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Enabling poor rural people
to overcome poverty

IFAD's Strategic Vision to 2015

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IFAD's Strategic Vision to 2015

I. Vision statement¹

In the years to 2015, IFAD becomes a global catalyst of investments to enable smallholder agriculture to drive progress towards food security and improved nutrition, poverty reduction and more resilient ecosystems:

- *It works with a range of public- and private-sector partners to unlock the potential of smallholder agriculture to achieve these goals and to boost rural wealth creation.*
- *It leverages its operations, knowledge and policy engagement to support smallholder agriculture and to serve as a voice for poor rural people among donors and policymakers.*
- *It mobilizes efforts on a range of fronts to ensure that progress in agricultural supply and rural incomes leads to more secure rural livelihoods, better nutrition outcomes and improved ecosystems.*
- *It continues to strive to help turn rural areas into places of promise for poor rural people – including rural women, young people and marginalized groups.*
- *It strives for greater and more sustainable impact by leveraging its mandate, experience and track record as a trusted partner of poor rural women and men, governments and other stakeholders.*
- *It does all this with a focus on Millennium Development Goal targets, but with a longer-term view of how smallholder agriculture should look in the future.*

II. The need for a new vision: challenges and opportunities

1. **Closing in on 2015, uneven progress in reducing poverty and hunger.** The first Millennium Development Goal (MDG1) has catalysed great efforts to halve by 2015 the proportion of people living on less than a dollar a day and those suffering from hunger. Many countries have made significant achievements on both fronts. In many contexts, however, poverty reduction has not kept up with economic growth, and hunger reduction has often lagged behind both growth and poverty reduction. Moreover, in some regions (notably sub-Saharan Africa), while the rate of poverty has decreased, the numbers of poor people have increased. In general, extreme poverty is especially prevalent in rural areas, despite rapid urbanization occurring almost everywhere.
2. **The scale of the problems remains massive.** Recent global data set the number of those living on less than 1.25 dollars a day at 1.4 billion in 2005, 70 per cent of them in rural areas. A staggering 1.8 billion rural people then lived on less than 2 dollars a day. Recently, a series of global shocks has brought more people into poverty and hunger. The food price hike of 2007-2008 added 100 million to the ranks of the undernourished, bringing the total to over 1 billion. More recently, another wave of price increases that started in mid-2010 is calculated to have added 44 million to the numbers of extremely poor people. In coming years, other price hikes and unforeseen events may occur, which may drive yet more people into poverty and hunger.

¹ IFAD's Strategic Vision to 2015 draws upon, and is fully consistent with, the IFAD Strategic Framework 2011-2015.

3. **Feeding a growing population in a more difficult environment.** The world today faces the challenge of ensuring an adequate supply of and access to nutritious food for a swelling population, much of it increasingly urban, and part of it with a preference for input- and energy-intensive foods, while natural resources and non-renewable energy are declining. Going forward, an estimated 9 billion people will need adequate access to food in 2050 (8 billion in 2030), in a world with land degradation, water scarcity and minimal room for the expansion of farmland. These people will also need adequate access to water, and a natural environment fit to live in. To compound the challenge, climate change is set to have a negative impact in many poor countries, altering the weather patterns on which agriculture is based, bringing more frequent or severe shocks, and making farming unsustainable on large tracts of land.
4. **Agricultural markets are changing.** Agricultural and food markets have become increasingly integrated across value chains² in most of the developing world, partly spurred by increasing demand and spending power in urban areas. A host of changes have accompanied this process, from the emergence of new quality standards to the development of new markets for various products. Coupled with higher demand for food and higher prices, more dynamic and better integrated agricultural markets offer, at least in principle, new opportunities to poor rural people, both as producers and as consumers.
5. **Smallholders continue to be held back.** Poor rural households increasingly have diversified livelihoods. However, in many regions, most rely on agriculture as a source of income or to produce food for themselves. In principle, increased demand for food and higher prices are good news for half a billion smallholder households, who, together with small livestock producers and artisanal fishers, produce up to 80 per cent of food in some regions – notably Asia and sub-Saharan Africa. However, many smallholders (especially women) have tenuous access to the natural resources on which agriculture depends. Many lack the inputs and services needed to sustain supply on a more fragile resource base and in the context of climate change. They are poorly integrated into markets owing to poor rural infrastructure, market failures, inability to meet market standards and weak market power. Finally, they often suffer the effects of policies that disfavour agriculture. All these factors hold smallholders back from grasping new market opportunities and undermine their ability to contribute to MDG1 and to feed a growing population in a changing environment.
6. **Need to go beyond small-scale successes.** There are many stories of increased food supply and reduced poverty resulting from support to smallholder agriculture. Too many of these have affected a limited number of households or communities, or they have been short-lived. Today's circumstances require looking afresh at what may constitute "success", and moving beyond pursuing small-scale impact to a focus on sustaining, expanding and replicating – in other words, scaling up – successful interventions. The persisting magnitude of poverty and hunger and the way the world goes about increasing the supply of nutritious food, restoring the environment and addressing climate change can have vastly different implications for poverty and food security in 2015 and beyond. What will make a difference is primarily the role that smallholder agriculture will play in meeting these challenges.

