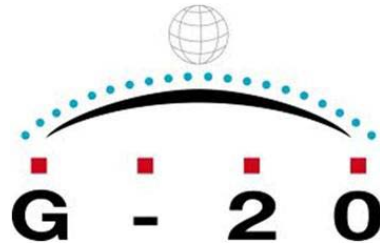
CAADP 10% target progress



Average annual agriculture expenditure share in total expenditures, 2003-09



More support is important...



...BUT priorities of investments are equally important

New Alliance for Food Security and Nutrition in Africa



- Shared commitment between **G8, African countries**, and **private sector**
- **US\$ 3 billion** pledge to lift **50 million** people out of poverty over the next 10 years
- Scaling up Nutrition (SUN) initiative
- Support for biofortification, crop diversification, and related technologies



Public investment priorities matter

Impact of government spending, India



	1960-70s	1980s	1990s
<i>Returns in Agricultural GDP (Rps per Rps spending)</i>			
Roads	19.99	8.89	7.66
Education	14.66	7.58	5.46
Irrigation Investment	8	4.71	4.37
Irrigation Subsidies	5.22	2.25	2.47
Fertilizer Subsidies	1.79	1.94	0.85
Power Subsidies	12.06	2.25	1.19
Credit Subsidies	18.77	3	4.26
Agricultural R&D	8.65	7.93	9.5
<i>Returns in Rural Poverty Reduction (# of poor reduced per million Rps spending)</i>			
Roads	4124.15	1311.64	881.49
Education	1955.56	651.4	335.86
Irrigation Investment	630.37	267.01	193.21
Irrigation Subsidies	393.7	116.05	113.47
Fertilizer Subsidies	90.07	109.99	37.41
Power Subsidies	998.42	125.5	59.15
Credit Subsidies	1448.51	154.59	195.66
Agricultural R&D	642.69	409	436.12

Impact of government spending, China

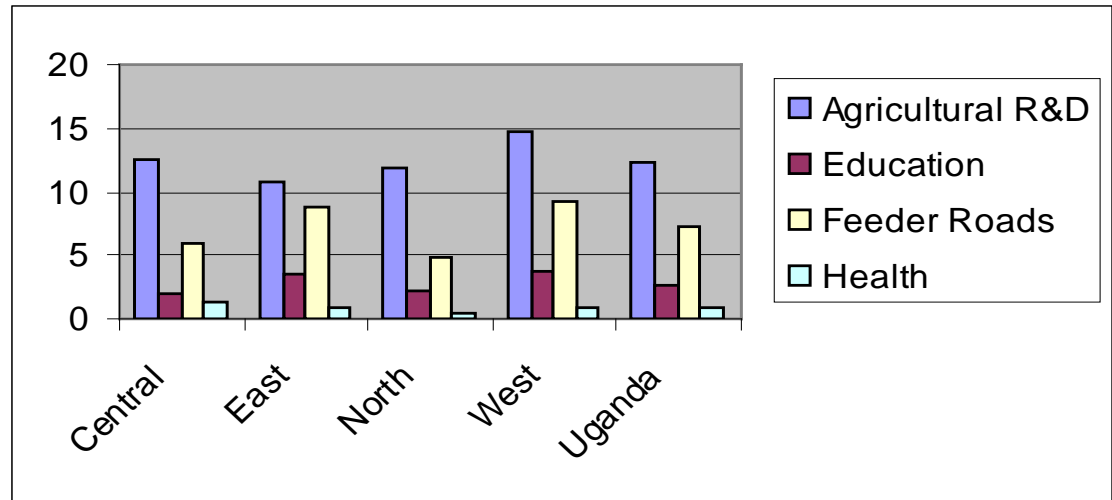


	Coastal	Central	Western	Average	
<i>Returns to total rural GDP</i>	<i>Yuan per Yuan expenditure</i>				
R&D	5.54	6.63	10.19	6.75	(2)
Irrigation	1.62	1.11	2.13	1.45	(6)
Roads	8.34	6.90	3.39	6.57	(3)
Education	11.98	8.72	4.76	8.96	(1)
Electricity	3.78	2.82	1.63	2.89	(5)
Telephone	4.09	4.60	3.81	4.22	(4)
<i>Returns to poverty reduction</i>	<i>no. of poor reduced per 10,000 Yuan expenditure</i>				
R&D	3.72	12.96	24.03	10.74	(2)
Irrigation	1.08	2.16	5.02	2.31	(7)
Roads	2.68	8.38	10.03	6.63	(3)
Education	5.03	13.90	18.93	11.88	(1)
Electricity	2.04	5.71	7.78	4.85	(5)
Telephone	1.99	8.10	13.94	6.17	(4)
Poverty loan	3.70	3.57	2.40	3.03	(6)

