

Document: EB 2017/LOT/G.13
Date: 23 November 2017
Distribution: Public
Original: English

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Investing in rural people

President's report on a proposed grant under
the global/regional window to the Economic
Commission for Latin America and the
Caribbean (ECLAC) for the New Narratives for
Rural Transformation in LAC Programme

Note to Executive Board representatives

Focal points:

Technical questions:

Joaquin Lozano
Director
Latin America and the Caribbean Division
Tel.: +39 06 5459 2925
e-mail: j.lozano@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 21.

President's report on a proposed grant under the global/regional window to the Economic Commission for Latin America and the Caribbean (ECLAC) for the New Narratives for Rural Transformation in LAC Programme

I. Background and compliance with IFAD Policy for Grant Financing

1. Over the past decades, rural areas in Latin America and the Caribbean (LAC) have undergone enormous transformations, which have shaped a new rurality marked by: reduction in the share of agricultural employment and of value added in national economic activity; diversification of the sources of rural employment and income; acceleration of technological change; increasing presence of the private sector; increasing demand for the use of natural resources; and increased generation of greenhouse gases, mainly by large agro-industrial enterprises (ECLAC/IFAD, 2017).¹ This new rurality is also characterized by greater levels of mobility, remittances, linkages between urban and rural areas, and the feminization of agricultural employment. Yet the new rurality continues to be marked by structural heterogeneity: a few large farms and enterprises with high productivity, mainly serving export markets, coexist with a vast number of small producers and microenterprises oriented towards domestic markets, which provide the majority of employment, but at very low productivity.
2. Policymakers and the international community are often failing to recognize and adjust their policies and programmes to this new reality. Thus, despite notable progress in many areas and the emergence of new public and private investments, profound gaps in inequality and extreme poverty persist. In many national and international public arenas, it is typically assumed that urbanization, industrialization and emigration will solve the challenges of rural development.
3. Traditional thinking and approaches to rural development, equating "rural" with "agriculture" fail to pay attention to the increasing importance of other productive sectors. Defining rural spaces according to population size or density also ignores their complex interaction with nearby towns. Public policies remain tied to visions of rurality that do not take advantage of the opportunities offered by the profound transformations that have occurred, and they perpetuate a rural narrative linked to backwardness and stagnation, or even a tendency to marginalize rural areas.
4. A fresh look is also needed in terms of access to finance and development assistance. Official development assistance in LAC has plunged from 1 per cent of GDP in the 1960s to about 0.2 per cent of GDP today, building on another powerful narrative that middle-income countries (MICs) ought to "graduate" from development assistance, with per capita income being used as the main criterion for allocating funds for development cooperation. However, this

¹ ECLAC/IFAD, *Rural industrial policy and strengthening value chains*, ECLAC Books, no. 145 (Santiago de Chile, 2017).

approach fails to recognize that 72 per cent of the world's poor live in MICs today.

5. MICs in LAC also endure structural gaps that persist for long periods of time even as these countries grow richer. Chronic poverty is three times higher in rural areas than in cities and towns. Historical patterns of accelerated growth in LAC have often produced more inequality, resulting in Gini coefficients being among the highest in the world (from 0.424 to 0.5847).
6. Other structural gaps include investment and savings, productivity and innovation, infrastructure, fiscal resources, gender inequality, education and employment.
7. The dominant views of rurality are at odds with its potential, hindering the effectiveness of public policies to foster inclusive rural transformation, in particular the biased definitions of MICs and a dichotomous classification of rural and urban geographical spaces. These must change to unleash the full potential of rural territories and fulfil the new ambitions set out in the United Nation's Agenda for Sustainable Development, aiming at the eradication of poverty by 2030. Meeting such a commitment requires new thinking about the reality of MICs (where more poor people now live). Progress in achieving the SDGs is not sustainable unless structural transformations in the economy are supported and policies to close inequality are put in place.
8. This programme intends to debunk traditional approaches and advance new thinking and narratives for rural development in LAC – narratives that adequately recognize the specific challenges and opportunities of the new rurality. It also focuses on closing structural gaps in MICs, thus adding an emphasis on inequality to that on poverty and income levels.
9. The proposed programme is aligned with the goal and objectives of the IFAD Policy for Grant Financing (2015)² in terms of: (i) promoting innovative thinking for greater impact; (ii) strengthening partners' institutional and policy capacities; (iii) enhancing advocacy and policy engagement; and (iv) generating and sharing knowledge for development impact. By focusing on closing structural gaps (between territories, and in productivity, investment, infrastructure, gender, and educational attainment), and on the dynamics of the new rurality, this grant will produce up-to-date knowledge and renewed policy options to enhance productive capacities in the territories where rural people work and invest.

