



partners in rural development

CHF Technical Paper

## **Responding to the Global Food Price Crisis**

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## Key Points

- CHF is engaged in a number of countries in Asia, Africa and the Caribbean where rising food prices over the past year have caused serious concern.
- The factors shaping these price rises are numerous and complex, and point to longer-standing and deeper problems of poverty and food insecurity in the countries surveyed.
- Rising food prices are hitting the rural poor hardest. These people are highly vulnerable to shocks: they have low incomes and limited access to, and control of, land, credit, technology, education and health, and paid employment; they are also often food insecure.
- Poor rural people are experiencing the crisis in a number of ways: most have seen their purchasing power eroded and their household expenditures squeezed by rising food prices; many have been pushed to consume less and to eat cheaper and less nutritious food or to sell assets to meet cash needs for food. This has in turn compromised their food security and undermined their livelihoods.
- The international community has responded by providing food aid and calling for an immediate stimulus to agricultural production in developing countries. CHF is concerned that the latter response lacks a clear vision of how to enable poor rural people to move permanently out of poverty and food insecurity.
- CHF believes responses to the crisis must specifically target the rural poor through interventions that both sustainably increase agricultural production *AND* strengthen livelihoods by increasing incomes and assets. These interventions must also address gender gaps and environmental issues, and build the capacity of rural institutions to reach and support the rural poor.
- CHF's response to the crisis is guided by four broad messages: the rural poor have been hit hardest by the rise in food prices, but with the right support can be a major part of the solution; the right support begins with a renewed commitment on the part of the donor community to agriculture and rural development; this support must focus on integrated approaches that enhance food security and livelihoods for the rural poor, particularly poor rural women; and, CHF can help by empowering the rural poor and strengthening their capacity to respond to the challenges and opportunities they face through a sustainable livelihoods approach.

## 1. Background

CHF is engaged in a number of countries in Asia, Africa and the Caribbean where rising food prices over the past year have caused serious concern. In June 2008, CHF sent a questionnaire to its developing country partners requesting that they provide information on the extent of rising food prices and their impact on beneficiaries. Responses were received from partners in Bangladesh, Vietnam, Sri Lanka, Ethiopia, Kenya and Guyana (see **Appendix I** for a description of the projects surveyed).

The aim was to provide CHF with a better understanding of what rising food prices mean to its developing country partners and their beneficiaries, and in turn help CHF to identify what actions it might take to mitigate the impact of the crisis. Such an understanding will also strengthen the capacity of CHF to engage in policy dialogue on the food price crisis at the national and international levels.

This report synthesizes the responses received. It outlines the responses of the Canadian government and international community, and identifies a number of considerations that CHF believes must be taken into account in addressing the crisis. The report then sets out CHF's recommendations for responding to the crisis in three key areas: programming, policy, and public engagement.

## 2. Overview

The responses received show that prices of almost all staple foods have risen in Bangladesh, Vietnam, Sri Lanka, Ethiopia, Kenya and Guyana in the past year. However, the extent of price rises varies considerably from one country to another. Thus the price of rice has risen by 58 per cent in Bangladesh and 57 per cent in Sri Lanka from June 2007, but doubled in Vietnam and Guyana, and nearly tripled in Ethiopia; the price of wheat has risen by 51 per cent in Bangladesh and 56 per cent in Guyana<sup>1</sup>, but in the same period jumped by 87.5 per cent in Sri Lanka and 229 per cent in Ethiopia; the price of maize has increased by 100 per cent in Kenya and soared by 214 per cent in Ethiopia; and, the price of roots and tubers has risen by 15 per cent in Guyana and doubled in Kenya.

The factors shaping these price rises are numerous, complex and also vary from one country to another. The responses received suggest that the increasing cost of both fuel and agricultural inputs has been a major factor behind price rises. In both Kenya and Guyana, for example, the price of the most widely used fertilizer has doubled in the past year. Also in Guyana, the price of most farm equipment has risen over the past year, along with labor costs and land rents. Other

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<sup>1</sup> It should be noted that the Government of Guyana subsidizes the cost of wheaten flour at a rate of 20 per cent.

factors driving up prices in the countries surveyed include reduction in cultivable land, export restrictions on certain staples (notably rice), hoarding and general inflation.

