



## The Economic Impact of Hunger

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Mother Nature can be pretty unforgiving. This is particularly true when we fail to meet the food needs of growing children<sup>1</sup>. Any default or even delay can have irreversible consequences. Malnutrition in pregnancy or early childhood leaves physical and mental scars, the damage is not just to the individuals, but to their communities and the entire economy.

On the other hand, when food needs are met on time, the returns can be remarkable in terms of physical growth, learning and prosperity. Investing in human capital – improving nutrition, health and education – is one of the fundamental building blocks of global economic growth.

So how is it possible that in the 21<sup>st</sup> century, hunger continues to be the number one risk to health worldwide, according to the World Health Organization? Not cancer, not heart disease, not even AIDS. Hunger. More people die each year from hunger and related diseases than from AIDS, malaria and tuberculosis combined.

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<sup>1</sup> Professor Cutberto Garza, 'Introduction', *Ending the Inheritance of Hunger*, WFP/UN University Seminar, 31 May 1997, record of proceedings p. 1.

WHO also estimates that one in four children around the globe are underweight. That means that they're more likely to die from infectious diseases, their immune system is debilitated and their long term physical growth and ability to learn is compromised. What is more, number 8 on WHO's list of killers is nutritional deficiencies – lack of vitamin A, iron and iodine. In total, 6 million children died in 2002 because they were underweight or lacked essential nutrients – that's about the same as the entire population of Indiana.

Those children who survive their first five years, but live with chronic malnutrition, are less likely to go to school, more likely to suffer from chronic disease, and earn less than their well-fed contemporaries.

Across the globe, more than 800 million people are undernourished, roughly one in eight people on the planet. While the prevalence of poverty dropped by 20 percent worldwide in the 1990s, the number of hungry people actually grew by 18 million in the second half of 1990s, so the situation is getting worse, not better for those who don't get enough to eat.

Despite the continuing toll that hunger takes, donors have cut back on food aid, from a high of 15 million tons in 1999, to less than 10 million in 2002 – a drop of more than one third. In the 1990s, the portion of development aid devoted to agriculture halved from 12 to just 6 percent. Most of you are businessmen and you know that this level of investment will never get us where we want to go.

The hungry are the poorest of the poor, and improvements in poverty don't necessarily reach them. They are economic bystanders, with no stake and no role to play in either their national or the global economy, for the most part excluded from the growing wealth of nations and corporations. There is increasing attention to those who have lost their jobs and savings as a result of today's economic downturn, but little attention is devoted to those who have never participated or profited from the global economic system at all. They have no savings or stocks to lose, few assets, no credit rating and often nothing more than seasonal work as day labourers.

Improving the nutritional status of adults has clear economic payoffs. Study after study – in Britain, India, Brazil, Sierra Leone and Sri Lanka – has shown a connection between the productivity and wages of adult workers and their nutritional status. That makes sense, when

you consider that sick, weak looking individuals are much less likely to be chosen for jobs than robust candidates. Unfortunately, it means that those who suffered malnutrition are more likely to go hungrier still, and pass it on to their children.

How well you eat has an even greater effect on labour productivity than the level of formal schooling<sup>2</sup>. Together, good nutrition and basic education are crucial for workforce productivity. And you know better than I do that improved productivity creates more jobs, higher incomes, increased consumption and prosperity for workers and investors alike.

All of this argues for greater investment in *human* capital – putting our money into nutrition, health and education programs that help people, especially children. Yet this is not reflected in the funding patterns for the World Food Programme's operations. A rising tide of food emergencies – Iraq, Afghanistan, southern Africa – has sent our budget through the roof. Dramatic, high profile emergencies like these attract funds. But of the 10 million people killed every year by hunger, just 8 percent died as a result of the kind of emergencies we see on our television screens. Most just wither away silently in some dusty village or slum.

Funding for our operations aimed at chronically hungry people is down from almost \$1 billion in 1991 to just \$238 million in 2003. Donors have invested less than 10 percent of their donations to WFP in projects that aim to improve nutrition for mothers and children, encourage people to get education or training, cushioning the blow of acute crises before they arise.

So, what is to be done?

First, investments need to be made in nutrition, health and education. Good nutrition for women and girls in particular, has lasting effects for whole societies. What do you think the single-most cost effective investment in global health could be? Immunisation? Mosquito nets to prevent malaria? AIDS treatment? According to the World Bank, it is fortifying food with iron. In developing countries, more than half of all pregnant women do not have sufficient iron, causing 300 women to die during childbirth every day. Iron deficiency also increases the risk of premature delivery, and low birth weight babies. Redressing deficiencies

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<sup>2</sup> Jere R. Behrman, 'The Economic Rationale for Investing in Nutrition in Developing Countries', *World Development*, Vol. 11, No. 11, p. 1749, 1993

in other nutrients such as iodine and vitamin A would dramatically change poor people's lives and futures, at very little cost.