II. The proposed programme

10. The overall goal of the programme is to generate the sound analysis needed to understand the new rurality in LAC and to focus on persistent structural gaps in order to reduce rural poverty and inequality, and foster structural transformation. The objectives are: (i) to define and foster implementation of an applied research agenda on a new narrative for a new rurality in selected MICs; (ii) to foster processes of policy dialogue on the new rurality and persistent gaps in order to reduce rural poverty and inequality in selected MICs; and (iii) to develop and implement a public incidence strategy³ for reducing rural poverty and inequality in participating MICs through knowledge products and communication.
11. The target group will be composed of both direct and indirect beneficiaries. Direct beneficiaries will be the public institutions responsible for allocating public budgets, defining public programme operating rules, drafting fiscal decentralization rules and producing official statistics that affect rural areas and

² EB 2015/114/R.2/Rev.1.

³ "Incidence strategy" – a strategy to disseminate results and have an impact on public policies and public awareness.

thus poor rural people. Activities will be focused on civil servants at the executive level, middle management and technical staff. Non-traditional institutions having significant influence in rural development will be brought into the rural debate.

12. Indirect beneficiaries will be the rural population in MICs, in particular those that are largely hurt by dated definitions and structural gaps: small rural producers and vulnerable groups living in rural areas. The strategies to reduce structural gaps and to have a better understanding of the definitions of rural areas will improve allocation of public financial resources and enhance programme operating rules. They are expected to have a positive impact on economic and social conditions of rural peoples, in particular those with significant needs.
13. The programme will be implemented over four years and will have the following components: (i) policy analysis and research on the new rurality and on structural gaps in selected MICs; (ii) policy dialogue and tools; (iii) policy influence and knowledge management towards a new rural development narrative; and (iv) cross-cutting management costs. The programme will identify issues encompassing an active policy agenda, including the main pieces of legislation, public policies, programmes and administrative procedures that are governed by the current definitions of rurality in each country. It will also map the issues and stakeholders involved in changing the definition of rurality and facing structural gaps in each country. Close attention will be paid to technical statistical issues involved in pursuing alternative definitions of rurality. Finally, spaces will be created for public dialogue to draft an active policy agenda against factors such as effectiveness, potential cost, and institutional resources required for implementation, political context and stakeholder support.

III. Expected outcomes/outputs

14. The programme is expected to have the following outcomes: (i) a body of analytical evidence to sustain a new understanding of LAC's rural space and its implications for fighting rural poverty, beyond the limiting metrics of MICs and the prevalent rural/urban dichotomy; (ii) a number of policy dialogue platforms in which to initiate social discussion towards increasing awareness of the shortcomings of these pervasive prevalent narratives and the need to update them; and (iii) a public policy incidence strategy to identify opportunity windows in the region that will allow for specific policy, institutional or legal changes – changes that will incorporate fighting rural poverty and inequality as a key variable for policy action.

IV. Implementation arrangements

15. The recipient and implementing agency of the proposed programme is the Economic Commission for Latin America and the Caribbean (ECLAC). For over 60 years, ECLAC has analysed and proposed public policy measures in the area of structural transformation, provided technical assistance and facilitated South-South and Triangular Cooperation in the countries of LAC. ECLAC has vast experience in public policies for social and economic development. It has also developed an evidence-based dialogue methodology for assessing structural gaps. For this reason, Costa Rica, El Salvador, Guatemala, and Honduras, among other countries, requested ECLAC's technical cooperation in proposing strategies for closing these gaps. It also has a long history of collaboration with national institutions responsible for statistics, and is currently running a programme with the statistics institutions and sectoral ministries of Central America to improve information systems and their use in policies on rural development and food security. In light of the above and of ECLAC's understanding of the structural development challenges faced by

Central American countries, LAC selected ECLAC as recipient of this grant on a direct selection basis – as an institution that is unique in its representation mandate and thus has no competitor.

