

# Regional Strategy Paper

NEAR EAST AND NORTH AFRICA



**IFAD**  
INTERNATIONAL  
FUND FOR  
AGRICULTURAL  
DEVELOPMENT

# Regional Strategy Paper

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## IFAD STRATEGY FOR RURAL POVERTY REDUCTION IN **NEAR EAST AND NORTH AFRICA**

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## INTRODUCTION

The present paper, which builds on IFAD's Strategic Framework 2002-2006, was prepared as part of the identification of IFAD's future strategic programme for the Near East and North Africa (NENA) region and is partly based on a rural poverty assessment that was conducted for the region in 1999/2000. This paper is considered a 'living document' that evolves over time. The present version incorporates comments received from participants in IFAD's Governing Council Roundtable Discussions, held on 20 February 2002, during which the current strategy was presented and discussed.

The discussion in the paper covers only countries that have been traditional IFAD borrowers in the NENA region, including Algeria, Djibouti, Egypt, Gaza and the West Bank, Jordan, Lebanon, Morocco, Somalia, The Sudan, Syria, Tunisia, Turkey and Yemen.<sup>1</sup> The diversity of these countries (henceforth 'the NENA subregion') in terms of economic structure, income levels and natural resource base calls for a more customized strategy to fit the needs of individual countries.

In 1998, the NENA subregion accounted for a total population of about 273 million, with as much as 47% of that population living in rural areas (127 million). The subregion is characterized by a fragile agro-ecological base and persistently high population growth rates. In 1998, the total number of poor people in the various countries ranged from 75 million to 110 million, including some 55-81 million rural poor.<sup>2</sup> Previous government policies and investments in the NENA subregion have favoured the urban areas. Neglect of the rural sector has resulted in poor transport and social infrastructure, high rates of rural illiteracy (especially for girls), weak local institutions, poor integration with the national economy, and in large numbers of rural youth migrating to urban areas.

Starting in the late 1980s, many countries in the NENA subregion have adopted structural adjustment and stabilization programmes in an effort to restructure their poorly performing centrally-planned economies and reduce mounting fiscal imbalances. These programmes included price reforms, external and domestic trade liberalization, the reduction of budget deficits, inflation stabilization, privatization and a general effort to promote private-sector-led growth. In some instances the reforms paid off in the 1990s, with the gross domestic product (GDP) per capita showing a positive trend and poverty rates appearing to decline (e.g. Egypt, Jordan and Tunisia). Events in many countries, however, have resulted in a worsening of poor people's livelihoods and increased poverty rates. These events include a severe fiscal and monetary crisis in Turkey; political and security problems in Gaza and the West Bank and Somalia; severe and recurring drought in Morocco; and a reduction in workers' remittances in Yemen following the Gulf war.

Since its establishment in 1977, IFAD has maintained a strong presence in the NENA subregion. The challenge for donors and policy-makers here is to find ways to improve the lot of the rural poor, despite recent economic setbacks, political instability and vulnerability to severe climatic shocks (drought, floods and extreme temperatures). This assessment describes the circumstances that shape rural poverty in the NENA subregion and IFAD's strategic role in helping the rural poor to move out of poverty. The Regional Overview provides recent economic performance in the subregion and the characteristics of the rural sector; the section Dimensions of Rural Poverty analyses these dimensions and identifies the most vulnerable groups; the section on IFAD Experience presents strategic lessons learned; and the section on Subregional

1/ The other NENA subregion covered by IFAD's programme includes Central and Eastern Europe and the Newly Independent States. A separate strategy paper has been prepared for that subregion.

2/ These estimates are based on IFAD staff calculations. It is difficult to arrive at the precise number of rural poor in the NENA subregion as statistical data are not available in many countries (e.g. Djibouti, Somalia and The Sudan). The lower figures are based on national poverty estimates and include people living in abject poverty; the upper figures estimate the number of people that earn less than USD 2 per day.

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Strategy for Poverty Reduction outlines a medium-term strategy to support equitable growth.

## REGIONAL OVERVIEW

### Economic Trends and Population

**Economic trends.** The countries of the NENA subregion vary significantly in terms of per capita income, living standards and economic performance. Per capita income (measured in terms of annual gross national product (GNP) per capita) ranges from USD 230-260 for Somalia, The Sudan and Yemen to about USD 2 900-3 300 for Lebanon and Turkey. Egypt, Jordan and Morocco are in the middle of this range, with an annual GNP per capita of USD 1 100-1 500. While most countries of the NENA subregion may be considered as lower-middle-income countries, their indicators of human development, as measured by the Human Development Index (HDI), are lower than would be expected given their income levels. For example, while Morocco's per capita income in 1999 was close to that of The Philippines and Sri Lanka, its HDI ranking (124<sup>th</sup> out of 174 countries) was far behind theirs (77 and 84, respectively).

Over the last decade (1990-99), GNP growth rates in the NENA subregion have varied considerably from country to country. Countries with the poorest growth rates include Algeria (1.6%) and Morocco (2.3%); those with a high growth rate include Lebanon (7.7%) and Syria (5.7%). In Lebanon, this growth is attributed mainly to post-war reconstruction while in Syria it is the result of a combination of several years' good weather and increased oil production. The remaining countries in the subregion have experienced moderate GNP growth rates ranging from 3.2% (Yemen) to 4.6% (Tunisia). Although average economic growth rates have been favourable, the high population growth rate (2.3%) during this period has resulted in only a small net improvement. Moreover, there is now evidence of persistent inequalities (in both income and non-income dimensions), which seriously limit prospects for pro-poor growth. The reduced demand for labour in the Gulf states has exacerbated the rising unemployment situation in the subregion and has had a dramatic impact on remittances from migrant workers, especially in countries such as Egypt and Yemen that supplied much of the Arab casual labour market.