However, the responses received show that the most important factor shaping price rises has been low domestic food production levels. And here, the current rise in prices has exposed longer-standing and deeper problems of food insecurity in the countries surveyed. In Ethiopia, drought is the main concern: the failure of successive rains resulting in poor harvests in 2007 has been a key factor behind rising food prices in the Amhara Region, where CHF and its local partner work. Staff report that this situation is set to continue with the failure of the short rains in March-May. They note that in recent weeks the rain has arrived, but it is too late; for those beneficiaries who have managed to get a crop down, it won't be harvested until September, and then production is expected to be low. In Kenya, civil unrest following disputed elections in November 2007 occurred during harvest season in the country's 'breadbasket' regions, leaving crops un-harvested. This along with successive failed rains has been a major factor in driving up prices. In Bangladesh and Vietnam, tropical storms (Cyclone Sidr in Bangladesh and Typhoon Lekima in Vietnam) during the 2007 growing seasons had already reduced food production at a time of rising food prices; in Guyana, severe flooding in the previous year reduced overall production and has led to shortages of some items and rising prices.

*"Slowly, the food crisis has been gathering momentum in this country for the past 50 years. Mismanagement and poor policy choices related to agriculture by successive governments, along with high rates of poverty are the main reasons for the crisis."*

Response from the Sewa Lanka Foundation, CHF's partner in Sri Lanka

### 3. Impact

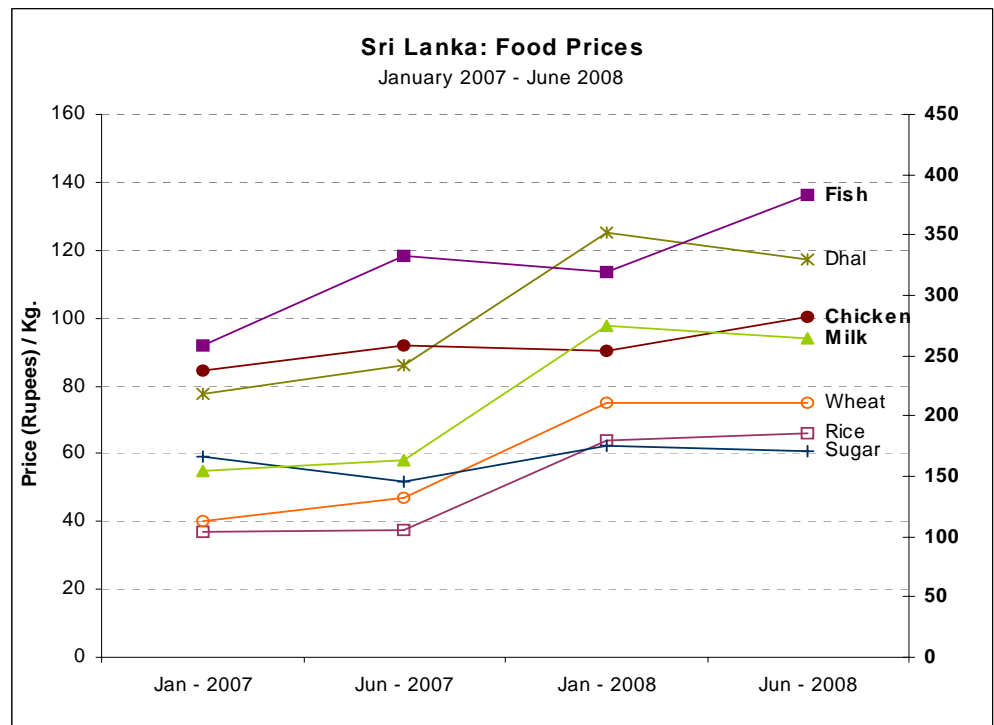
CHF works with the rural poor, and the responses received suggest that the impact of high and rising food prices has been felt most acutely by these people.

The rural poor are highly vulnerable to shocks such as rising food prices. They are typically small-holder farmers with low incomes and limited access to, and control of, land, credit, technology, education and health, and paid employment. The rural poor are also often food insecure. Their food entitlement is obtained through a combination of their own food production, income from the sale of food and their own labor, and the use of assets. But most rural poor live in marginally productive areas and depend on rain fed agriculture, or simply lack the capacity to produce sufficient amounts of food to meet their needs, thus making them net food buyers for at least part of the year. Even when they are able to produce sufficient amounts of food, the rural poor will often sell a portion of their production to meet immediate cash needs or because adequate storage facilities do not exist.

This in turn leads to seasonal food shortages, usually just before the harvest when the previous year's crop is nearly finished and market prices are high.