16. This grant will be supervised by the Director, LAC Division, in coordination with the country programme managers for the selected countries and the policy desk of the Policy and Technical Advisory Division. At the beginning of each year of execution of the programme, ECLAC will submit an annual workplan detailing activities in relation to programme objectives, budget allocations per objective and by country. At 12, 24, 36, and 48 months of execution of the programme, ECLAC will submit a technical and financial report. The workplans and reports will be discussed with the IFAD supervisor. IFAD and ECLAC will meet at least once every 12 months to review progress.
17. ECLAC will administer the grant in accordance with the United Nations administrative, personnel, financial and audit rules and regulations in force. The grant will be subject exclusively to the internal and external auditing procedures provided for in United Nations audit rules and regulations.
18. ECLAC will publish and distribute documents resulting from the programme to ensure knowledge dissemination. A direct engagement with IFAD's Research and Impact Assessment Division is foreseen, in view of a joint dissemination strategy.
19. There are no deviations from the standard procedures for financial reporting and audits.

V. Indicative programme costs and financing

20. The total cost of the programme is US\$2,640,860, which will be financed by IFAD and ECLAC. IFAD will contribute US\$1,800,000, and ECLAC US\$840,860 in kind.

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>ECLAC</i>	<i>Total</i>
1. Policy analysis and research	947	152	1099
2. Policy dialogue and tools	108	302	410
3. Policy influence and knowledge management	96	302	398
4. Cross-cutting management costs	649	85	734
Total	1 800	841	2 641

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>ECLAC</i>	<i>Total</i>
1. Salaries and allowances	566	841	1 407
2. Consultants	520	-	520
3. Workshops	150	-	150
4. Travel and allowances	165	-	165
5. Goods, services and inputs	191	-	191
6. Operating costs	208	-	208
Total	1 800	841	2 641

VI. Recommendation

21. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the New Narratives for Rural Transformation in LAC Programme, shall provide a grant of one million eight hundred thousand United States dollars (US\$1,800,000) to the Economic Commission for Latin America and the Caribbean for a four-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Gilbert F. Hougbo
President

Results-based logical framework

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	To generate sound analytical work needed to understand the new “rurality” and to focus on persistent structural gaps in order to reduce rural poverty and inequality and foster structural transformation in MICs in Latin America.	New definitions for the rural space are discussed among high-level government officers and are taken into consideration in the design of public policies in 4 countries. The Latin American Forum for Sustainable Development discusses the relevance of rurality in MICs to achieve SDGs.	Periodic programme reports; Final external evaluation; Official letters from selected countries. Political commitment to participate in the activities of the project; Availability of statistical information.
Objectives	<p>1 To define and foster the implementation of an applied research agenda on a updated narrative for a new rurality in selected MICs in Latin America and the Caribbean.</p> <p>2 To foster policy dialogue processes on the new rurality and persistent gaps to reduce rural poverty and inequality in selected MICs in Latin America. Of particular relevance will be to work with ministries of finance, economy, planning, and statistics in order to emphasize the fiscal dimensions and implications of policy changes.</p> <p>3 To develop and implement a public incidence strategy on reducing rural poverty and inequality in participating MICs, through an active and smart use of knowledge products and communication strategies that include mass media, digital journalism, communities of practice, social networks, and national and regional meetings.</p>	<p>Country-level and regional reports are elaborated. Conceptual and cross-cutting documents are prepared. New concepts, definitions and empirical evidence on the new rurality are discussed in round tables. New public actors take into account new evidence for the formulation of budget rules and policies. Participating countries have identified at least 3 structural gaps for rural development, and have increased awareness of rural development challenges. The implications of new budget distribution and decentralization rules are discussed in light of new evidence and new frameworks of cooperation are proposed for MICs.</p>	<p>Reports on experts meetings; Reports on regional meetings; Evaluation surveys conducted after seminars, and experts and regional meetings; Reports and evaluations on training courses; Regional studies.</p> <p>Collaboration by main public stakeholders in each country; Availability of statistical information.</p>
Outcomes/ Outputs	<p>1 A body of analytical evidence to sustain a new understanding (new narratives) of the Latin American rural space, beyond the limiting metrics of MICs and the prevalent rural/urban dichotomy.</p> <p>2 A number of policy dialogue platforms to initiate social discussion that will increase awareness of the shortcomings of these pervasive prevalent narratives and the need to update them.</p> <p>3 A public policy incidence strategy to identify opportunity windows in the region that will allow for specific policy, institutional or legal changes that will incorporate inequality as a key variable for policy action and a more continuous definition of the rural sector.</p>	<p>Number of documents on the definition of rural areas and their characterization are published and disseminated. Number of country-level studies on rural structural gaps that are published and disseminated. Number of in-depth studies on selected structural gaps that are published and disseminated. Number of journalists trained.</p>	<p>Conceptual regional reports; Country-level studies; In-depth structural gap analysis; Regional studies; Minutes on policy dialogue roundtables; Reports on experts and regional meetings; Evaluation surveys conducted after meetings; Reports and evaluations on training courses; Programme website visits.</p>
Key activities by component	<p>1.1 A study on the definition and scope of rural areas in Latin America.</p> <p>1.2 Characterize the new rural space in four selected countries, based on national statistics.</p> <p>1.3 Elaborate four country-level studies on the implications that the definition of rural areas has on the allocation of public budget and decentralization rules.</p>	<p>One conceptual document and four country-level documents. Four country-level studies on rural structural gaps. Twenty in-depth studies on structural gaps.</p>	<p>Number and quality of conceptual and country-level studies; Number and quality of in-depth studies on structural gaps;</p>