**Population characteristics.** The subregion has always been characterized by persistently high population growth rates, which in the 1980s averaged

3.1%. Although this rate fell to 2.3% in the 1990s, the labour force is still growing at more than 3% per annum as a result of previous population growth. The fertility rate in the subregion has declined to 4.9 from a high of 6.6 in the 1970s, but remains at around 7.0 for countries like Somalia and Yemen. On average, the estimated rural population of 127 million represents about 47% of the subregion's entire population. There are considerable country-to-country variations in the number of rural people. For example, while they represent less than one fifth in Djibouti and Lebanon, the share is more than two thirds in Somalia and The Sudan. Depending on the country involved, however, the rural population figures may or may not include peri-urban areas. Owing to the lack of official statistics, it is very difficult to arrive at a precise estimate of the size of the peri-urban population in the NENA subregion. However, it is true that there are many poor people in peri-urban areas and that they often suffer the same plight as that of the rural poor.

### The Agricultural Sector

**Agriculture's contribution to the economy.** On average, the agricultural sector's contribution to the national economies of countries of the NENA subregion is low (about 16%), despite the fact that about 36% of the economically active population is engaged in agriculture. This reflects the sector's low productivity and the poor integration of rural people in the rest of the economy. The agricultural sector's contribution to the overall economy, however, varies significantly among the countries of the subregion, ranging, for example, from about 3% in Jordan to close to 40% in The Sudan. In most countries of the subregion, however, its contribution to GDP is 10-20%. Similarly, the share of the economically active population engaged in agriculture in the NENA subregion varies from 4% in Lebanon to over 70% in Somalia, with an average of about 30% for the other countries.

To varying degrees, all countries of the NENA subregion except Turkey are dependent on food imports. Cereal production has increased by some 80% since 1979-81, especially in Egypt and Morocco, mainly thanks to increased wheat yields. The more modest results in barley production are the result of area expansion and increased yields. The number of small ruminants has grown significantly throughout the subregion, and meat production has doubled. Notwithstanding these gains,

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however, the food gap is expected to grow by 2.9% per annum in 1995-2010. For the subregion as a whole, imports of cereals as a proportion of total annual consumption expanded from 15% in the 1970s to 30% in the 1980s.

**Characteristics of the agricultural and rural sectors.** Apart from past policies that have led to environmental degradation while doing little to help the rural poor, the agricultural and rural sectors of the NENA subregion are faced with several natural resource and institutional constraints. The *natural resource constraints* include a fragile land base and declining soil fertility, limited water resources, and frequent climatic shocks (drought and floods). The *institutional constraints* include unequal land distribution and insecurity of land tenure, poor and unsustainable management of common-pool resources, low public-sector investment in physical and social infrastructure in the rural areas, gender imbalances and few grass-roots and civil-society organizations.

In many countries of the NENA subregion, the agricultural sector is in a state of transition from one that was heavily controlled by the state to being largely influenced by market forces. Until the early to mid-1990s, in many countries, the involvement of the state in the agricultural sector involved a maze of price support measures, consumer food subsidies, production and area quotas, and trade barriers to support food self-sufficiency. While farmers often received input subsidies (for credit, seed, fertilizer and fuel), they were also obliged to sell their output to state monopolies at fixed prices which – depending on the country – were either below or above market prices.

Like everywhere else in the world, the system of subsidies and market controls distorted the allocation of resources and led to inefficiency and stagnation of the agricultural economy. In the wake of liberalization programmes, subsidies have been abolished or rationalized in many countries of the NENA subregion, as a result of which the agriculture sector is slowly adjusting to a new environment of free market enterprise and globalization. This calls for a new focus on agricultural support services provided mainly by the private sector, with an important role for the government as a facilitator and provider of an enabling environment. The role of government, civil society (including non-governmental organizations (NGOs)), and donor agencies will be crucial in helping the rural poor benefit from this transformation.

## DIMENSIONS OF RURAL POVERTY

### Poverty Incidence

Statistics on poverty – especially rural poverty – are not readily available for all countries in the NENA subregion. Furthermore, while headcount poverty indices have been estimated for a few countries, the base years and national poverty lines vary from country to country and therefore any comparison across countries should be treated with caution. Despite these shortcomings, based on World Bank and local country data, the most conservative estimates indicate that about 55 million rural people live in abject poverty (with incomes of close to or less than USD 1 per day). Previous IFAD estimates based on higher poverty lines (closer to the USD 2 per day baseline) gave about 81 million rural poor living in the subregion. As expected, poverty continues to be mainly a rural phenomenon; 60-70% of the poor live in rural areas and, depending on the poverty line used, about 40-60% of the rural population is considered poor. One troubling development in the subregion is the worsening of poverty trends and income inequality in many countries.

Access to physical and social infrastructure is biased towards the urban sector (see boxes on page 5). As a result, social indicators of the rural sector continue to lag behind those of the urban sector. The situation regarding access to safe drinking water and sanitation facilities is far worse in rural areas than in the towns and cities. In Syria, for example, 96% of the urban population has access to sanitation compared with only 31% of the rural population. In Morocco, 98% of the urban population has access to safe water compared with 34% of the rural population. Illiteracy rates are still high in many countries, especially for women. In Yemen, some 80% of women and 35% of men are illiterate, while in Morocco the percentages are about 66% for women and 40% for men. Illiteracy is concentrated mainly in the rural areas; in most countries, illiteracy rates are almost twice as high in the rural areas than in the urban areas.

