



## **A REPORT TO CONGRESS ON THE \$75 MILLION FY09 FOOD SECURITY STRATEGY: TARGETED AGRICULTURE FUNDS**

### **EXECUTIVE SUMMARY**

The Omnibus Appropriations Act of 2009, signed by President Obama on March 11, 2009, provided \$75 million in agriculture funds targeted to food security. These funds provide essential continuity to programs begun in 2008 and allow new investments to build a foundation for the launch in 2010 of a broader long-term strategy to sustainably reduce hunger and malnutrition.

A larger food security strategy is currently being developed under the leadership of the Department of State. This will be global in scope and will incorporate significant input from USAID.

USAID's current food security effort continues high priority investments in Africa launched last year. These focused on investments that have the greatest potential to increase agricultural productivity rapidly and reach the most vulnerable people. The funds will also build a base for targeted activities in Asia where the largest number of food insecure people live. Latin America, which will also be part of the strategy, has received priority for funding within the overall agriculture budget and thus is not reported here.

The new funding is critical to keep momentum, focus and delivery of results in the two regions where USAID food security activities were concentrated last fall -- West Africa and East Africa. In West Africa, the focus is on raising productivity and trade to substantially increase the availability of staple foods and the incomes of farmers and other food insecure rural households. Successful programs will be replicated, such as the warehouse receipts project begun in Ghana, and new programs will fill gaps such as expanded rural financial services and delivering more economical agricultural inputs, such as seeds, irrigation and fertilizer technology. The continued focus in East Africa is on increasing smallholder and pastoralist participation in food markets, using local and regional procurement of food as a catalyst for developing markets for small-scale producers critical to rural economic growth. Intra-regional trade support will improve access to food while expanding economic growth opportunities for mostly rural populations.

Looking forward to the new, more comprehensive strategy to food security, we will expand efforts to address under-nutrition, a silent dimension of hunger. This includes the role of food-based approaches to nutrition to help the rural poor, especially women and children, often the

most tragically vulnerable in areas facing food insecurity. New program interventions will scale up efforts to improve utilization of food to alleviate hunger.

The strategy will devote resources to the value chain approach in key agricultural sectors. It emphasizes expanding business contracts and access to information necessary to spark the market participation necessary to create functioning economies and the role of sustainable agricultural resource management and commits resources toward demonstrating the efficient use of water, biotechnology and environmentally sound production technologies.

## **INTRODUCTION**

The food price crisis of 2008 brought considerable hardship to the world's poorest and pushed millions more people further into destitution. The crisis and its resultant civil unrest served as a wake up call to policy makers, the development community and developing country governments about the depth of the problem we face with the interwoven challenges of severe poverty and hunger. While global commodity prices have declined in recent months, they remain high in some developing countries, and even where prices have come down, an erosion of purchasing power is translating into the erosion of the poor's ability to access food. The result is seen in increasing global hunger, with a record estimate of 1.02 billion hungry people—more than 1 out of every 7 people-- announced by the UN Food and Agriculture Organization (FAO) in June, 2009. While global food prices may have stabilized for now, entrenched poverty leaves a billion people vulnerable to food insecurity.

The new Administration has made clear that agriculture and food security will receive priority attention in foreign assistance. Within the 2010 budget presented to Congress, the President requested a doubling of the budget for agricultural development, a total of more than \$1 billion. He also has asked the Secretary of State to develop a whole-of-government approach to improving global food security and reducing global hunger. The approach will build upon the Agency's experiences with the Initiative to End Hunger in Africa and on the response to the food crisis last year, enabled by Congress' provision of FY 08 and FY 09 supplemental funding in the last quarter of FY 08. By aligning the appropriation of \$75 million provided for global food security in the Omnibus Appropriations Act, 2009, with the programs initiated under the supplemental funding, the USG will continue to provide short term relief to vulnerable populations and support the longer-term commitment to cut poverty and hunger in the developing world.