² The term "value chain" refers to the chain of activities through which an agricultural good or service is produced, distributed and consumed (and possibly also disposed of after use or consumption). A value chain includes a range of actors upstream and downstream of production, including input suppliers, service providers, farmers and livestock producers, processors, transporters, traders, consumers, etc.

III. Renewal of smallholder agriculture to achieve multiple goals

7. **New directions for smallholder agriculture.** Smallholder agriculture can be a key contributor to food security, producing more, and more nutritious food while raising the incomes of poor rural households across the world. Not any type of smallholder agriculture, however, can deliver on all these goals in today's circumstances and in the future. What is needed is a new "brand" of smallholder agriculture, one that is more productive, better integrated into well-functioning and inclusive value chains, more environmentally sustainable and more resilient. Much progress can be made on all these fronts by 2015. However, unlocking the potential of a new model for smallholder agriculture provides a future agenda for IFAD well beyond this date.
8. **Greater productivity.** Improved availability of, and access to nutritious food require boosting productivity in all types of agricultural systems. However, it is in smallholder agriculture in some of the poorer regions that larger gaps exist between current and potential productivity given existing technologies. It is also in this sector that greater gains can be made in reducing poverty and improving household food security and nutrition through improved productivity (notably for women farmers, and for products that ensure adequate nutrient intake for poor rural households and communities). By 2015, smallholder agriculture can be more productive by unit of land, water, inputs, capital and labour, building on existing technologies and with incremental changes. It can rest on more secure resource entitlements for poor rural people, encouraging their capacity to invest in their productivity. It can be better linked to research and development (R&D) systems focused on developing forward-looking, but affordable technologies for a range of food products of particular importance for smallholders both as producers for the market and as consumers requiring an adequate, nutrient-rich diet.
9. **Inclusive value chains.** From input, finance and energy provision to processing, transportation and marketing, smallholder agriculture needs a variety of sectors to function well and in ways that include poor rural people. These sectors can also offer vital employment and entrepreneurial opportunities. By 2015, more people will earn sufficient incomes to overcome poverty and improve their food security in modern agricultural value chains – as producers, workers or non-farm entrepreneurs. Many will be those who are now landless or who farm on plots too small to earn sufficient income, or those who lack the means to invest to meet market standards. Thanks to thriving agricultural value chains, to a large degree, these people will not be left behind by the rural growth processes driven in the future by the new brand of smallholder agriculture. Very many of those who will benefit are today's young people, who are now often compelled to seek insecure and poorly paid jobs in urban areas.
10. **Greater sustainability.** Sustainable management of natural resources is key for enhanced agricultural productivity. It is increasingly understood that smallholder agriculture can also deliver valuable environmental goods and services. There are many efforts underway among farmers, researchers, governments and donors to promote greater sustainability in agriculture and to help it deliver multiple goods and services. Building on these efforts, by 2015 smallholders can be better stewards of the resources they use, with enhanced capabilities to deliver on a range of goals – from poverty reduction to enhancing ecosystems. They can produce with a more frugal use of energy and natural resources, and with a capacity to use inputs and technologies in ways that better suit their contexts. They can better harness renewable sources of energy to enhance production, reduce the carbon footprint of agriculture, sustain a variety of rural activities and reduce drudgery.
11. **Greater resilience.** There is considerable scope for better adaptation to climate change in smallholder agriculture. By 2015, smallholders can benefit from more