One of the most recent and terrifying challenges facing us is AIDS. Last year, in the wake of the dreadful crisis that gripped the countries of southern Africa, the full horror of the link between HIV/AIDS and hunger became apparent for the first time. Not only are people with AIDS more likely to be hungry, since they need extra food and energy to function and fight opportunistic infections, but AIDS also makes people hungry – by killing the most productive members of society: working adults. In addition to destroying families, the disease is devastating the agricultural production in many African countries. Seven million African farmers have died from AIDS. Many more adults are too sick to work, and have put off planting their fields. Their children have no one to teach them how to farm. The UN predicts that there will be 20 million AIDS orphans by 2010, more than the world's population of refugees and internally displaced combined -- will have no mother or father to guide their futures.

Education is also fundamental for a well-trained, competitive workforce. Here, too, food aid can play a role, encouraging parents to send their children to school, and making sure they have enough to eat so that they can concentrate on their lessons while they're there. In 2002, almost 16 million school children in 52 countries had a hot meal at school thanks to WFP. Two weeks ago, I met someone who is living proof of the extraordinary impact school feeding can have.

Paul Tergat, a Kenyan runner, holds the world record for the marathon. Last September, he became the first man ever to run a marathon in less than 2 hours and 5 minutes. Paul has just become one of the World Food Programme's Ambassadors Against Hunger, in thanks for the food that we provided to his school more than twenty years ago, when he was just 7 years old. Today, he still remembers vividly how kids who had left school came back, and others who had never attended suddenly enrolled. Students learned how to read and write, and had the food they needed to stay healthy and active. Most importantly, he said, they learned to have faith in themselves and in their future.

Today, not only is Paul Tergat the world's fastest marathon runner, he is also the owner of a real estate company, public relations firm and athletics magazine. In addition to being an

Ambassador for WFP, he personally pays for the education of 11 Nairobi street children, and has helped another 40 or so through school. Some of them are now at university here in the US.

I cannot tell you how proud I was when Paul said that the food that changed his life had been donated by the United States to WFP, and came in bags with the US flag printed on them.

Improvements in agricultural production and trade must also be made if real, lasting progress on hunger is to be achieved. Irrigation, fertilizer, roads, markets, research and technology investments would yield extraordinary returns for hungry people in poor countries.

China is a shining example of how beating hunger can unleash opportunities. By introducing a market approach to its agricultural sector in the 1980s, China not only became more self-sufficient in terms of food, it also kicked off the greatest single wave of poverty reduction in history : 220 million people were lifted out of poverty. And today China is one of the world's largest, fastest growing commercial markets, with the UN forecasting that China and the US will lead global economic recovery in 2004. After helping China for 25 years, and feeding 32 million people, WFP is now closing its operations in the country, and asking the Chinese for help with food and expertise to feed others.

Ironically, the biggest debate among agricultural policy makers today is not over food shortages, but food surpluses. The problem does not lie in food availability: the world has produced more than enough food to feed itself since the 1960s. Just one week's worth of the subsidies that rich countries pay their own farmers would meet poor countries' food aid needs for a full year. Worse still, great stockpiles of food lay idle – costing millions of dollars for storage and disposal if they rot – while hundreds of millions of people go hungry.

There's an example of the uneven distribution of food right here in Indiana. Gleaner's Food Bank has distributed more than 137 million pounds of food to charities feeding the hungry. Manufacturers, distributors, wholesalers and retail stores donate products to the bank, which passes them on to charities feeding the ill, poor or infants. They're not just homeless people, they include the elderly, mentally ill, single parent households and children. According to the food bank, there are 738,000 people right here in Indiana that regularly don't get enough to

eat. While the scale of suffering isn't anything like that I've seen in Africa and Asia, for the individuals concerned, the situation is frightening. And for society, the outcome is the same: countless people who won't be able to develop to their full potential.

While donor governments – and the United States in particular – are incredibly generous to WFP every year, international aid is often one of the first items to be cut when it comes to tightening spending. Moreover, WFP simply cannot continue to rely so heavily on such a small number of donor governments. So, we would warmly welcome others to our donor community. In addition to our current partners, I am looking to form a group of CEOs who are committed to help us build new and innovative partnerships that leverage your corporate know-how and expertise to make WFP a smarter and more effective organisation. We're not looking just for additional cash – although it's extremely important because it allows us to purchase more food – but also for the valuable contributions you all can make through your firm's specialized expertise.

Last month, I attended the World Economic Forum in Davos, Switzerland, together with the CEO of our new corporate partner, the Dutch mail and logistics giant, TPG. They have entered into a substantial partnership with us, and report that the impact on their bottom line has been very positive. In particular, employee morale and retention has been boosted tremendously, with workers sponsoring school feeding projects and even volunteering for three months in Cambodia, Tanzania and Nicaragua. Other corporate donors such as ADM and Cargill, Benetton, SAP, IBM and Toyota have also signed on with us in varying forms. I think that by joining forces with WFP, there are opportunities for all of your companies to benefit.

Mother Nature offers us a tremendous opportunity to invest in the future – our children. But like most good investment opportunities, timing is everything. If we miss the opportunity, the long-term price is likely to be far greater than the cost today. Millions of the world's children will face a childhood, indeed a lifetime, of suffering and lost potential. But by putting money into children's nutrition, health and education, we can bank on incredible returns. That is an outcome which would leave all of us far, far richer.