In Vietnam, for instance, the food staple is rice and all of the beneficiaries with whom CHF works in Quy Chau District produce rice for their own consumption. Most, however, cannot produce sufficient amounts and must purchase rice at some point during the year. This can account for all of the income of the poorest beneficiaries in the months just before the harvest. Similarly, in Bangladesh and Sri Lanka, beneficiaries produce their own rice, but typically spend 60-70 per cent of their income on food; in Kenya, beneficiaries produce maize and pulses for their own consumption, and report spending most of their income on food in some months.

How these beneficiaries are affected by high and rising food prices depends on a range of factors. It is clear from the responses received that some rural poor people are less vulnerable than others: they may have relatively higher and more diversified income and more assets, or are better able meet their food needs through their own production and engage less in the market. This last factor



– the extent to which the rural poor engage in the market – in large measure determines their vulnerability to rising food prices, according to a recent report by IFAD<sup>2</sup>. In Vietnam, by way of example, CHF staff report that the poorest beneficiaries with whom they work tend to produce less rice and must therefore purchase rice in the market for more months before the harvest. This makes them the most vulnerable to price changes. Less poor beneficiaries, by contrast, tend to produce more rice and/or have sufficient income to maintain their levels of consumption in the face of rising prices.

<sup>2</sup> 'Soaring food prices and the rural poor: Feedback from the field' IFAD (2008), available at: [www.ifad.org/operations/food/food.htm](http://www.ifad.org/operations/food/food.htm)

The responses received show that high and rising food prices have had the following impacts on CHF's beneficiaries:

- **Incomes** Rising food prices have reduced purchasing power among beneficiaries in most of the countries surveyed. The exception is Guyana, where most beneficiaries of CHF's *Building Community Capacity Project* farm at a semi-commercial level, producing food surpluses and spending relatively less of their income (approximately 30 per cent) on other food items. These beneficiaries have seen increased demand for their produce and a rise in profits sufficient to offset increased input costs. This has translated into higher incomes for most beneficiaries.

However, in Bangladesh, Vietnam, Ethiopia, and Kenya, rising prices have meant that beneficiaries in these countries are spending an even larger proportion of their already limited income on food and less on other essentials. CHF's partner in Sri Lanka reports that its beneficiaries have had to reduce expenditures on housing, transport, and health care to meet household food needs. In Bangladesh, beneficiaries are now spending 75-100 per cent of their income on food – up from 60-70 per cent in previous years. CHF staff in Vietnam report that the poorest beneficiaries with whom they work now spend more than 100 per cent of their income on food in some months by borrowing from neighbors and friends, working as day laborers and selling productive assets; the less poor beneficiaries are also spending more, but have maintained levels of nutrition and consumption. In Kenya and Ethiopia too, spending on food now regularly accounts for 100 per cent the monthly income of most beneficiaries. This has meant that these beneficiaries can no longer afford to save money or invest in assets and income-generating activities. Rising prices have also squeezed expenditures on critically needed agricultural inputs such as fertilizers and seeds.

- **Assets** Rising prices have led beneficiaries in Bangladesh, Vietnam, and Ethiopia to sell productive assets to meet immediate cash needs. The sale of assets is often the only coping mechanism available to the rural poor, as they have limited savings and poor access to credit and paid employment. Thus, in Vietnam, one beneficiary reports borrowing from a neighbour to buy rice for his family and later selling a duck and a chicken to repay the loan. Similarly, in Ethiopia, beneficiaries are selling livestock such as oxen and goats to raise cash for staple food. However, they report that the amounts raised from the sale of livestock no longer go as far: whereas the sale of an ox once fed an average family for four months, it now feeds that same family for only one month.

The responses received also suggest that even where assets have been retained, the ability of beneficiaries to maintain these assets has been compromised. In Bangladesh, beneficiaries can no longer afford to vaccinate livestock; in Ethiopia, a shortage of feed has reduced the

reproductive potential of goats distributed by CHF's partner for a restocking scheme, prolonging the transfer of offspring to other beneficiaries.

### The impact of the food price crisis in Canada

In sharp contrast to the countries surveyed by CHF, Canada has largely been shielded from the adverse effects of the food price crisis.

Canadian consumers have not seen a significant rise in food prices, primarily as a result of the strong dollar and competitiveness in the retail grocery industry. Statistics Canada's Consumer Price Index shows that in June 2008 Canadians spent only 3 per cent more on store-bought food compared to the same month in 2007. Canadian are nevertheless concerned about the impact of rising food price – not on themselves, according to a recent survey conducted by the University of Guelph, but rather on poor people in Canada and in developing countries<sup>3</sup>.