## **BUILDING A FOUNDATION FOR A NEW FOOD SECURITY STRATEGY**

In the fall of 2008, Congress provided \$200 million in supplemental development assistance (DA) funds to alleviate hunger as part of a near-term response to the food price crisis. As noted in the 45-day report to Congress, delivered in October 2008, this response supported urgent actions to increase agricultural productivity; alleviate transportation, distribution, and supply-chain bottlenecks; and promote sound market-based principles for agricultural sector development and regional trade. In order to maximize impact, \$130 million of the 2008 funds were concentrated in five countries and regionally in West Africa<sup>1</sup>. This region was selected

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<sup>1</sup> The five countries receiving funds to enhance staple crop production and trade in West Africa were Ghana, Liberia, Mali, Nigeria and Senegal.

because of its considerable need and potential for rapid expansion of production and trade of staple crops throughout the region. In addition, \$50 million of the supplemental funding for food security was used for local and regional procurement activities in East Africa<sup>2</sup>, greatly expanding the capability and flexibility of our humanitarian response while enhancing market processes and mechanisms.

The remainder of 2008 funds, \$20 million, was used to support high priority technology development and deployment through the Consultative Group on International Agricultural Research (CGIAR) and harnessing the tools of biotechnology.

These rapidly scaled-up programs aim to provide a near-term boost to agricultural productivity. They are targeted in terms of both geography and strategy to achieve significant impact on food availability within two years. At the same time, they provided a foundation for Agency planning for a more comprehensive, global response to address the longer-term causes of food security.

The 2009 Omnibus Appropriations Act provided not less than \$375 million in Development Assistance for agriculture. While the 2009 budget request was developed prior to the food crisis of last year, the Agency has re-examined the allocations to ensure that the momentum built in West and East Africa last year continues. Within the \$375 million, Congress directed that \$75 million be made available to enhance food security. While many interventions supported under the Agency's broader agricultural development portfolio enhance people's access to and the availability of food, the \$75 million will be specifically targeted to investments that provide the foundations for a longer-term, global strategy on food security to begin in 2010. The remainder of this report describes those foundations, and provides a detailed program accounting for the \$75 million.

## **USAID 2009 OMNIBUS FOOD SECURITY PROGRAMMING**

USAID's food security programming efforts fall into four categories: 1) Agricultural Productivity, Markets and Trade; 2) Local and Regional Procurement; 3) Improving Maternal and Child Nutrition through Agricultural and Targeted Approaches; and 4) Analysis, Research and Development for Increased Impact.

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<sup>2</sup> The countries targeted for local and regional procurement activities in East Africa were Ethiopia, Uganda, Kenya and Rwanda.

### *Agricultural Productivity, Markets and Trade*

Increasing the production, marketing and regional trade of food staples is critical to addressing the structural imbalances of supply and demand for food, reducing food prices, and increasing incomes of the rural poor. Since there is greater smallholder participation in staple crop production, development of these value chains can also stimulate a greater multiplier effect in reducing poverty in rural communities. In 2008, USAID's response to the food crisis was concentrated in five countries of West Africa (Ghana, Mali, Niger, Nigeria, and Senegal) and the West African regional mission. As outlined in the 45-day Report to Congress, these efforts aimed at 1) increasing agricultural production and productivity; 2) improving regional trade in food staples; and 3) promoting sound market-based principles. **In 2009, USAID will direct \$26,938,000 of the FY09 food security funds to sustain these efforts in West Africa.**

USAID programming in West Africa to increase agricultural production and productivity of staple food crops (including maize, rice, cassava, sorghum, millet, livestock and poultry) will focus on modernizing the systems that provide the basic agricultural inputs such as seed, fertilizer and technology, ensuring more land and water resources are put under sustainable management practices, and enhancing the private sector's capacity and incentives to deliver these services. Efforts will include supporting public/private partnerships to expand seed multiplication, the growth of local agricultural input suppliers and the expansion of rural financial service provision. For example, in Niger, private sector input supply capacity will be strengthened: six seed businesses and producer organizations as well as agro-dealers will operate more efficiently with increased capacity, and provide greater market coverage. Maps and databases of agro-dealers and producers will greatly facilitate the development of the seed sector. In Senegal, farmers and agro-processors will benefit through the adoption of new technologies and management practices.