inclusive innovation systems in this area, in which different actors work together to identify more resilient practices, develop resistant crop and livestock species, and ensure that farmers have the skills and knowledge to make good decisions in volatile circumstances. They can benefit from investment in mitigating the risk environment in rural areas – from better infrastructure to good governance. They can benefit from better tools to manage production and price risks, including innovative and inclusive financial services and effective social protection schemes. They can also benefit from leveraging existing opportunities to scale up integrated approaches to more resilient ecosystem management centred on agriculture.

IV. A dynamic agenda for smallholder agriculture

12. **A broad agenda.** Unlocking the potential for new smallholder agriculture to help achieve MDG1 – while laying the groundwork for achieving multiple other goals – requires progress on a comprehensive agenda, including:
 - **Enhanced public and private investment in smallholder agriculture to improve productivity, sustainability and resilience.** This includes: investment in forward-looking and inclusive R&D and technology development, focusing on crops and livestock products relevant to smallholders; inclusive advisory systems that improve smallholders' innovation and problem-solving capacities; investment in smallholder education and skills development; and innovative approaches to bringing together public and private efforts in agriculture, to the benefit of smallholders and poor rural people.
 - **Enhanced public and private investment in a range of sectors important to the functioning of inclusive value chains.** This includes: the rural infrastructure, from roads to water supply systems, to information and communications technology and cost-effective and environmentally sustainable energy; agricultural market infrastructure, from post-harvest processing and storage to marketplace facilities; investment in developing effective and efficient input markets and inclusive rural financial services; and investment in the capabilities of poor rural women and men to seize productive employment and entrepreneurial opportunities in the non-farm economy.
 - **An enabling policy and institutional framework.** It is commonly agreed that there is a large investment gap in agriculture that will need to be filled primarily by private actors – starting with smallholders. However, this will only occur if an enabling environment is in place. There is a need for government recognition of the importance of investing in smallholder agriculture to achieve multiple goals. In turn, smallholders need to be better able to influence the processes affecting them. The issues regarding an enabling agenda are far reaching: better, integrated governance across environmental, agricultural, poverty and nutritional issues; improved markets and terms of trade for agriculture; more inclusive and effective governance of natural resources; policy incentives for R&D on issues relevant to smallholders; and policy and institutional incentives to encourage the market engagement of smallholders and a more level playing field in agricultural value chains.
 - **Supporting household-level strategies.** Investments and an enabling environment can achieve the intended goals only if they strengthen the livelihood and nutrition strategies of poor households. Thus investment in R&D must encompass products of market relevance to smallholders, as well as those important to the improved nutrition of poor households – including their more vulnerable members, notably young children and women. Technology development must aim not only to increase productivity, but also to reduce drudgery, especially for women. The development of rural

infrastructure must be geared towards improving not only production, but also household-level welfare and nutrition. Investment and policy changes are critical to the support of gender equality and women's empowerment at the household level. Understanding household strategies is also crucial in addressing the risks and trade-offs that poor households may face when switching to a more sustainable, resilient and market-oriented agriculture.

13. Central to this agenda is a new kind of smallholder agriculture that balances sustainability, resilience and productivity in new ways. A stronger and effective market orientation in smallholder agriculture enables producers to seize new opportunities and capture a greater share of market value, while continuing to complement household income and food security and nutrition strategies. Finally, the interconnectedness of progress in all its elements is central to achieving broad impact and to placing smallholder agriculture at the centre of strategies for food security, poverty reduction and the environment. This integrated approach will not only make a substantial contribution to MDG1, but will also pave the way for a more promising future for rural areas and rural people in the decades to come.
14. **Promising developments and the need for catalysts.** Though still vastly insufficient, more public resources are being devoted to agriculture – including through South-South cooperation. Some private donors are becoming major players in this domain. At the same time, some governments are putting in place a more enabling environment for agricultural investments, or developing environmental or climate change agendas with positive implications for poor rural communities. In the aid effectiveness framework, both donors and governments are more accountable today for achieving results in reducing poverty and hunger. The remaining years of focus on the MDGs, in a context of growing preoccupation with food security and a deteriorating environment, provide a crucial opportunity to build on such developments to make substantial progress. This requires a concerted effort by donors, governments and a range of private-sector actors. To facilitate such an effort, however, actors are needed who can catalyse the process in all the areas needed and on a sufficient scale to make a difference.