Canadian farmers meanwhile have seen record crop sales in 2007 of \$18.1 billion – an increase of 25 per cent over 2006 and nearly 30 per cent over the five year average. And according to *Report Magazine*, 'subsidies provided by the federal government to farmers decreased in 2007, down 10 per cent from 2006 – a sign that fewer farmers need the income support'<sup>4</sup>.

Finally, a number of Canadian and multinational companies have seen record profits tied to rising global food prices. Saskatchewan's Potash Corporation, for instance, reported record first-quarter profits in 2008, breaking the company's previous record by 50 per cent.

- **Food security** Rising food prices are eroding the food security of beneficiaries, pushing them to consume smaller quantities of food less frequently and to eat cheaper and less nutritious food. In Kenya, many of CHF's beneficiaries are now eating only one meal per day and leaving out the more costly – and often more nutritious – food items such as meat, dairy and poultry; in Bangladesh, beneficiaries have reduced the amount of fish, fruit and vegetables in their diet in favor of cheaper and more readily-available items; in Vietnam, most beneficiaries are limiting their food intake, with the poorest buying just as much rice as they have cash in hand on any given day – literally living a 'hand-to-mouth' existence; in Sri Lanka, beneficiaries have significantly cut back their daily rice intake and replaced meat and fresh fish in their diets with tinned or dried fish, as well as soy and yams; in Guyana, beneficiaries are substituting more expensive imported foods such as rice, wheat, and Irish potatoes, with cheaper locally-produced items, though not to the extent that nutrition and consumption levels have not been affected.

The responses received suggest that, as food producers, beneficiaries are responding to rising prices in two ways. Many are withdrawing from the market and growing crops solely for home

<sup>3</sup> Henson, Spencer *et al.* 'The Global Food Price Crisis: The Perspective of Canadian Consumers' University of Guelph, Department of Food, Agricultural and Resource Economics.

<sup>4</sup> Tuns, Paul 'Food crisis or opportunity?' *Report Magazine*, May 2008.



consumption. In Kenya, traditional African leafy vegetables, which, for largely cultural reasons had been ignored as a crop, are now being taken up by an increasing number of beneficiaries. In Guyana, however, the opposite response is evident: beneficiaries are taking advantage of market opportunities for higher prices by shifting into more market-oriented production. It is important to note, however, that the sale of productive assets and reduced expenditures on inputs by beneficiaries noted above may undermine these responses and further erode food security in the long term.

Respondents noted that the impact of rising food prices on women in particular was difficult to assess. However, CHF's experience shows that women in most of these countries are especially exposed to food insecurity. They tend to eat less than men and are the first to forego food during periods of shortage. Even before the food price crisis, an estimated 70 per cent of the world's hungry were women<sup>5</sup>. Women are also more vulnerable to poverty: they have few assets and limited access to credit and farm inputs, making them one of the hardest hit groups in times of crisis.

- **Livelihoods** Rising food prices are affecting livelihoods by eroding both the capital of beneficiaries and their ability to withstand shocks. Kenya provides a case in point: CHF's partner in Kenya reports that the financial capital of its beneficiaries has been diminished as they have been unable to save money or participate in income-generating activities; physical capital has been reduced as beneficiaries sell productive assets to meet immediate cash needs for food; natural capital is threatened as beneficiaries put more pressure on their land to meet their food demands and turn to local natural resources to supplement their diets; social capital is being undermined as beneficiaries report working ever-longer hours, removing children from school to help on the farm, and having less time to participate in self-help groups. Taken together, these effects undermine the ability of beneficiaries to sustain their livelihoods in the long term and withstand future shocks.

#### 4. Responses to the food price crisis

CHF is currently implementing projects in livelihoods and food security in Africa, Asia and the Caribbean. The impact of the crisis on these projects and the strategies they have adopted in response are set out in **Appendix 1**.