Activities to improve the efficiency of existing irrigation, and expand the availability of small-scale irrigation technologies to new areas, will increase productivity while reducing weather-related risk. In Burkina Faso and Niger, a partnership with the West Africa Regional Mission and the International Water Management Institute will result in significantly reduced costs of irrigation development, rehabilitation and operation with direct benefits for farmers. USAID programming will promote best practices in post-harvest handling and value-adding activities such as grading, agro-processing and packaging in order to reduce losses and increase the competitiveness and profitability of small holders. In Ghana, for example, post-harvest technologies for grain such as the use of drying floors and new shelling processes will be extended to landholders with fewer than five hectares.

A deepening of both domestic and regional staple food markets is key to stimulating agricultural production growth, broad-based income expansion and poverty reduction. Yet poor roads, tariffs, trade restrictions and cumbersome customs procedures, lack of harmonized grades and standards, and inadequate marketing infrastructure all work to constrain regional trade. The West Africa regional program will focus on increasing the volume and value of intra-regional agricultural exports by 7 percent by decreasing the incidence of physical and policy-related barriers to trade. The focus will be on maize, vegetables, and livestock. The capacity of major producer/trade groups and enterprises will be strengthened and business contracts facilitated. In Senegal, USAID will improve agricultural finance through a new Development Credit Authority (DCA) guarantee that will extend up to \$20 million in loans over five years (leveraging USG resources by a ratio of 17:1) to meet working capital and capital investment needs of small and

medium agricultural enterprises. Domestic and regional markets for staple crops will also be enhanced by activities to strengthen market infrastructure, including market information systems, commodity exchanges, and alternative finance, such as warehouse receipts systems. For example, the successful warehouse receipts pilot project initiated in Ghana will be expanded to additional West African countries. And, in Niger, communications technology-enabled market price information systems will be extended and adapted.

A business environment based on sound market principles that encourages private investment and provides appropriate public investments is critical to increasing agricultural productivity and expanding opportunities for broad participation of the rural poor in agricultural development. USAID will support national and regional efforts to remove distortions and barriers to trade, and to promote sector competitiveness. Support will also be provided to both national governments and to the Economic Community of Western Africa (ECOWAS) to establish and expedite the implementation of Comprehensive Africa Agriculture Development Program (CAADP) compacts that will provide each country, and the donor community that supports it, with a roadmap for agricultural sector development and public policy reform. USAID will strengthen the analytical capacity of national governments and regional organizations to ensure that they develop and implement sound strategies based on identified constraints, opportunities and policy options. Contingency Planning and Early Warning activities in Mali will focus on providing market-based solutions and approaches in this food insecure country. This investment complements activities funded by the FY 09 Supplemental, reaching a combined total of up to one million direct beneficiaries.

The critical need and expanding opportunity to shift the dynamics of hunger and pro-poor agricultural development in Africa have led to a concentration of USAID's recent food security programming funds to that region. To provide a foundation for increased emphasis on the growing food insecurity elsewhere, the 2009 food security appropriation will begin to expand targeted programs in other regions to lay a foundation for potential expansion in FY 2010. In South Asia, where 40 percent of the world's poor live and subsist on less than \$1.25 US per day, the challenge lies in both improving agriculture productivity of key food staples and alleviating roadblocks that impede distribution and trade of agricultural commodities. **USAID will invest \$1.55 million of FY09 food security funds specifically in South Asia and the Middle East to support two key actions that stimulate staple food production and promote sustainable agriculture resource management.**

In South Asia, USAID will support the Cereal Systems Initiative for South Asia (CSISA), led by the International Rice Research Institute (a center of the Consultative Group on International Agricultural Research, CGIAR) with additional support from the Bill & Melinda Gates Foundation. Through improved crop varieties, production practices and market access, this initiative aims to stimulate production of an additional five million tons of grain annually and increase the yearly incomes of six million poor rural households by at least \$350 each. The Middle East Water and Livelihoods Initiative will develop and demonstrate integrated water and land-use management strategies in target watersheds to reverse current trends of overuse of scarce water resources, land degradation, and water quality deterioration, thereby increasing agricultural productivity and improving rural livelihoods.