### Who Are the Rural Poor and Why are They Poor?

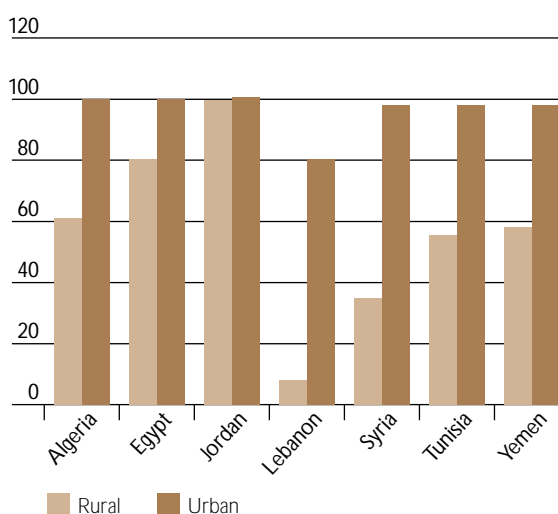
Rural poverty in countries of the NENA subregion is driven by a combination of macro- and household-level factors. At the macro level, the limited availability of good arable land and of water, and the impact of drought and floods, continue to have a major impact on the livelihoods of the rural population. Furthermore, the central-planning model adopted by many countries in the post-

independence period has left a legacy of misallocated resources, inefficient use of existing factors of production and disincentives to invest in the agricultural sector, all of which have contributed to the poor productivity and performance of the rural economy. Poor public investments in physical infrastructure and social services in the rural areas, combined with the geographic isolation of many such areas, have further marginalized the rural poor. In general, the rural population, especially women, has very little political influence, is poorly organized and is often not reached by social safety nets and poverty programmes. Political conflict has been another major macro-level determinant of welfare in the subregion. There has been civil war in Lebanon, Somalia and The Sudan; the Gulf war in 1991; and the Palestinian-Israeli conflict that has intensified over the past year.

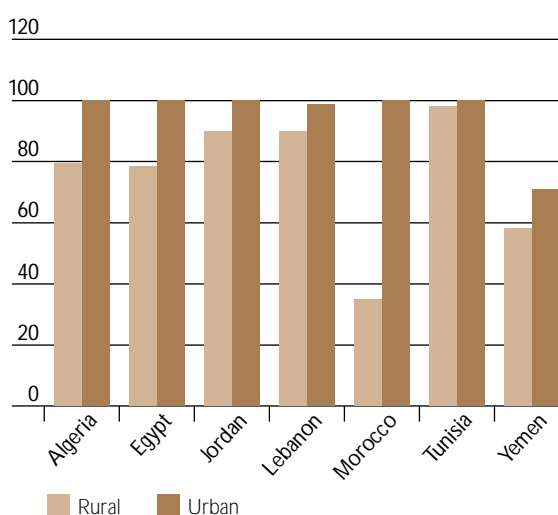
At the household level, the number of dependants and the health and educational status of household members are major determinants of poverty levels. Fertility rates in the NENA subregion are still very high, resulting in a high dependency ratio; about 30-45% of the population is less than 15 years old. Life expectancy levels at birth of less than 60 years, such as in Djibouti, Somalia, The Sudan and Yemen, indicate poor levels of health. Illiteracy rates have also remained high. As a result, the rural population is less productive, has a low-skills base and is unprepared to face the challenges of the new millennium, including free market enterprise and globalization. This gives rise to serious concern, given that one of the main objectives set forth in the United Nations Millennium Declaration is, by the year 2015, to halve poverty, establish universal primary education, and considerably improve health conditions.

For practical reasons, and to target its projects more effectively, IFAD identifies the rural poor in terms of their livelihood systems and/or shared characteristics, such as ethnic group or gender. The major rural poor groups found within the NENA subregion in terms of production systems are small-scale farmers, nomads and pastoralists, artisanal fishermen and wage labourers. Rural women play a critical role in all agricultural activities and, as more and more men move into off-farm employment, their importance to agriculture is growing. In terms of personal characteristics, the groups with the highest incidence of poverty are displaced persons, woman-headed households and unemployed youth.

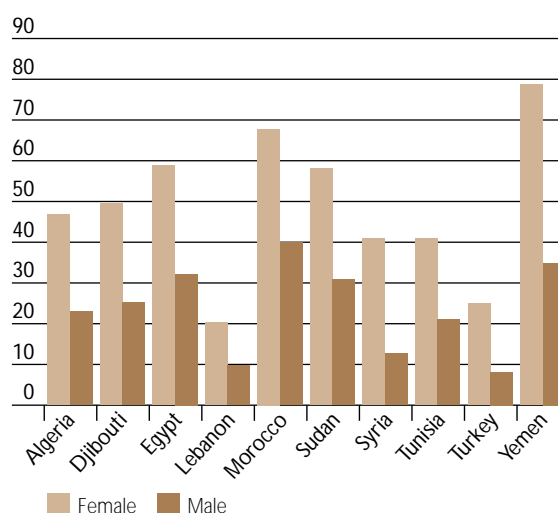
Access to sanitation, Rural/Urban, 1998 (percentage)



Access to Safe Water, Rural/Urban, 1998 (percentage)



Illiteracy Rates by Gender (percentage)



Source: World Bank (2000) – Rural Development in the MENA [Middle East and North Africa] Region – An outline for Vision to Action Update; UNDP Human Development Report, 2000.

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### What Constraints Do the Poor Encounter?