At the international level, a quick survey of major donors indicates that all have responded in some way. The first component of the international response has been the provision of humanitarian aid to address short-term crises in a number of countries. This was prompted by the World Food

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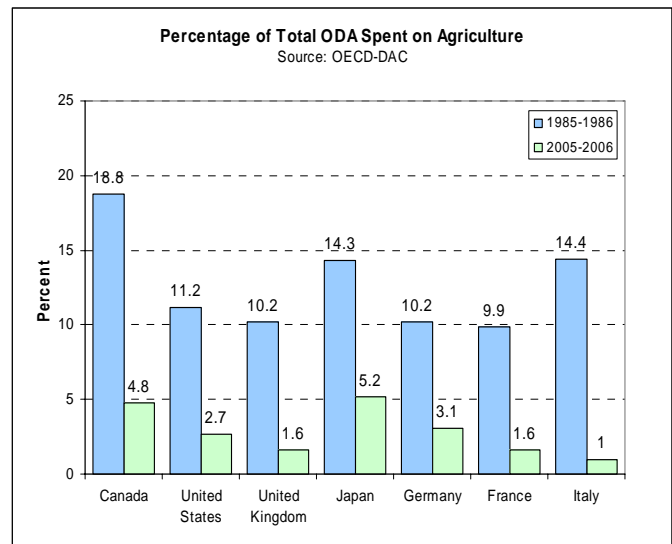
<sup>5</sup> UNIFEM and Women's Funding Network, "World Poverty Day 2007: Investing in Women – Solving the Poverty Puzzle" available at: [http://www.womenfightpoverty.org/docs/WorldPovertyDay2007\\_FactsAndFigures.pdf](http://www.womenfightpoverty.org/docs/WorldPovertyDay2007_FactsAndFigures.pdf)

Programme's (WFP) emergency appeal for an additional USD \$750 million in mid-March 2008 to meet the needs of an additional 130 million people pushed into food insecurity by rising prices; as of June 2008, the WFP had secured commitments for this additional funding<sup>6</sup>.

A second component of the response has been a call for an immediate stimulus to agricultural production in the small-holder sector. The FAO *Initiative on Soaring Food Prices* (established in December 2007) has mobilized \$16 million to provide key agricultural inputs, such as seeds and fertilizer, to small-holders<sup>7</sup>. They note that \$1.7 billion will be needed to reach all small-holders requiring input support. In May 2008, the UN Secretary General established a *High-Level Taskforce on the Global Food Security Crisis*, in partnership with UN agencies and the Bretton Woods Institutions. The Task Force aims "to promote a comprehensive and unified response to the global food price challenge in support of governments and affected populations"<sup>8</sup>.

The World Bank continues to consolidate its role in donor coordination, having set aside \$1.2 billion for a *Fast-Track Facility for the Food Crisis* and established a multi-donor trust fund "to facilitate policy and operational co-ordination among donors, and leverage financial support for the rapid delivery of seeds and fertilizer to small farmers for the upcoming planting season"<sup>9</sup>.

Given CHF's close relationship with CIDA, Canada's response merits special attention. CIDA has responded to the food price crisis by announcing an additional contribution of \$50 million towards food aid. Canada continues to rank among the largest contributors to food aid, and this announcement brought its total estimated contribution in 2007/2008 to \$230 million. Canada's long-term response will be dictated by a special Task Force established by the Prime Minister's Office and led by the Department of Finance with CIDA leading an associated interdepartmental working group. The Task Force is expected to finalize Canada's response in time for the G7 Finance Ministers/World Bank meetings in October 2008.



<sup>6</sup> It is interesting to note that Saudi Arabia provided the 2/3 of these funds.

<sup>7</sup> See: [www.fao.org/worldfoodsituation/isfp/en/](http://www.fao.org/worldfoodsituation/isfp/en/)

<sup>8</sup> UN, 'High Level Task Force on the Global Food Crisis: Comprehensive Framework for Action' July 2008, available at: [www.un.org/issues/food/taskforce/Documentation/FINAL%20CFA%20July%202008.pdf](http://www.un.org/issues/food/taskforce/Documentation/FINAL%20CFA%20July%202008.pdf)

<sup>9</sup> See: [www.worldbank.org/html/extdr/foodprices](http://www.worldbank.org/html/extdr/foodprices)

This response should be viewed in the wider context of Canada's – and indeed the international community's – waning support for agriculture over the past two decades; the percentage of total ODA spent by Canada on agriculture has fallen from nearly 20 per cent in 1985/1986 levels to less than 5 per cent in 2005/2006<sup>10</sup>. And while CIDA established an agriculture policy in 2003, *Promoting Sustainable Rural Development Through Agriculture*, which set spending targets of \$500 million by 2007/2008, estimates for 2006/2007 show that spending on agriculture has leveled off at closer to \$200 million.