### *Local and Regional Procurement*

Local and regional procurement, when used in the appropriate contexts, can significantly reduce the time and cost of humanitarian aid efforts.<sup>3</sup> At the same time, it can serve to strengthen and expand commercial market linkages, and stimulate an appropriate production response among developing country farmers. With the FY 09 supplemental funds provided last fall, this flexible resource has increased the USG's ability to respond with humanitarian interventions that are timely, appropriate to specific needs, and contribute to long-term local and regional solutions to hunger. In Pakistan, our ability to procure locally enabled the USG to respond immediately to the food needs of people displaced by violence, before an expedited procurement of USG commodities could arrive. Procurements in East Africa met unanticipated increased need—in Kenya, Ethiopia, and Somalia. With FY 09 supplemental funds, local and regional procurements have supported programming to feed nearly 13 million people. We will expand upon these results this year with the funds appropriated for food security in the FY 09 Omnibus.

**USAID will program \$20 million of FY09 food security funds for procurement of food in local and regional markets.** The funds will support integrated USG food security efforts and will complement both P.L. 480 Title II and International Disaster Accounts (IDA) activities. To the extent global needs permit, these procurements will be utilized to support emergency and relief programs in Eastern and Southern Africa. Depending on the context and need, these procurements may range from micro-level, which include cash transfers and voucher programs as safety nets, to larger scale emergency procurements such as those administered by the World Food Program (WFP) through established commercial traders.

In addition to this support for direct procurements, USAID will continue activities initiated under the 2008 response to strengthen staple market systems in Eastern Africa and expand to Southern Africa to further facilitate local and regional procurements and promote greater smallholder and pastoralist participation in those markets. **USAID will program \$10 million to strengthen local and regional market development in six countries of Eastern and Southern Africa (including Kenya, Rwanda, Uganda, and Zambia).** Program activities will include improving the quantity and quality of staple crops produced; post-harvest handling, transportation and storage; as well as processing and other value-adding efforts. Private sector partners at all stages of the value chains for selected staple crops (maize, beans and pulses, cassava and other root crops) are being catalyzed to provide services such as market information, bulking, storage, warehouse receipt systems, and finance that will make markets work for smallholders across the region. Post-harvest handling and storage activity in Rwanda will be scaled up to significantly reduce post-harvest losses for producers and cooperatives. In pastoralist areas, such as northern Kenya and parts of Ethiopia, interventions aim to improve herd quality and health, strengthen market access and value added, and improve livestock value chain management practices. In Kenya, Zambia, Ethiopia and Uganda, smallholder access to nascent commodity exchanges and warehouse systems will be increased. Improved access to financial services will provide smallholders and traders with the capital to engage in economic opportunities and undertake the modernization necessary to become competitive.

Careful and robust monitoring programs are being put in place that will provide the Agency and the broader development community with information on the efficacy and impact of USAID's local and regional procurement efforts.

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<sup>3</sup> GAO 09-570, May 2009.

### *Improving Maternal and Child Nutrition through Agricultural Approaches*

Malnutrition contributes to half of all child deaths in developing countries. Poor women and children are the first to become malnourished and the most likely to suffer severe consequences. In the case of children under two, there are long term ramifications: physical and intellectual losses that can never be corrected. The use of agricultural and food-based approaches are remarkably underutilized as strategies for improving nutrition among the world's poor and undernourished.

Agriculture-based programs can be used to increase the availability of, access to, and utilization of nutritious foods to improve the nutritional status of vulnerable populations, including children and women. **USAID will use \$3.1 million of FY09 food security funds to identify and administer best practices in achieving improved nutrition outcomes through investments in agriculture-led strategies, agricultural and food system policies, and integrated human health and food-based nutrition programming.**

Starting in a limited number of countries, activities will include: 1) supporting national food consumption and nutrition surveys; 2) building host country institutional capacity to include food-based approaches in their nutrition agenda; 3) scaling up proven strategies to reduce macronutrient and micronutrient deficiencies in pregnant/lactating women, young children and other vulnerable populations; and 4) supporting efforts to develop and deploy new, biofortified varieties of staple food crops (rice, wheat, maize, cassava, sweet potato and beans) that have higher levels of micronutrients. Activities will be concentrated in select Sub-Saharan African and South Asia countries. It is expected that the activity will assist women's agricultural organizations; build capacity in host country institutions dealing with nutrition; form public-private partnerships; and train farmers, extension agents, nutrition advocates and scientists.

