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## TWENTY-FIFTH SESSION OF THE GOVERNING COUNCIL

### FINANCING DEVELOPMENT – THE RURAL DIMENSION SUMMARY REMARKS OF THE CHAIRMAN

Distinguished Governors,

The Governing Council had an extremely rich and deep exchange of ideas on its theme *Financing Development – The Rural Dimension*. The Millennium Summit goals, especially the goal to reduce poverty by half by 2015, were the starting point for the discussion. The Governors agreed that the United Nations International Conference on Financing for Development provides a timely and important opportunity to translate this vision into reality.

Governors noted that the present rate of poverty reduction must be accelerated substantially in order to achieve the target. Further noting that the large majority of the poor live in rural areas where agriculture and related activities are the main source of livelihood, Governors also emphasized the importance of increasing the rate of rural and agricultural development. This is critical in order to step up overall national growth rates and create the conditions under which the rural poor can work their way out of poverty. One Governor underlined, “the centrality of agricultural development in alleviating poverty among the world’s poorest citizens, most of whom live in rural areas.”

In this regard, our guest of honour, His Excellency President Obasanjo, stressed that, “rural poverty reduction must remain at the centre of the global development agenda.”

Governors also noted the very sharp decline in external development assistance for rural development, which has taken place over the last decade, and which has been paralleled by substantial falls in domestic resource allocations for the rural sector. Again, to quote President Obasanjo, “We may ask what has happened? What has gone wrong and what remedial action must we take.” President Obasanjo also expressed his hope that the Council discussions would find answers to this and show the way ahead, especially in the context of the Financing for Development conference.

Our interactive dialogue provided a variety of important insights into this crucial issue. Ambassador Jacoby, who provided an overall context for the Financing for Development process, observed that the outcome document, the Monterrey Consensus, which had been prepared for the conference, provides a basic platform. The political leadership provided by the heads of state and government at Monterrey would provide the opportunity to push this basic platform further. Many Governors noted that the Monterrey Consensus has few references to rural development, agriculture or rural poverty. In this regard, as emphasized by another panellist, Mr Sartaj Aziz, it is important for participating heads of state and government and ministers at Monterrey to reflect on the rural dimension of financing development in their own addresses to the conference.

The other panellists, Mr Robert Bissio and Mrs Maggi Kigozi, offered important ideas on specific ways in which poverty reduction can be intensified by empowering the poor at the community level. They highlighted the role that microfinance and rural finance systems can play in mobilizing resources in support of the poor. Mr Bissio also emphasized the need for accountability and monitoring of the implementation of decisions of international conferences. Governors

particularly welcomed the strong note of hope and optimism that Mrs Kigozi emphasized – that poverty can be eradicated as has been done in her own country, Uganda, with poverty being reduced in the last ten years from 56 to 35%. This is all the more encouraging given her own grass-roots experience with AIDS orphans, who are surely among the poorest of the poor.

During the discussions, some Governors emphasized the need for further efforts at Monterrey to enhance the level of official development assistance. A number of Governors referred to the importance of AIDS and other diseases, especially in Africa, and the need to expand education services, above all for girls. At the same time, they emphasized the need for a greater balance between investment in the social sectors and resources for agriculture and other productive sectors that determine the livelihoods of the rural poor. In this context, some Governors urged countries in a position to do so to spell out at Monterrey how they would move towards the internationally agreed target for official development assistance (ODA), while also specifying the time frame for doing so.

Governors also emphasized the importance of policy coherence in development, trade and systemic policies to create an enabling international environment for achieving the Millennium Summit poverty goal. This would complement and reinforce domestic governments in their effort to build enabling national environments for rapid poverty reduction and development.

In this regard, many Governors highlighted the need for transparent and accessible markets, especially for developing country agricultural exports and textiles. A number of Governors drew attention to the effects of export and other agricultural subsidies by developed countries, which presently are a multiple of total ODA. Such subsidies prevent a level playing field for developing country producers. They called for urgent reforms in this area as foreseen by the new trade round launched at Doha recently.

Governors emphasized the importance of private investment, including foreign direct investment for agriculture and rural development. They noted that more-accessible international markets, together with enhanced development assistance, would help create the conditions in which poor developing countries could attract foreign direct investment for agricultural development.

Another major issue to which Governors drew attention was that of the debt burden of developing countries. They welcomed the impact made by the Debt Initiative for Heavily Indebted Poor Countries (HIPC) but noted the importance of strengthening the debt efforts to ensure that the debt burden is truly sustainable.

Finally, Governors stressed the relevance and importance of IFAD to rural poverty reduction and the Millennium Summit poverty goals. It was emphasized that, “IFAD, with its singular focus on rural poverty, is unique among international institutions and is thus well positioned to play an important role in this endeavour.” President Obasanjo indeed suggested an IFAD-led global coalition comprising all stakeholders to combat rural poverty.

Distinguished Governors,

I believe we have had an important and fruitful discussion on the present trends that affect, and limit, agricultural and rural development and the rate of poverty reduction. The insights provided during our discussion show the way ahead. May I express my own hope, that the heads of delegations at the Monterrey conference will incorporate strong references to the importance of rural poverty reduction and the imperative of greater support, priority and resources for agricultural and rural development to achieve the Millennium Summit goals.