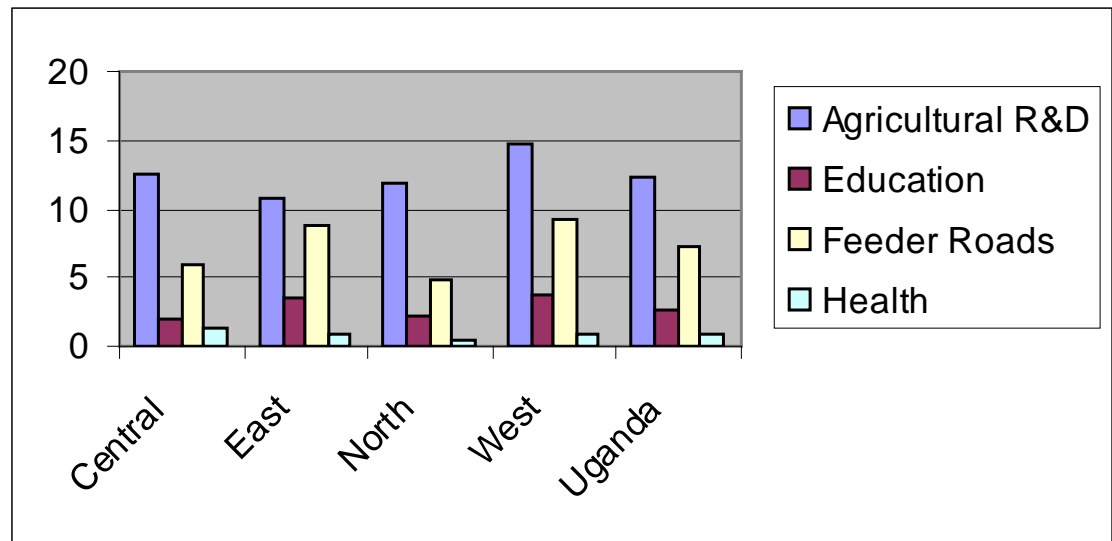
Impact of government spending, Uganda



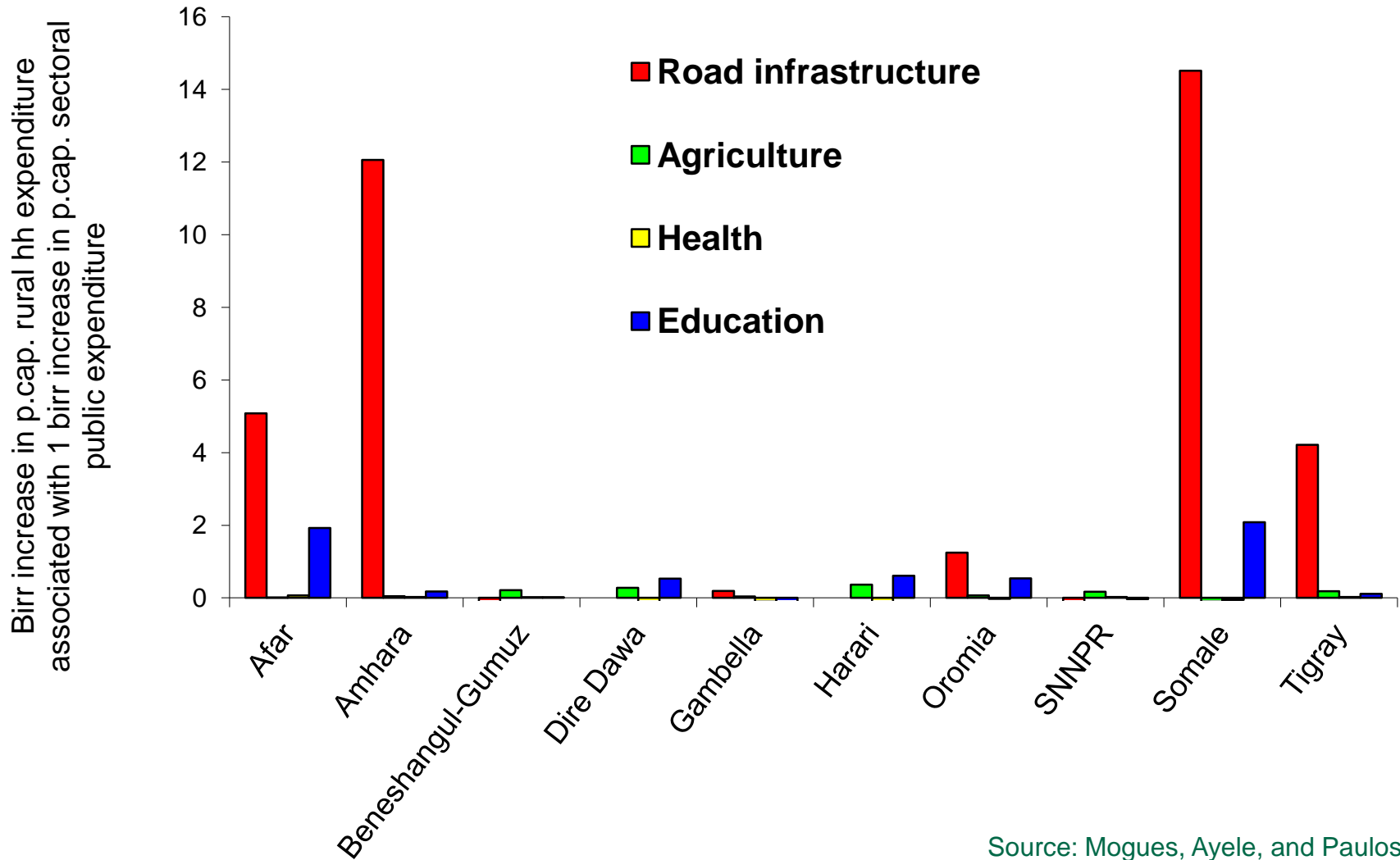
**Returns in shilling
per shilling
investment**