### *Increasing Impact through Research, and Technology Development*

Current and future food security programming investments require ongoing technical analysis to provide data-based decision making tools to target investments priorities and design both global and country-based strategies. **USAID will dedicate \$900,000 of FY09 food security funds to a global analysis that will inform the Agency's geographic prioritization and design of needs-based interventions for agricultural growth-led food security.** USAID will identify the most effective agricultural development interventions and cost analysis for targeted countries. Important research will sharpen the targeting for better distributional outcomes of growth and poverty reduction. Topic areas may include staple and select high value food market patterns and developments; input availability, subsidies and use; and production response to trade policies.

The long-term research agenda of the CGIAR (Consultative Group on International Agricultural Research) system has made valuable contributions in the form of improved agricultural technologies and practices that have reduced hunger and improved resource management worldwide. USAID will continue its support to the CGIAR, fulfilling its \$29 million commitment to research programs in FY09. Of this amount, **\$1.5 million of food security-targeted funds will support research and analysis programs by the International Food Policy Research Institute (IFPRI) to guide investment strategies for agricultural development and poverty reduction.** IFPRI will produce strategic studies that guide global efforts to mobilize technology and improve policy in critical areas such as nutrition, household

resilience to climate and economic shocks, and enhanced gender-related food security and poverty outcomes. The USG, developing country governments, and other donors benefit from IFPRI's research, analysis and recommendations when designing new programs in agriculture and related natural resource issues, food security, and nutrition. The analysis IFPRI produces with U.S. support will provide a foundation for building a multilateral and common understanding of the problems and potential priorities for action. Such partnerships with host governments, multilateral organizations, and other donors will be a central approach to the new food security strategy.

In order to buttress the productivity and food staple market and trade development activities **in the Africa region, USAID will invest \$1 million of FY09 food security funds on continent-wide value chain analyses in Africa.** These will include a study of the rice value chain in order to identify the constraints to and opportunities for expanding production and incomes derived from this important staple food crop. A continent-wide study of the fertilizer value chain will explore a range of issues including areas with high potential for market development, impact of government subsidies, and strategies for improving fertilizer uptake, utilization and effectiveness.

Although the largest numbers of the world's hungry reside in Asia, this region has been under-represented in USAID's agricultural development programming for almost two decades. In order to re-establish an effective strategy in this region, **USAID will invest \$450,000 of FY09 food security funds to undertake the analysis necessary to identify the priorities, opportunities and challenges to achieving food security in Asia.** The robust, multidimensional analysis aims not only to generate knowledge, but to also develop alliances for advancing a food security agenda in South Asia. The analysis will address the following areas: 1) poverty, nutrition and health; 2) policy and governance; 3) environmental practices and production technologies; 4) markets and trade institutions; 5) national agricultural research; and 6) capacity for knowledge generation, dissemination and management.

Appropriate use of fertilizer is critical to increasing agricultural productivity. There has been little innovation in the development of new fertilizer products or practices in the last several decades. USAID will help address the specific needs of small holder farmers to develop the next generation of fertilizer products and practices that make better use of scarce resources, reduce greenhouse emissions, reduce nitrogen run-off into waterways, and improve the use of land and labor resources. **USAID will invest \$2 million of FY09 food security funds to seed a new alliance of public and private partners to support development of a new generation of fertilizer innovations aimed at small producers in developing countries.** This is in addition to significant USAID investments in promoting reform to ensure expanded access to fertilizers and applied soil fertility management practices.

In FY09, **USAID will direct \$7 million of FY09 food security funds to develop biotechnology crops that serve the needs of small farmers.** This investment is aimed at improving the productivity of important food crops and enhancing smallholder farmer incomes. USAID has been a leader in enabling developing countries to make informed decisions about biotechnology and broaden access to this technology. Specifically, USAID will support the development of bioengineered crops that are resistant to devastating diseases and pests, are stress tolerant, and that require less fertilizer. Through partnerships between developing country institutions, U.S. universities, research institutions and private companies, USAID will use the FY09 funds to support the development of improved staple food crops that are important for poor farmers and

consumers in Africa and Asia. These include insect-resistant cowpea in West Africa; insect resistant eggplant for India, Bangladesh and the Philippines; disease resistant potato for India and Bangladesh; disease resistant banana for Uganda; and disease resistant cassava for East and West Africa. USAID is also partnering with the private sector in Uganda, Burkina Faso, Ghana and Nigeria to develop rice varieties that are tolerant of saline soils and able to grow with less fertilizer.