## 5. Preliminary CHF perspective on the international and Canadian response

CHF believes that action is needed now to address the impact of the food price crisis on the rural poor, and welcomes the provision of food aid to address immediate crises in a number of countries. CHF is, however, concerned that in the rush to provide food aid, the second and potentially much wider-reaching component of the international response – support for a dramatic increase in food production, particularly in Africa (through such initiatives as the *Alliance for a Green Revolution in Africa*) – has been overlooked. There has been little in-depth analysis of how a dramatic increase in food production might impact the rural poor, and CHF believes that this second component lacks a clear vision of how to enable these people to move permanently out of poverty and food insecurity. In this regard, the following issues are of particular concern to CHF:

- Food production is only one element in establishing the food security for the rural poor. While in the medium term gross increases in production in response to price rises may ultimately drive food prices down, inflationary pressure and rises in the price of other commodities over time may eat into household incomes and limit the positive impact of any eventual food price decreases. As such, CHF believes that increases in income are critical to building food security and strengthening the ability of the rural poor to withstand shocks.
- Increasing the productive asset base at the household and community levels is also critical for the rural poor in weathering shocks. There has been little mention of asset protection – and, where it has been mentioned, there has been little discussion of the importance of building key livelihoods assets or of how the international community might go about doing this.
- Modalities for delivering new resources to the rural poor are limited given the general decrease in funding support for civil society organizations engaged in rural development and a gutting of national agricultural research and extension services in many countries – particularly in Africa.

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<sup>10</sup> OECD-DAC (2007)

- There has been little analysis of the ability of the rural poor to access and benefit from any new efforts, which promise to be substantial and to roll out quickly.
- The rural poor may find it more difficult to hold on to their productive assets – particularly land – as the commercial sector sees agricultural production as a more profitable enterprise and demand for productive land increases<sup>11</sup>.
- There has been little examination of the differential impacts of the food crisis on men and women. Indeed, the medium to long-term responses that have been proposed are almost uniformly gender blind (except for the occasional *pro forma* reference to ‘including and/or especially women’).

## 6. Strategic Considerations

### 6.1. Programming

In light of the above considerations and given the information provided on the extent of rising food prices and their impact on the rural poor, CHF believes that responses to the food price crisis should comprise the following elements:

- **Targeting the rural poor** Responses to the food price crisis must specifically target the rural poor. Not only have the rural poor been hardest hit by the crisis, but they are also the least likely to benefit from large-scale development efforts such as those proposed by the international community. CHF’s experience shows that the rural poor can only be reached through direct targeting and with interventions tailored to meet their particular circumstances. These interventions must be gender-specific, as gender gaps shape the ability of men and women at the household and community level to engage in and benefit from interventions, and they must be designed and implemented in partnership with the rural poor.
- **Increasing incomes through sustainable livelihoods** Responding to the food crisis will require interventions that not only sustainably increase food production, but also strengthen the livelihoods of the rural poor by building assets. The focus of discussion to date has been almost exclusively on the former. Yet experience suggests that increasing food production will not by itself address the longer-standing and deeper problems of food insecurity and poverty at the root of the current crisis. Both availability *and access* to food are critical for the rural poor; stated simply, who produces the food, who has access to the technology and knowledge to produce it, and who has the purchasing power to buy it, are as important as

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<sup>11</sup> IFAD (2008)

how much food there is. As such, CHF believes that support to strengthening the livelihoods of the rural poor – by increasing incomes and productive assets, in particular – is critical in responding to the food price crisis. The rural poor rely on a range of activities to meet their food and livelihoods needs. Men and women, even within the same households, often have different livelihood streams. Programs and policies designed to address the food price crisis need to reflect this complexity through interventions that strengthen the livelihoods of poor rural people.

- **Integration of nutrition and health considerations** The responses received to CHF’s survey show that high and rising prices are driving the rural poor to consume smaller quantities of food and to eat cheaper and less nutritious food. CHF believes that in addition to increasing food production, responses to the crisis must address the nutritional needs of the rural poor, ensuring that foods are nutritionally adequate and safe.
- **Gender** Women merit special attention in responding to the food price crisis. The potential of women in this regard is enormous: they are responsible for half of the world’s food production, and 60-80 per cent of food production in most developing countries<sup>12</sup>. In rural communities in particular women play a key role in ensuring household food security. Studies have shown that women tend to spend their income disproportionately on food for the household and are exclusively responsible for ensuring the health and nutritional security of their families<sup>13</sup>. However, in most developing countries women remain particularly exposed to food insecurity and poverty and their potential goes mostly untapped by large-scale development interventions. Responses to the food crisis must be carefully designed to address gender gaps; they must at their core be driven by gender-sensitive policies and programs if they are to succeed in reaching the poorest rural people and having the greatest impact.
- **Environment** International efforts to reduce poverty and improve livelihoods are being undermined by environmental pressures from land degradation, overpopulation, and climate change<sup>14</sup>. In light of the food price crisis and low domestic food production levels due to drought, erratic rainfall, and severe flooding, climate change strongly increases the vulnerability of the poor, while reducing their resiliency to future climate-related shocks and stressors. Rural and marginalized communities risk significant diversions of valuable livelihood assets away from development, production, and income generation, and towards

