



Enabling poor rural people  
to overcome poverty



## Partnerships, value chains and inclusive growth: pro-poor options for sustainable development

IFAD headquarters, Rome  
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## Introduction

In the context of global developments relating to smallholder farmers, and on the occasion of the visit of Minister Niebel to IFAD, the roundtable discussion is being organized to identify the main drivers of inclusive value chains and the sustainability of value chains, and to address engagement with the private sector in this regard. The discussion will also consider ways to ensure that smallholder farmers' voices are included in the international policy debate.

## Understanding the interests of smallholder farmers

By 2050, the world's population is projected to exceed 9 billion. Feeding that population will mean increasing developing country agricultural production by 60 per cent, which will require an estimated net annual investment of US\$83 billion, with a strong focus on increasing the sustainability and resilience of agriculture and food systems. Investment is also essential to support agriculture as a critical driver of economic growth, job creation and poverty reduction for growing rural populations.

Today, rural economies are hampered by widespread inequality, low production, poverty, malnutrition and environmental degradation. Smallholder farmers supply up to 80 per cent of the food in sub-Saharan Africa and parts of Asia, generate the largest share of rural employment and manage vast areas of land. Smallholders are, therefore, critical agents for pushing forward greater gains in food production, faster poverty reduction and measurable improvements in environmental sustainability.

Strategic changes to the "business as usual" development model can help transform rural economies into more prosperous, sustainable and equitable systems, where farmers and their communities are more empowered and enjoy greater well-being. It is essential for partners in development to understand the key role and the interests of smallholder farmers to ensure that the smallholders do not become sidelined as greater volumes of capital flow into agriculture. The growth model must be transformed and become inclusive, so that rural areas are seen as an opportunity for development and smallholders play a constructive role.

Sustainable financing mechanisms (financing through lending rather than grants), the participatory design of programmes and projects, and an emphasis on country ownership and cofinancing by domestic partners are today recognized as best practices in sustainable development. This has long been IFAD's approach to development.

In recent years, we have been scaling up what we know works. This includes strengthening value chains, extending rural finance and creating new market opportunities for smallholders and other poor rural people. We have also been exploring public-private partnerships in support of smallholder agriculture. The private sector has become the engine of growth in rural economies. Our ambition is great – to create vibrant rural economies that contribute to poverty reduction, while helping smallholders increase food and nutrition security both for themselves and for the world. Rural areas need more investment, however, and it must be the right kind of investment.

## A shared responsibility

In a rapidly changing and complex world, partnerships are of growing importance to almost all organizations and crucial to sustainable development. For IFAD, partnerships are critical for enabling us to come to grips with complex issues in agricultural and rural development; but above all, they are a necessity if greater outreach and expanded impact

are to be achieved with limited resources. No single entity – whether public or private, including smallholder farmers themselves – can succeed by itself. But working together, we can create partnerships that are sustainable, productive, profitable and inclusive. Germany has shown great initiative in partnering with IFAD to increase the impact of our joint investments in development with a view to eradicating poverty and bringing about inclusive growth in rural areas.

IFAD has been engaging systematically and proactively with the private sector. In fact, we view smallholder farming as a business, and advocate for others to approach smallholders and their needs with this in mind. The IFAD private sector strategy specifies how we intend to deepen our cooperation with the private sector (be it with small, medium or large entities; domestic, regional or international companies) to create markets for our target groups; improve their access to inputs, services, knowledge and technology; and increase income-generating and job-creating opportunities for rural people, especially women and youth.

Both IFAD and Germany have expertise and experience in helping farmers participate in value chains. IFAD-supported projects help deliver crucial support to smallholder farmers along the value chain: organizing farmers into groups; capacity-building and training; access to finance; support for market standards and certification; better linkages with markets; and financing for small-scale market infrastructure. A new German initiative, the German Food Partnership, was established in 2012 to promote sustainable growth in agricultural production and the food sector in developing countries with a view to contributing to food security and economic development in rural areas. However, developing truly inclusive value chains in a sustainable manner is a complex undertaking, and requires innovative partnerships in order to provide smallholders with access to technology, services, know-how and markets.

## **Post-2015: Including rural voices**

A global shift towards sustainable development requires working not just on the symptoms but also on the underlying causes of phenomena such as global inequalities, poverty, hunger, vulnerability to shocks and deterioration of natural resources. While there is a great urgency in resolving these problems, there is also an incredible opportunity to change course and ensure that future scenarios look very different than today's projections. For this to happen, however, we need to identify the areas of action that can have a truly catalytic impact. The sustainable transformation of rural areas is certainly one such area, especially considering that in spite of global urbanization trends, 70 per cent of the world's poor remain in rural areas. The marginality of rural areas has a lot to do with policy neglect and urban bias in services and investments. Redressing this neglect – and correcting it in post-2015 discussions – can have an important impact on how rural economies evolve.

Some of the goods and services most in demand today must come from rural areas – food, natural resources and carbon sequestration, to name a few. The current debate on a post-2015 development agenda has not as yet given rural issues the space they deserve, nor displayed an appreciation of what rural areas can contribute to food security, economic growth, environmental sustainability and climate change mitigation. Still lacking is a sufficiently strong sense of the potential of rural areas and smallholder agriculture in particular to be part of the solution, and a vision of development that no longer places rural areas at the margins.

The current food security debate is critically important to IFAD, and an entry point for a discussion on sustainable food systems and the role of rural economies in them. From a sustainable transformation of food production to sustainable management of natural resources, processing and transportation, and decent income and employment opportunities, it is critical that there be a common vision and readiness of actors working on every part of the post-2015 agenda to focus on rural areas and their role in addressing critical issues.

### Questions for discussion

- Based upon our experiences, what are the main drivers enabling value chains to contribute to inclusive growth, and how can we best ensure sustainability of value chains?
- How can we best engage the private sector to promote inclusive growth and connect smallholder farmers to markets?
- How can we ensure that smallholder farmers are included in the international policy debate, including the debate relating to the post-2015 agenda?

The event will be webcast on <http://webcasting.ifad.org/germany>.

You can share your ideas, views and insights via social media channels using #ifadpartners.

To stimulate the conversation, social reporters will be tweeting live.

Follow the twitter stream on <https://twitter.com/search/ifadpartners>.



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