**Number of poor
reduced per million
shillings investment**



Impact of government spending, Ethiopia



Source: Mogues, Ayele, and Paulos 2008

Investments in agric. R&D has higher returns



	Ghana	Uganda	Tanzania	Ethiopia	China	India	Thailand
	<i>Returns to agriculture or rural income (local currency / local currency spending)</i>						
Agric. R&D	16.8	12.4	12.5	0.14	6.8	13.5	12.6
Education	-0.2	7.2	9.0	0.56	2.2	1.4	2.1
Health	1.3	0.9	n.e.	-0.03	n.e.	0.8	n.e.
Roads	8.8	2.7	9.1	4.22	1.7	5.3	0.9
	<i>Ranking in returns to poverty reduction</i>						
Agric. R&D	n.e.	1	2	n.e.	2	2	1
Education	n.e.	3	1	n.e.	1	3	3
Health	n.e.	4	n.e.	n.e.	n.e.	4	n.e.
Roads	n.e.	2	3	n.e.	3	1	2

Source: Fan, Mogues, and Benin 2009

Note: "n.e." indicates not estimated

Investments in early childhood nutrition also has higher returns



Copenhagen Consensus 2012 Ranking

#1 Fighting malnutrition among preschoolers

- \$ 3 billion per year
- each dollar would have over \$30 of benefits

#6 Increase agricultural output/yield enhancements

- \$ 2 billion per year
- Each dollar would have at least \$16 of benefits



Capacity building needed, esp. in Africa



- Lack of reliable data
- Limited capacity in policymaking and strategy formulation
- Weak capacity in setting investment priorities and designing investment plans
- Lack of research support for policy (from universities, think tanks, etc.)
- Absence of a M&E system

Building analytical capacities in Africa



THE AFRICAN GROWTH AND DEVELOPMENT POLICY (AGRODEP) MODELING CONSORTIUM

WHAT IS AGRODEP?

The African Growth and Development Policy (AGRODEP) Modeling Consortium is an initiative led by the International Food Policy Research Institute (IFPRI). The goal of AGRODEP is to position African experts to take a leading role in both (1) the study of strategic development questions facing African countries as a group and (2) the broader agricultural growth and policy debate, which traditionally has been dominated by external actors and concerns. Building on more than three decades of research and capacity-building activities in Africa, IFPRI aims to provide locally relevant



ReSAKSS: Capacity building and M&E



- **ReSAKSS support for CAADP roundtable process**
 - Guide set up of SAKSS country nodes
 - Facilitate stocktaking exercises
 - Provide technical and analytical assistance and training on tools e.g. GIS

- **ReSAKSS M&E**
 - Developed the CAADP M&E framework
 - Produce annual trends and outlook report
 - Report key indicators on website:
<http://www.resakss.org>

In conclusion



- Increased support is important, BUT investment priorities are equally important
- Investments in agricultural R&D and early childhood nutrition have higher returns
- Reliable data and strong capacity are crucial for monitoring trends and to analyze priorities



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Contact Us:

agrilinks@agrilinks.org

Zachary Baquet,
USAID/BFS:

zbaquet@usaid.gov



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Special Event with Cornell
University | June 5

Special Seminar with
Michigan State Uni. | May
31

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