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<sup>12</sup> FAO ‘Gender and food security: agriculture’ available at: [www.fao.org/gender/en/agri-e.htm](http://www.fao.org/gender/en/agri-e.htm)

<sup>13</sup> Quisumbing, Agnes et. al ‘Women: the key to food security’, IFPRI Food Policy Statement No. 21, available at <http://www.ifpri.org/pubs/fps/fps21.htm>

<sup>14</sup> UNDP, (2007), “Human Development Report 2007/2008 – Fighting climate change: Human solidarity in a divided world”, available at: <http://hdr.undp.org/en/>.

climate-related recovery and coping strategies<sup>15</sup>. As a result of an increasingly unpredictable climate, efforts must be made to ensure that sufficient adaptation measures are mainstreamed into development programs. Adaptive interventions might range from the development and use of drought-tolerant crop varieties, to improved communication of climate-related information such as shifts in planting seasons.

- **Institutional capacity** Renewed support to agricultural development will require strong institutions to manage the complex rural environment in which agriculture directed at the rural poor must develop. The rural poor are dispersed and not easily reached by existing government services nor engaged in national and international policy processes. Moreover, as noted above, modalities for delivering new resources to the rural poor are limited given the general decrease in funding support to agriculture over the past two decades – particularly in Africa. There is thus a critical need to invest in rural community capacity building, be it local NGOs, community groups or farmers associations. CHF believes that an explicit commitment must be made to helping developing country partners strengthen both their human capital and institutional capabilities to reach and support the rural poor.

## 6.2. Policy and public engagement

More broadly, CHF's response to the food price crisis is guided by the following key messages:

- **Poor rural people are the most acutely affected by the food price crisis, but can be a major part of the solution** The food price crisis is hitting the world's 850 million rural poor hardest. These people are typically food insecure, have low incomes and spend a large share of this income on food. **The food crisis is not new** – it has in many countries only worsened the food insecurity and deepened the poverty of the rural poor, with women and children being particularly hard hit. Yet, at the same time, the rural poor can be a major part of the solution to the crisis. The rural poor are farmers, and they are typically highly efficient in terms of production. As such, they have tremendous potential for growth and can contribute to a greater food supply with the right support.
- **New commitment to agriculture and rural development is needed** The right support for the rural poor begins with donors and governments launching a new commitment to agriculture. The current crisis is a reminder that earlier commitments to addressing hunger and poverty have not been met – and a wake-up call to donors and governments. Investment in the agricultural sector has waned over the past twenty years; CIDA's spending on agriculture has dropped from 19 per cent of total ODA in 1985-86 to 4.8 per

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<sup>15</sup> IUCN *et al.*, (2004), "Sustainable Livelihoods & Climate Change Adaptation", February 2004.

cent in 2005-06. CIDA must make a long-term commitment to agriculture, backed-up by greater investment in this sector. It should – as a priority – work to meet the target of \$500M for agricultural development set out in *Promoting Sustainable Rural Development Through Agriculture*.

- **New commitments must focus on activities that enhance food security and livelihoods for the rural poor** The current price crisis is a symptom of longer-term and deeper problems of food insecurity and poverty among the rural poor. New commitments to agriculture must focus on these underlying problems. This will require integrated approaches that strengthen the livelihoods of the rural poor by building assets and sustainably increasing food production for both household consumption and local markets. These approaches should empower the rural poor by building their capacity to learn and to self-organize. They must also ensure that the needs of vulnerable groups such as women and children are met.
- **CHF can help.** CHF was created nearly fifty years ago to help combat rural hunger and poverty. CHF focuses on empowering the rural poor – both men and women – and strengthening their capacity to respond to the challenges and opportunities they face. It aims to address the multiple dimensions of poverty and vulnerability through an integrated, sustainable livelihoods approach that looks at the range of assets that make up the livelihoods and food security of the rural poor. Civil society and rural institutions play a key role in supporting the rural poor, particularly farmers; strengthening these organizations is fundamental to the way CHF works.