V. IFAD's Strategic Vision to 2015 and beyond

15. **IFAD's mandate and operational model.** IFAD stands apart from other development agencies and donors because of its mandate. It is the only international financial institution mandated specifically to devote its resources to reducing rural poverty and hunger. It has accumulated over 30 years of highly relevant experience in supporting smallholder agriculture to improve food security and nutrition and to contribute to rural wealth creation.
16. IFAD is also set apart by its operational model. This includes the design of programmes based on the priorities of poor rural people and on country-led strategies. It is a model based on cofinancing and on working with others at all levels, with a mode of programme implementation that relies on country-level partners, complemented by IFAD supervision and support, and aligned with and strengthening in-country capacities. It also includes policy dialogue grounded in field experience and in bringing to the fore the voices of poor rural people – particularly women and marginalized groups – to promote an enabling environment for agriculture and for rural poverty reduction. This model has uniquely positioned IFAD as a partner trusted not only by governments, but also by poor rural communities. And it has led to its being increasingly seen by other donors as a facilitator of their investments in agriculture and rural development.

17. **The core of the vision: IFAD's "business proposition" as a catalyst.** Between now and 2015, IFAD can make a critical contribution to reducing poverty and improving food security and nutrition by leveraging its mandate, comparative advantage and operational model to become the catalyst of progress on the agenda outlined in section IV. IFAD is ready and able to play this role. As new resources are devoted to agriculture – as well as to environmental agendas affecting rural areas – IFAD is ideally placed as a catalyst of the proposed agenda. In order to fulfil this role, IFAD will better position itself within relevant international processes and in developing Member States. It will take a greater leadership role, mainstream a focus on scaling up, expand its policy engagement, strengthen partnerships with private-sector actors, and enhance its knowledge broker and advocacy functions.
18. **Taking a leadership role** means expanding IFAD's efforts to mobilize resources greater than its own from now to 2015 and beyond. IFAD already does this by providing programme vehicles in which other donors and governments can invest. Its success in this regard is evidence that it is already regarded as a catalyst. Going forward, IFAD will become the partner of choice for governments and donors investing in smallholder agriculture to achieve multiple goals – as part of the process of gradually diversifying its resource base without compromising its mission or straying from its comparative advantage. It will also continue developing its capacity to leverage the strengths of diverse partners, including governments, and making the necessary institutional adjustments to ensure that its work and resources (both financial and human) best complement theirs.
19. **A consistent focus on scaling up** is a precondition for greater impact. IFAD will intensify its efforts to help Member States and other partners scale up successes. First, this ensures that benefits reach greater numbers of poor rural people. Second, it increases the likelihood that the broad range of factors keeping smallholders and poor rural people at the margins of modern agricultural value chains are addressed. Partnerships with actors with similar or complementary agendas and with larger resources and outreach are as important to scaling up as they are to IFAD's future catalytic role.
20. **Policy engagement and dialogue** are critical to both leadership and scaling up. IFAD needs to expand its engagement with a range of actors to help develop sound policies conducive to rural poverty reduction and improved food security and nutrition, which benefit from its experience and knowledge and from the perspectives of poor rural women and men. This should also be done with a view to scaling up successes, and to strengthening the sustainability of its operations. From now to 2015, IFAD needs to continue to help governments achieve the policy and institutional changes necessary to enable smallholder agriculture to be more productive, sustainable and resilient, and to develop inclusive agricultural value chains. It can accomplish this through the range of tools at its disposal, from COSOP- and programme-related processes to its participation in relevant country-level, regional and international policy forums.
21. **Partnering with private investors in agriculture** – in addition to smallholders – is essential for influencing their investments and market power towards creating opportunities for poor rural people as strategic partners. IFAD has made substantial progress in its engagement with private-sector actors at the local level in rural areas – partly in the context of its efforts to promote better-functioning and more inclusive agricultural value chains. IFAD's future engagement with both small and large commercial actors will focus on improving the distribution of power and value within those value chains. This will in turn attract private-sector resources and services to rural areas and enhance the market competitiveness of smallholders and poor rural workers – for example, through facilitating and reducing risks and costs attached to the development of win/win value chain arrangements. IFAD will enhance its capacity to leverage the resources of private research institutions and service providers in support of smallholder agriculture. It will also strengthen its