**Institutions.** While there is a wealth of religious and local cultural traditions among the tribes, clans and kinship groups of the subregion, new forms of association among rural people, that would help them interact with political, administrative and economic institutions, are relatively undeveloped. The range and number of citizens groups and informal institutions in the countries of the subregion are very limited. As a result, poor rural people are unable to claim their rights and entitlements; they have little leverage in negotiating with more powerful elite groups; they are ill at ease when dealing with formal government institutions; and they have a weak voice in local politics.

**Water** is the single most binding constraint on the rural poor in the NENA subregion, characterized as it is by low, variable rainfall and frequent drought. The availability of water for irrigation is limited, although the subregion uses 86% of its water for agriculture compared with 65% for most other regions. The agriculture sector must therefore produce more crops with less water. Pressure from competing industrial and domestic users is growing steadily, and access to drinking water in the rural areas is a serious problem. In the IFAD project area of Jebel al Hoss in Syria, women spend three-to-four hours each day on fetching water. In The Sudan, some poor families in the IFAD project area of El Nahud claimed they spent up to 50% of all their cash income to pay for drinking water.

**Land.** The size and quality of the land available to farmers and pastoralists has a direct bearing on their production levels. Growing population, fragmented parcels and traditional/religious inheritance rights have led to small landholding sizes. The quality of land is poor as a result of soil degradation, diminishing fertility, over-use, and wind and water erosion. Poor pastoralists, whose livelihood depends on rangeland and common property water resources, have been adversely affected by encroaching urban and rural communities, and by previous government policies that encouraged barley production, over-grazing and mechanization with unsuitable land preparation implements. Furthermore, rigid rangeland tenure policies and poor social organizations have made it impossible to develop effective common-property management programmes that encourage beneficiaries to use and maintain the rangelands in a more sustainable manner.

**Technology.** The rural poor are constrained by disproportionately low investments in rainfed tech-

nology in relation to the number of households that depend on it. These constraints are reflected in the poor spread of improved, drought- or salt-tolerant, crop varieties, limited application of water-saving technologies, few investments in research and scarce attention to improved rangeland management techniques. Similarly, improved animal breeds, or the technology to produce them, are either not available in the poor areas or, due to the high costs involved, they are beyond the reach of the poor.

**Human assets.** Poor rural people in the NENA subregion have very little access to physical infrastructure such as roads, safe water, sanitation, and communication and information networks, and there is a shortage of social infrastructure, such as schools, clinics, and training centres. Cuts in public expenditure following structural adjustment programmes have further reduced state investments in the rural areas. With little access to services to improve their human capital, the rural poor are unable to engage in rewarding economic activities. As a result, and especially in remote areas such as the mountainous regions of Morocco, Turkey and Yemen, the rural poor are often economically, physically, intellectually and socially isolated from the rest of the nation.

**Financial services.** At the present time, the financial services sector is heavily dominated by public-sector institutions, especially with respect to finance for agriculture and other rural-based economic activities. In the past, governments have tended to use state financial institutions in the rural areas to implement national development and planning programmes, allocate subsidies and provide inputs on credit. These institutions' lending policies tended to favour larger farmers and entrepreneurs with physical or financial collateral, thus excluding the rural poor. Low-income rural households have few alternative sources of finance, and informal financial institutions or community-level savings and credit groups are very rare in the NENA subregion.

**Political environment.** The NENA subregion is characterized by political instability, poor governance, and urban bias in economic and social policies. All these factors increase the vulnerability of the rural poor. War and conflict create a new category of poor people due to loss of physical or human assets (land, farms, houses, productive family members, etc.) or unemployment due to weaker, unstable economies. While figures are not available, it is clear that the latest conflict in Gaza and

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the West Bank has dramatically increased the poverty rate in the area. Poor governance and distorted economic and social policies in many countries have often discriminated against the politically-weak rural poor.

### **IFAD EXPERIENCE IN THE NENA SUBREGION AND IMPORTANT LESSONS LEARNED**

As of December 2001, IFAD had invested USD 980 million in 83 projects in the traditional borrowing countries of the NENA region, and had mobilized cofinancing of USD 1 260 million for these projects. In order of importance, the projects have been for agricultural development (40%); rural development (20%); credit and financial services (10%); irrigation (9%); livestock (9%); fisheries (6%); and research (5%). In addition, 14 large (more than USD 100 000 each) technical assistance (TA) grants for research, training, capacity-building and implementation have been provided for activities in the subregion.

#### **IFAD Experience in the NENA Subregion**

IFAD has initiated and established strong partnerships with governments and other donors active in the NENA subregion. Historically, development projects that have involved hard infrastructure building (such as irrigation rehabilitation, land reclamation, rural road building, etc.) have been fairly successful in achieving their goals and in helping the rural poor. More recently, IFAD projects have focused on 'software infrastructure', such as community development and the promotion of grass-roots organizations. In this field of activity, while IFAD is still learning-by-doing it has started to build up a wealth of good experience in the subregion. More time and innovative solutions, however, are needed to achieve an even wider and more sustainable impact.

Apart from their positive impact on immediate project goals (such as improved rural infrastructure, agricultural production, microenterprise development, rural financial services, etc.), recent IFAD projects in the subregion have played a catalytic role in matters of critical importance to the rural poor. These include:

- **Promotion of the participatory approach and decentralization.** While the participatory approach was considered a taboo subject until only recently, IFAD projects in the subregion have introduced an important policy change in terms of greater benefi-

ciary participation and decentralization. Several projects in Jordan, Morocco, The Sudan, Syria and Yemen include activities aimed at devolving the management of natural resources from the central government to local communities.