To ensure the safe and effective use of bioengineered crops, USAID assists countries to put in place sound environmental and food safety regulations and decision-making procedures. Programs in Uganda, Malawi, Nigeria, Kenya, Bangladesh, India, the Philippines, East Africa and West Africa are providing the technical support and building the regulatory expertise necessary to ensure that the biosafety regulatory policies and practices are in place, and regulators are trained. Demonstrable progress in facilitating the assessment of risks and benefits of bioengineered crops is evident by the passage of comprehensive legislation and regulations and by approval of field trials in many of these countries, along with commercial approval of bioengineered crops in Burkina Faso, India, and the Philippines. This includes field trials of several improved crops, including cassava, cowpea, and banana, which were developed by the public sector and by public-private partnerships.

#### **EXPANDING THE WORKFORCE TO MEET THE CHALLENGE**

To accomplish this ambitious agenda, USAID must renew its technical leadership and expand agriculture technical staff in field Missions and in Washington. The Development Leadership Initiative (DLI) was started in 2008 to expand the Agency's professional workforce. Under the DLI, the Agency has a target of hiring 95 agricultural development officers by 2012. Since the start of recruitment last September, USAID has hired four new Junior Agriculture Officers, with an additional 16 in the pipeline. In addition, the Agency has initiated a process for hiring at least 13 mid-level officers this year who will have the immediate experience to advise, engage, and design programs in our most challenging contexts.

USAID is aggressively pursuing additional means to provide technical support to this priority area. Both the Office of Agriculture and the Africa Bureau have added surge rosters of recently retired USAID Foreign Service Officers and other development professionals who can be brought on board quickly for short and medium term assignments as needed. The Agency is also dramatically expanding training, tools and knowledge management practices in agriculture, poverty reduction, gender and nutrition to ensure that our staff serving in the field has access to the best ideas and applicable resources. Finally, it is clear there is great potential to tap into significant levels of capacity among our partners, particularly among non-governmental organizations and universities, to provide technical advice and implementation of this expanded agenda. USAID is committed to providing the mechanisms to diversify and expand the number of such partnerships.

#### **LOOKING FORWARD**

The funding for agricultural development and food security in 2008 and 2009 provides a foundation for a new strategy and expanded efforts that will re-establish U.S. leadership in this critical arena. The rapid ramp-up of activity in response to the food crisis last year demonstrates the capacity within USAID and among our partners to respond quickly and effectively with a

significantly expanded level of effort. The experience of this recent targeted agricultural effort, and the critical examination of the distribution and causes of food insecurity have played important roles in shaping a new food security strategy under development by the State Department within an inter-agency, whole of government process. This strategy will expand the effort globally, to include a targeted number of countries and sub-regions in Latin America and Asia. It will serve as a foundation for building a broader whole-of-government approach, aligning complementary development resources of other agencies around a common strategy. It will also form the basis of a significant effort in international outreach to rally investments, expertise, and partnerships with the host country governments, other donors, and multilateral institutions necessary to deliver on the ambitious goals of reducing hunger and poverty.

**APPENDIX 1**  
**FY 2009 FOOD SECURITY FUNDS**  
**BY OPERATING UNIT**

<b>COUNTRY/OPERATING UNIT</b>	<b>FY 2009 Food Security Funds (653a)</b>	<b>Comment</b>
Bureau of Economic Growth, Agriculture, and Trade (EGAT)	15,000,000	
Global Food Security Analysis	900,000	
Agricultural and Targeted Nutrition Approaches	3,100,000	
CGIAR R&D	1,500,000	
Biotech	7,000,000	
Africa Regional	3,062,000	
Kenya	2,000,000	
Rwanda	2,000,000	
Uganda	2,000,000	
Zambia	2,000,000	
East Africa Regional	2,000,000	
West Africa Regional	8,688,000	Includes \$4 million for Niger.
Ghana	3,500,000	
Mali	4,750,000	
Nigeria	5,000,000	
Senegal	5,000,000	
ASIA/Middle East Bureau	2,000,000	
Bureau of Democracy, Conflict, and Humanitarian Assistance (DCHA)	20,000,000	For Local/Regional Procurement
<b>TOTALS</b>	<b>75,000,000</b>	