## Appendix I: Description of CHF projects

CHF is currently implementing projects in livelihoods and food security throughout Africa, Asia and Latin America. The impact of the crisis on these projects and the strategies they have adopted in response are set out below:

- **Sustainable Livelihoods for the Ultra-Poor, Bangladesh:** This project seeks to increase 'real incomes' by 30% in the villages of three wards in Chandpur District of Bangladesh by building assets, diversifying income-generating activities and strengthening coping mechanisms. Project staff report that the crisis has affected the ability of beneficiaries to contribute to and participate in income-generating activities and to secure new assets or maintain existing assets. Overall, however, the project has helped to mitigate the impact of rising prices by providing food support to the most vulnerable beneficiaries, vaccinating livestock and adjusting the amount beneficiaries are required to contribute to income-generating activities.
- **Building Capacity for Sustainable Livelihoods in Vietnam (Quy Chau II), Vietnam:** The goal of this project is to contribute to eradicating extreme poverty and hunger by enabling poor rural households and communities in Nghe An province of Vietnam to attain sustainable livelihoods. It supports increased agricultural production and income generating activities, and is currently providing hybrid rice seeds and fertilizer to increase rice production, and working with beneficiaries to establish income-generating activities such as pig rearing and groundnut production. Project staff expect that, together, these activities will mitigate the effects of the crisis and, as such, do not plan any significant changes to the project.
- **Post-tsunami Response Project, Sri Lanka:** This project aims to increase the asset base of 5,300 extremely poor households in three districts in Sri Lanka using a sustainable livelihoods approach. Since 2006, project beneficiaries have seen increases in agriculture or livestock production that have significantly enhanced food security and a sustainable asset base. Approximately 2,800 households have seen an increase in assets related to small businesses. In response to high and rising prices, the project has modified its approach to food security, adopting a two-pronged strategy that addresses food security separately from sustainable livelihoods and emphasizes natural capital and improved food productivity. The project continues to use CHF's Aspirational Model, whereby CHF and its local partner work with beneficiaries to help them establish their own livelihood goals or 'aspirations', such as better education, improved housing or increased incomes. However, households are now being encouraged to pursue aspirations that do not put their food security at risk.



- **Partnership for Food Security (PFS-II), Ethiopia:** Cyclical drought remains the major determinant of food security for PFS-II beneficiaries. There is, however, some concern that increases in the prices of food and other inputs may mean that fewer of these items can be procured under the existing project budget. However, the PFS-II mid-term review conducted in November 2007 indicated that some project beneficiaries have been able to mitigate the impact of high food prices because of the project interventions. The assumption is that because beneficiaries of PFS are also participants in the Government of Ethiopia's Productive Safety Net Program (PSNP), the two complementary interventions will mitigate the impacts of both cyclical drought and the food crisis. For these reasons, no significant changes to the project are expected and staff will continue to implement planned activities. The project intends to support the establishment of food security task forces at the district and ward levels, as planned, and to continue to monitor the food situation in the project region as a matter of course.
- **Strengthening Community Responses to AIDS Through Livelihoods Initiatives (SCRALI), Kenya:** In Kenya, CHF is working with a local AIDS service organization WEM Integrated Health Services (WEMIHS) to integrate sustainable livelihoods into their health work with communities. Serving the people of Thika and Maragua districts, CHF and WEMIHS work to provide alternative sources of income and improved food production to a population primarily dependent on casual labor and contract farming for their livelihoods. The project is supporting 16 community groups to plan and carry out livelihoods activities such as horticulture production, basket-making and dairy processing. WEMIHS has adapted its activities to address the impact of rising prices: it is working with both local banks to re-schedule beneficiaries' loan repayments and local government to provide emergency food relief to some beneficiaries. WEMIHS intends to continue providing training to beneficiaries on good agricultural practices and working with beneficiaries to diversify their crop production.
- **Building Community Capacity Project (BCCP), Guyana:** BCCP addresses poverty issues in the areas of social services, education, agriculture and health. The project is assisting 21 rural and hinterland community groups to strengthen their capacity to deliver poverty reduction programs. BCCP is also directly supporting small-holder farmers through its *Small Farmers' Livelihood Program*. Project staff have conducted a review of program strategies in response to rising food prices and the increasing cost of resources in Guyana and have modified activities to allow for a larger share of funds to be channeled directly to farming households. These changes have allowed CHF to increase its support to beneficiaries by 40 per cent during the past year and are expected to help cushion the impact of the rising cost of inputs noted above on beneficiaries.