- **Models for national programmes.** Many programmes initiated by IFAD have been scaled up to the national level. For example, in Morocco, Syria and Tunisia, land reclamation projects financed by IFAD have been used as models for replication by the governments at the national level.

- **Women-in-development.** While there is still much to be done to improve rural women's outreach, IFAD projects have increased awareness about gender issues throughout the subregion. Including women as specific target groups is becoming more and more accepted as an essential element for combating rural poverty.

- **Combining poverty reduction with sustainable development.** The focus that IFAD projects place on marginal and low-potential areas in the subregion demonstrates the viability of natural resource management activities for reducing poverty and promoting sustainable growth.

- **Support to research programmes.** IFAD has played a leading role in supporting agricultural research projects in the subregion, including projects for generating and adopting new technologies for fava beans, durum wheat and other cereals, and improved crop management practices – all of which have had a positive impact on the yields and incomes of poor farmers.

Despite these achievements, however, IFAD still faces several constraints in the NENA subregion, including:

- **Complexity and rigidity of project design.** Projects are sometimes too complex and thus difficult to implement because of the poor technical and managerial capacity of local implementing units. Furthermore, rigidity in project design, pace and processing has often led to an inability to adjust effectively to changing circumstances, such as unexpected drought or changes in local political conditions.

- **Non-sustainability of project outputs.** Post-project activities are often not well planned, as a result of which the implementing agency's activities are significantly reduced once project financing has come to an end. This is especially the case of capacity-building activities; often, trained staff do not have a chance to apply their newly-learned skills after the project closes.

- **Weak local institutions.** Local implementing institutions are frequently lacking in qualified staff. Delays in the recruitment and selection of key project staff, quick staff turnover, inadequate incentives and limited management capacity are often the rule. Furthermore, many local institutions encounter political interference that has a negative impact on project implementation and focus. Sometimes counterpart funds are unavailable or not forthcoming when needed. All this is further aggravated by bureaucratic procedures and delays that frustrate project implementation.
- **Limited beneficiary participation and decentralized decision-making.** Although there has been some improvement over the last few years, decision-making in the NENA subregion has been traditionally top-down. Local community-based organizations (CBOs) and beneficiary participation are not well developed in the subregion, leaving much of the development initiative in the hands of the state. Although policy changes have led to greater beneficiary participation, these changes have not always trickled down to the field level and political hurdles to participatory development and empowerment are often encountered. In many countries there is no suitable legal framework for grass-roots institutions, especially for community-based rural financial institutions.
- **Limited experience in addressing gender issues.** Investing in women as agents of change constitutes a relatively new paradigm in countries of the NENA subregion. The predominant paradigm continues to be based on economic growth that trickles down to the poorer and other dependent groups, but with no specific attention to gender differences and their requirements. Some governments are reluctant to use much of their loans to invest in women. As a result, women-related project activities are often neglected and outreach to rural women is weak.
- **Slow progress in policy change.** Government commitment to policy change is often limited. While often agreeing that policy change is necessary, policy-makers are not willing to invest the necessary resources to implement reforms effectively. Given its limited field presence, IFAD has not been very successful in its efforts to engage in long-term policy dialogue. So far, such dialogue has been linked only to specific projects and has not always led to sustainable, nationwide reforms.

## Lessons of Experience

Based on IFAD's experience in the subregion, future projects will attempt to incorporate the following lessons:

### • Project Design

- (i) *Simplicity and flexibility.* The design of projects (in terms of objectives, management, technical issues, target groups and geographic coverage) should be tailored to countries' institutional capacity to implement and monitor them. In addition, project design and disbursement of funds should be flexible and leave room for any adjustment(s) necessary.
- (ii) *Programmes rather than projects.* It is more efficient and effective to invest in long-term programmes in support of a few policy objectives rather than in short-term stand-alone projects that may have less impact and cost more to initiate and implement.
- (iii) *Involving CBOs and beneficiaries.* Communities should be involved in project design so that projects fit community needs from the outset. Pilot efforts to test alternative methods for enhancing beneficiary participation should be launched in the future.

### • Project Implementation

- (i) *Greater involvement of IFAD staff in implementation.* Greater responsibility on the part of IFAD staff in terms of supervision and field presence could well improve implementation. While pilot activities in this regard have, *a priori*, generated positive results, it should be borne in mind that they may have a bearing on staff time and costs.
- (ii) *Involving the private sector.* Whenever appropriate, activities such as providing support services to the agricultural sector should be handed over to private operators. Furthermore, projects should be used as a tool for attracting private-sector investment in the rural areas (such as in microenterprises, agro-processing and marketing, etc.).
- (iii) *Involving CBOs and beneficiaries.* From the project design stage, beneficiaries, CBOs and civil society should be more involved in project implementation as well as target groups for advocacy and policy change. This includes women's groups, civil societies, NGOs, etc.
- (iv) *Linking grants to project implementation.* Non-loan resources help to strengthen project implementation, especially grants to invest in seed money for pilot projects and innovative

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approaches that governments are often reluctant to fund.

• **Partnerships and Policy Dialogue**

- (i) *Thematic partnerships with other agencies.* Given IFAD's limited resources, interventions and activities should be coordinated with collaborating agencies (such as the Consultative Group on International Agricultural Research (CGIAR), local think-tanks, local and international NGOs) along major themes such as rural finance, community development, etc. Synergies and complementarities should also be built up with IFAD's major partners in the subregion, such as the Arab Fund for Economic and Social Development (AFESD), the OPEC Fund for International Development, the Islamic Development Bank (IsDB), etc.
- (ii) *Long-term policy dialogue.* To be more effective in promoting policy change, IFAD will need to concentrate on one or two policy areas in each country in order to push for pro-poor reforms within its programmes and projects. The Fund should also work in coordination with its partners and engage in long-term policy dialogue with governments. It should also recognize that policy change may be slow and gradual, and that more effort and resources will be needed in order to engage in policy dialogue in areas where there is mutual understanding among all donors and the governments.