partnerships with donors having a comparative advantage in working with private investors in agriculture.

22. Finally, IFAD will enhance its functions as a **knowledge broker and an advocate for its target group**. This requires making IFAD's experience and knowledge available more systematically, developing high-quality knowledge products more consistently and disseminating them broadly. It entails systematically identifying and pursuing opportunities to engage in knowledge-sharing in the context of the agreed agenda. It also requires that IFAD increasingly position itself as a facilitator of knowledge-sharing – for example, in the context of South-South and triangular cooperation.
23. **New efforts rooted in partnerships.** To achieve progress in all these areas, IFAD will strengthen existing partnerships and develop new ones with national stakeholders, donors and rural communities and their organizations. It will do so with a focus not only on smallholder agricultural production, but also on the various elements of the agenda, including: environmental sustainability and resilience, capacity development, market integration, rural infrastructure development, gender equality and women's empowerment, policy dialogue and advocacy, and nutrition. IFAD will also continue to engage in, or facilitate, public/private partnerships related to the various elements of the agenda, with a focus on its target group and mandate. It will develop a systematic approach to supporting and leveraging South-South cooperation, which will become an increasingly central aspect of its partnerships and of its work beyond 2015.

VI. Conclusions

24. During the 2011-2015 period, IFAD will be guided by a new Strategic Framework, which sets its **overarching goal** as: enabling poor rural people to improve their food security and nutrition levels, raise their incomes and strengthen their resilience. Under the framework, IFAD will pursue five objectives: a strengthened and more resilient natural resource and economic asset base for poor rural people; enhanced access to services for reducing poverty, improving nutrition, raising incomes and strengthening resilience to shocks; strengthened capacities and capabilities of poor rural women and men as producers, small entrepreneurs and workers; strengthened capabilities to influence policies and institutions; and an improved institutional and policy environment for smallholder agriculture and for other non-farm rural sectors.
25. IFAD's work during the 2011-2015 period will concentrate on the following **thematic areas**: natural resource access and governance; climate change adaptation and mitigation; agricultural technologies and production and post-production services; inclusive financial services; value chain development; rural enterprise development; technical and vocational skills development; and rural producers' organizations.
26. Under the new framework, IFAD will be guided by a number of **principles of engagement**, in addition to partnerships and adaptation to different country contexts:
 - First: Targeting for social inclusion, that is, tailoring investments to the needs and priorities of IFAD's target groups in different contexts, focusing on poor people who can take advantage of the opportunities offered in its programmes, but also striving to reach out and develop the capabilities of extremely poor and marginalized groups;
 - Second: Supporting empowerment, proactively engaging with stakeholders in ways that create opportunities to strengthen capacity, secure rights and address exclusion and marginalization;

- Third: Promoting gender equality, recognizing that more equitable, gender-based entitlements and roles are critical to ensuring that smallholder agriculture contributes to improved food security and nutrition and to poverty reduction;
- Fourth: Focusing on rural young people, striving to ensure that they have better reasons to remain in rural areas and in agriculture in 2015 than they have today, and better capabilities to build successful livelihoods;
- Fifth: Pursuing an integrated approach to innovation, learning and scaling up to address emerging challenges, with a focus on taking successes to scale; and
- Sixth: Building sustainability, striving to ensure that positive impact can be sustained by improving the quality of programmes, helping establish enabling policies and institutions, mobilizing other actors and resources, developing capacity among stakeholders, and better integrating risk mitigation and management into IFAD initiatives.