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p>1.4 Prepare four country-level reports on alternative scenarios to define and measure rural areas, and the implication for the allocation of public budget and decentralization rules.</p> <p>1.5 Experts meeting to discuss the main findings of activities 1.1, 1.2 and 1.3.</p> <p>1.6 Prepare four country-level studies on structural gaps (income, investment, productivity, territory, innovation, infrastructure, education, fiscal, gender).</p> <p>1.7 Elaborate in-depth reports for each of the five selected structural gaps, in each of the four selected countries, to analyze causes and consequences on rural poverty and inequality of each gap, to have a better understanding of the new rurality, and to identify financial resources and public policies to close them.</p> <p>1.8 Prepare three regional studies: a) "New challenges for changing rural narratives; why and how"; b) Working on rural development and facing inequality in MICs: the challenges of closing structural gaps, and c) Achieving sustainable development goals in middle-income countries through the lens of rural development: the challenges ahead.</p> <p>2.1 In-country visit to present the project to national authorities and key partners in academia, the private sector and mass media.</p> <p>2.2 Country-level dialogue roundtables with public authorities and key stakeholders to discuss the results of the characterization of the rural space, country-level studies on the implications that the definition of rural areas has on the allocation of public budget and decentralization rules, and the implications of alternative scenarios.</p> <p>2.3 In-country visit to negotiate access to national databases and partner institutions.</p> <p>2.4 Country-level dialogue roundtables to discuss the findings of the structural gaps studies and prioritize structural gaps (those that will be in-depth analyzed in each country).</p> <p>2.5 Country-level dialogue roundtables to discuss the main findings of the in-depth structural gaps studies (activity 1.7), in particular the causes and consequences of each gap, and the financial resources and public policies needed to reduce such gaps.</p> <p>3.1 Design and launch a knowledge management strategy (dedicated webpage, policy briefs, publication and dissemination of case studies and books).</p> <p>3.2 Edition, publication and dissemination of country-level and structural gaps reports.</p> <p>3.3 One panel on Rural Poverty and Inequality in ECLAC's Latin American Forum for Monitoring the SDGs, for each of 2019 and 2020.</p> <p>3.4 One panel on changing rural definitions in the Statistics Conference of the Americas.</p> <p>3.5 One panel at the Hemispheric Conference of Population and Development</p> <p>3.6 A Roundtable with Affinity Group of MICs to present the results of this work to MICs participating in this like-minded UN group in New York.</p> <p>3.7 Virtual Seminar with APR and NEN IFAD's Divisions for share the evidence and experience of the process.</p> <p>3.8 Four country level national workshops for journalists, to disseminate the main results of the grant.</p>	<p>Three regional studies: rurality, MICs and challenges of achieving SDGs.</p> <p>At least three country-level policy dialogues are organized in each country.</p> <p>A web page and policy briefs distributed.</p> <p>At least four national workshops for journalists are organized.</p>	<p>Number and quality of regional studies;</p> <p>Training report, list of participants, presentations, trainee's feedback and evaluation of the respective training;</p> <p>Dialogue group meetings held in each country (list of participants and minutes to be provided);</p> <p>Metrics of website use;</p> <p>Metrics of data usage, references to CEPAL studies in the media.</p>	