## **SUBREGIONAL STRATEGY FOR POVERTY REDUCTION**

### **Strategic Objectives**

The gradual transformation of countries in the NENA subregion from economies that were heavily controlled by the state to more market-oriented economies presents many opportunities and risks for the rural poor. Opportunities include improved representation of their needs in terms of policy-making; more choices in terms of what to produce and how to produce it; better access to markets and services; and, overall, greater potential for entrepreneurship and creative income-generating activities. The risks are that the rural poor will be left behind in terms of decision-making and access to services because they are politically weak and are not seen as a 'profitable' segment of society. IFAD's role in the subregion is to improve their access to these new opportunities and minimize the risks that may

accompany the transformation process. Given the degree of poverty and the specific characteristics of the subregion, IFAD's strategic objectives in the area focus on four main themes:

**Empowerment of the rural poor.** Poor rural people in the NENA subregion do not have a strong voice in political decision-making or civil society. They are poorly organized, they lack the necessary capital (physical, human, financial and social) to influence policy, and they are often geographically isolated and marginalized. Rural areas have often been left behind in terms of access to physical and social infrastructure, and the structural adjustment programmes that have rationalized public expenditure have further reduced public-sector spending in rural areas. Therefore, one of IFAD's objectives in the subregion is to empower the poor so that they can have more say in shaping their livelihoods, accessing resources and exerting their rights.

**Income diversification for the rural poor.** While there is strong interdependence between political and economic empowerment, politically empowering the poor is not enough to improve their livelihoods. Poor rural people also need to find ways of making a living to feed their families, send their children to school and improve their standards of living. However, given the limited land and water resources available, not all of them can earn their living from traditional crop production and thus they need to find other income-generating opportunities. These opportunities are often limited by scarce technology and physical infrastructure, poor skills and lack of training, weak local institutions, and inappropriate policies. IFAD's objective is therefore to assist in creating an enabling environment and to support institutions that may help the poor to diversify their income.

**Gender issues.** The serious gender inequalities that still exist in the subregion, despite the important role that women play in the rural sector, call for a strategic focus on improving their status. Awareness about the economic role of women in the subregion is increasing, and IFAD's objective is to continue its catalytic role in enhancing their livelihoods. This objective falls well within IFAD's Strategic Framework 2002-2006, in which increasing women's capabilities is identified as a crucial factor in reaching the Millennium development goals.

**Natural resource management.** The severity of the natural resource constraints facing the rural poor in the NENA subregion requires that IFAD should focus its projects on natural resource man-

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agement. IFAD-financed projects in the subregion should therefore strive to address the closely linked issues of rural poverty reduction, agricultural growth, and sustainable environmental management. The scarcity of water – the most critical issue – will need to be addressed as a matter of urgency. Land tenure and land-use reform are also important elements in accomplishing sustainable natural resource management. Better management of rangelands, highlands and fisheries is crucial because a large portion of the poor in the subregion depend on these resources for their livelihoods.

#### Areas of Intervention

**Community development and institutional building.** Building on its experience in this field of activity, IFAD will continue to be involved in facilitating the development of community groups, grass-roots organizations and local institutions that can empower the poor and address their livelihood needs. The specific focus in the NENA subregion will be on groups that can help to manage natural resources, such as water user associations, rangeland associations, fishermen's groups, etc. Institutional reforms are needed to provide farmers, herders and fishermen with secure rights to natural resources if they are to make investments in improving those resources and manage them sustainably over the longer term. Their involvement and full participation in conservation and development programmes is crucial to meeting these goals. Groups will be formed and trained to manage common property resources in a sustainable manner. Women's groups will also be targeted in view of the important role they play in the agricultural and rural sectors.

**Promoting appropriate technologies for marginal and dry-land areas.** IFAD will support research and extension programmes that focus on developing technology for the marginal and dryland areas, including research on forage crops, livestock, water-use efficiency and related socio-economic considerations. In particular, IFAD will support research on cash- and forage-crop varieties that are resistant to drought, salinity and poor soil conditions. The feasibility of changing from crops that require large quantities of water, such as sugar cane, cotton and wheat, to high-value crops that require less (such as trees) is a high priority. Suitable technology for improving water-use efficiency and applying more on-farm water-saving techniques is also crucial. Viable strategies for substituting barley cultivation with pastures in marginal areas need to be developed

as a means of preventing further degradation of the fragile resource base. Rangeland projects that cover environmental protection, range and livestock rehabilitation and management, and community organization are also needed. As women play a significant role in a number of specialized agricultural and animal husbandry activities, skills training programmes should be set up to teach them new technologies.

**Long-term on-farm investment.** There is no question that one of the best ways of improving rural livelihoods is to enhance the productivity of the agricultural sector. The returns to improved agricultural productivity have been proved worldwide, and the NENA subregion is no exception in this regard. To improve the productivity of the agricultural sector, and thereby the living standards of the rural poor, IFAD will support activities to help farmers invest in their farms. This will include investing in technologies that save water and reduce production costs in the long term (such as replacing surface irrigation by drip and sprinkler irrigation), planting fruit trees that are more drought-resistant, and investing in fencing for rangelands, terracing, land-leveling, etc.

**Rural infrastructure.** There is a growing awareness that rural infrastructure, such as small-scale irrigation, rural/feeder roads, drinking water supply and sanitation, is an important part of the overall enabling environment for successful poverty reduction. The multiplier effect of such investments is substantial in terms of increased economic activity and off-farm employment and the building up of assets in the rural sector. However, since rural areas, especially remote and mountainous regions, tend to have a low population density, the public and private sectors are reluctant to invest in them because of low returns and high maintenance costs. In collaboration with governments of the NENA subregion, IFAD will mobilize resources from other donors to finance infrastructure investments. Infrastructure works will be determined in accordance with the priorities of communities that contribute in cash or in kind and assume responsibility for maintaining the works.

**Rural financial institutions.** While IFAD will continue to work with formal agricultural development banks in the subregion, it will also increase its support to self-sufficient and sustainable community-based rural financial institutions. The specific institutional model may vary from country to country depending on the needs and the characteristics of the targeted communities. In some areas, pilot

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innovative approaches may be tested so as to ensure the viability of any full-scale programme before it is launched. In general, rural financial institutions will be encouraged to be financially self-reliant by mobilizing their own resources. To the extent possible, the development and design of schemes will involve the participation of stakeholders from the inception stage. It will also be important to build up the capacity of local institutions to take over the management and monitoring of microfinance schemes once projects have closed. IFAD should strive to work with local or international NGOs and private organizations that are specialized in facilitating the development of these services for the poor and that can help in training, TA and capacity-building. IFAD's strategy for rural finance will also involve policy dialogue with governments to foster the establishment of a suitable legal framework in support of decentralized and autonomous community-based financial institutions.

**Microenterprise development.** While the 'pull factor' of towns and cities is strong, the urban sector has a limited capacity to provide employment to the vast numbers of migrant rural youth. Furthermore, given the limitations of the traditional farm sector to absorb further labour, it will be important to promote the development of non-farm rural activities to diversify the rural poor's income sources. This will include activities such as dairy farming, tree-crop production, agro-processing, marketing of agricultural inputs and commodities, small-scale repair shops, manufacturing, etc. These activities will vary in accordance with the skills base of the country involved, and its comparative advantage and potential market demand. In this endeavour, capacity building and technical/vocational training will be key elements in IFAD's programmes, as will the targeting of women and rural youth in terms of their involvement in the micro-enterprises. Microenterprise development should be linked to the provision of rural financial services, as many such enterprises cannot be developed without access to finance. NGOs and CBOs will also be closely associated with these activities.

#### **Implementation Modalities**

For effective implementation of the above areas of intervention, IFAD proposes the following approaches on a country-by-country basis:

**Programme approach instead of traditional projects.** It would be perhaps more efficient, productive, and more likely to produce impact, were

IFAD's approach to development in the NENA subregion to focus on long-term programmes rather than individual projects, and on initiating individual projects within the context of programmes. Long-term programmes would encourage IFAD and other donors to have a more strategic and coordinated long-term vision of their involvement in the subregion. Such programmes would also allow IFAD to invest its resources in a more cost-effective manner, make savings, and attract additional cofinancing from donors in support of the programmes. They would also improve its ability to engage in long-term policy dialogue on the programme themes and, hopefully, to achieve greater impact in the long run. This approach would, however, imply more flexible design and lending schemes.

**Investing in innovative projects and pilot schemes.** Whenever appropriate, IFAD will continue to invest in innovative projects that are suitable for replication in other countries. Since projects involving community development and beneficiary participation have been more difficult to implement in the subregion, IFAD should continue to explore ways of speeding up the development of grass-roots organizations on a pilot basis. Successful schemes may then be selected and adapted to other countries, once they have proved their viability and sustainability in the original country.

**Targeting the poorest groups.** IFAD programmes and projects will strive to target the rural poor in areas with large concentrations of poverty. This will include farmers in rainfed areas (such as in Algeria, Jordan, Morocco, The Sudan, Syria, Tunisia, Turkey and Yemen); small-scale farmers in irrigated areas (Egypt, Lebanon and Yemen) and watersheds (Algeria, Morocco, Tunisia and Turkey); populations in mountainous and remote regions (Algeria, Morocco, Turkey and Yemen); rangeland herders (Morocco, Syria and Tunisia); and woman-headed households and unemployed rural youth throughout the entire subregion.

**Participatory approach.** IFAD will continue to elicit the participation of the communities that it is involved in, including grass-roots organizations, women's groups, NGOs, other development organizations, local government institutions and the private sector. To the extent feasible and appropriate, these groups should be involved in both project design and implementation.

**Capacity-building of local institutions.** Programme sustainability requires that local institutions be capable of continuing their work and activ-

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ities once IFAD's involvement has come to an end. This calls for allocating resources to build up the capacity of, and the provision of TA to, local institutions that are expected to take over the management of programme activities.

**Devolution to end users and private-sector involvement.** Given the weak budgetary and staff capacity of governments to continue providing services to rural communities, IFAD will support activities that encourage the devolution of government services to end users and the private sector. This will include veterinary services, agricultural marketing, maintenance of rural infrastructure (roads and water supply) and management of irrigation water, rangeland, watersheds and forests.

**Women-in-development.** IFAD's approach to gender mainstreaming will concentrate on involving women's groups and targeting poor rural women in ongoing and future projects of all types (rural finance, rural microenterprise development, new technology for dry areas, etc.). IFAD has already provided a TA grant for the purpose of enhancing the capacity of project staff and improving the performance of ongoing and future projects with respect to reaching rural women. Furthermore, IFAD will encourage women to organize themselves into civic forums so that they can express their needs and lobby for their rights.

**Supporting research and capacity-building programmes through TA grants.** IFAD will seek to mobilize further non-loan resources such as TA grants to enhance and support programme inception and implementation. These grants will be used to support specific activities in programmes that need research, TA, capacity-building or impact assessment. A good example here would be to seek grants to develop poverty maps in focus countries, which would be invaluable in helping IFAD to locate poverty pockets and thereby target its interventions more accurately. IFAD will also seek to mobilize financial resources for specific research to be carried out by research centres with a proven track record, such as the International Center for Agricultural Research in the Dry Areas, the International Food Policy Research Institute and the Arab Center for the Studies of Arid Zones and Dry Lands. Since the socio-economic aspects of income and poverty require greater attention, it will be vital to establish broader-based interaction with universities, policy research institutions, and governmental and non-governmental organizations in this regard.

#### **Pillars of the Action Plan**

The pillars of IFAD's Action Plan rest on four elements: policy dialogue, strategic partnerships, knowledge management and impact management. As described below, IFAD's strategy in the NENA subregion rests firmly on these elements.

**Policy dialogue.** Through its projects and programmes, partnerships with other donors and stakeholders, and its experience of working with the rural poor, IFAD can play a catalytic role by engaging in meaningful policy dialogue with governments of the NENA subregion. Apart from leading by example through the programmes it supports, IFAD aims at being more actively involved in helping governments to provide an enabling policy environment for the reduction of rural poverty. In many countries, policy constraints are often the greatest stumbling block to the empowerment and well-being of the rural poor. Therefore, IFAD will strengthen its role in the policy arena to address the needs of the poor in a more sustainable manner.

For the NENA subregion as a whole, the most important issues for pro-poor policy dialogue are as follows: (a) establishing a suitable legal and regulatory framework to support grass-roots organizations and local community-based institutions, including microfinance schemes and natural resource management user groups; (b) decentralization and transfer of responsibility and financial power to CBOs, with progressive cost recovery for services provided; (c) gender mainstreaming and greater advocacy for rural women's groups; (d) better targeting of rural poverty-alleviation activities to reach and empower the poorest groups; and (e) promotion of secure land tenure and user rights for natural resources (rangeland, water, fisheries, etc.).

**Strategic partnerships.** Given the limitations of its financial resources in face of the vast challenge of rural poverty, IFAD will actively seek, or build on, strategic opportunities for achieving complementarity and synergies with other important players and programmes. These partnerships may take the form of cofinancing or parallel financing, or involve the Fund in policy dialogue and knowledge management. Given the subregion's serious problems of desertification and land degradation, partnerships will be sought with the Global Mechanism and the Global Environment Facility. While IFAD concentrates on agriculture and community-based activities in area-based development projects, other institutions might support substantial infrastructure development or invest in education and health,

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both of which are essential to rural development in the subregion.

The main multilateral institutions suitable for strengthening partnerships in the NENA subregion, are World Bank, OPEC Fund for International Development, AFESD, IsDB, African Development Bank, Arab Authority for Agricultural Investment and Development, Food and Agriculture Organization of the United Nations, World Food Programme and the United Nations Population Fund. In terms of bilateral assistance, support has been received from the Governments of France, Italy, Japan, The Netherlands and Switzerland. Possibilities for collaboration with the European Union and the Government of Spain will be explored, given their common interests in the subregion.

**Knowledge management.** Through its extensive involvement in the subregion, which dates back more than 20 years, and its partnerships with other donors, IFAD has built up an extensive knowledge base that should be shared and disseminated. Furthermore, in areas where positive experiences are still tentative, such as in microfinance and participatory rural development, IFAD could achieve enormous benefits by learning from others and further adding to its knowledge.

In the NENA subregion, IFAD intends to focus on: (a) cross-fertilization with other programmes and countries in order to learn from, and share, experiences; (b) workshops and seminars that bring together stakeholders for the purpose of sharing knowledge and disseminating findings on rural poverty and ways of tackling it; and (c) grants to finance research on appropriate regional themes (such as agricultural research for dry-land areas, policy impact assessment, etc.) and disseminating the

findings at various forums and media outlets, including the Internet. The ongoing impact assessment of past TA grants is a good example of knowledge management in the subregion, since it aims at identifying cross-cutting lessons from past research to assist in the design of future programmes.

**Impact management.** In order to achieve more impact, IFAD will: (a) explore ways of becoming more involved in project implementation and supervision; (b) initiate TA grants to support project implementation and strengthen activities that governments are reluctant to invest in (supporting development of civil society, gender mainstreaming, etc.); (c) engage in further policy dialogue and long-term negotiations with governments on best practices for helping the rural poor; (d) focus on participatory development projects with more potential for long-term sustainability and ownership by the beneficiaries; and (e) engage in capacity-building and TA activities throughout the project cycle to promote development and strengthen the capacity of local institutions.

While it has been difficult to measure IFAD's past impact, greater efforts will be made in future programmes to assess the impact of development projects on beneficiaries and learn lessons of experience. This may be achieved by: (a) conducting evaluations based on feedback from participants and beneficiaries; (b) conducting anthropometric surveys, income and expenditure surveys, and other quantitative surveys to measure specific indicators (yields, water use, fish stocks, etc.); (c) monitoring policy change and the evolution of local institutions and their capacity to take over the development process; and (d) working closely with other stakeholders in the development community to develop better tools and indicators to measure and manage impact.



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Printed by: U. Quintily S.p.A.  
Rome, Italy, March 2002