IFAD is a specialized agency of the United Nations (UN). Founded as the result of a resolution of the 1974 World Food Conference, it began operations in 1977. Its prime objective is to provide direct funding and mobilize additional resources for innovative, cost-effective, replicable programmes that have sustainable impact on the condition of the rural poor in developing countries.

IFAD’s historic contribution to rural poverty reduction was its insistence that the economic empowerment of the rural poor would not happen simply as a result of the “trickle down” effect of macro or sectoral investments, but would require action targeted to the specific obstacles of the poor in their different circumstances as poor men and poor women, as small farmers, traders and small-scale entrepreneurs. It demonstrated that there are ways that the rural poor can effectively overcome these problems and sought, through that demonstration, to affect the policies and investments of governments and the international system of development assistance. In this process, it demonstrated not only that rural poverty can be effectively reduced through assisting the efforts of the poor themselves, but that this development among the poor actually facilitates and accelerates the overall growth process.

This is not the only necessary and/or viable component of poverty reduction and growth. The development of industrial and service sectors has made a vital contribution to poverty reduction in many parts of the world, although not yet in eastern and southern Africa (with the special exceptions of South Africa and Mauritius). Equally, the emergence of strong medium- and large-scale agro-industrial enterprises can, under certain conditions, make a valuable contribution to rural poverty reduction. Strengthening the productivity and assets of the rural poor themselves is, however, a vital part of the poverty-reduction equation – especially in this region in which so many of the poor are rural and base their livelihoods on their own small agricultural and agriculture-related activities.

Since IFAD’s establishment, and especially in the last half-decade, the battle to put poverty reduction at the top of the development agenda has been won, at least in the sphere of international development assistance. Nonetheless, attention to rural poverty questions has been insufficient in scale and focus. And in much assistance to rural poverty reduction, there is insufficient attention to enabling the rural poor to become more productive, to establish food security and to accumulate economic and social assets. The large investments being made in health and education are extremely important. But they will have their maximum impact on poverty when combined with investments in economic empowerment. This empowerment embraces both access to material goods and the organization of the rural poor so as to increase their voice in economic and political relations.
The volume of assistance being directed to the economic empowerment of the rural poor is inadequate and has declined. In this context, IFAD is working towards three over-arching objectives: raising the global commitment to pro-poor development in rural areas; focusing public/official assistance on areas critical to the economic empowerment of the rural poor; and broadening partnerships to include NGOs/community-based organizations (CBOs) and the private sector. On the donor side, there is no longer a clear ‘sector leader’ in rural and agricultural development in the region. IFAD is seeking to support the process of stakeholder coalition-building around the major issues in rural poverty reduction, including, but by no means limited to, mobilization of increased cofinancing for programmes it has a role in initiating. The critical issues for IFAD are that economic empowerment is perceived as vital to rural poverty reduction, that there are agreed priorities established in full consultation with the principal stakeholders, that donor assistance pursues these priorities in full collaboration (and possibly within an agreed division of labour), and that social investment is better aligned with productive investment. Within this general thrust, four dimensions of its work are of key importance: maximizing impact, fostering partnerships, developing a supportive policy framework and mobilizing knowledge.

Maximizing Impact Among the Rural Poor
What the poor want, what governments want, and what donors want is positive impact: tangible and sustainable improvements in the condition of the rural poor. This is also what IFAD wants. Its measure of success is not how much money it commits or how much of this is spent, but the difference it makes in achieving the 2015 targets according to the priorities established by the rural poor themselves. A basic dimension of IFAD’s work in the region is constant monitoring of impact and comparison of different approaches to the fundamental objectives. In this, it will be increasingly allying itself with the rural poor. The poor understand best what they require and can best assess the results of what is done within development assistance. Basic to the emphasis on impact is participatory planning, focused and effective management based on adequate monitoring and better evaluation.

One of the major challenges is to move the responsibility for impact management from IFAD to its country partnerships. At the project and programme level, IFAD invests in training programme management in the use of the participatory logical framework (logframe) approach and in the upgrading of monitoring and information systems. However, the issue goes far beyond this. At the very least, it involves that governments accept that the prime objective of investment is poverty reduction – and that the means adopted should be determined only on the basis of efficiency. This does not necessarily involve the abandonment of public-service approaches to some activities, but it does signify that public services be increasingly accountable to those whom they serve – and that the public sector be subject to user evaluation.

IFAD has made important progress with many governments in adopting an efficiency approach to investment, and some major programmes are now being undertaken almost
entirely on the basis of private-sector and NGO/CBO activities – in association with more focused, streamlined and upgraded public services. This will continue to be a major thrust – in the sense of diversifying sources of supply and ensuring that all actors are included on the basis of what they can bring to the specific problems confronting the rural poor. Implementation should be according to comparative advantage – not according to acquired/prescribed rights to resources. Behind this lies an issue that touches the heart of the political economy of rural poverty – whom development is for – an issue often translated into a very simple question in re-elaboration of service systems, i.e. are they for the user or the service provider? Impact cannot be separated from efficiency; neither can it be independent from accountability. In the last analysis, the best guarantee of effectiveness and impact is not management technology (alone), but the accountability of management to those they serve.

**Mobilizing Partnerships**

The changing configuration of development assistance has put a premium on partnership: between governments and donors within nationally formulated programmes; among all stakeholders in promoting constructive policy and in sharing ‘how-to’ knowledge; and between governments/donors and civil society (very much including the rural poor and the private sector) in defining and implementing a change process. For IFAD, partnership is and must be at the centre of its strategy of putting rural poverty alleviation back at the centre of national and international development agendas for eastern and southern Africa.

For IFAD, partnership has at least two critical dimensions: it is a basis for more effective and coordinated use of development resources (both national and international) and for enhanced dialogue and influence in focusing policy and resources on rural poverty alleviation. Partnership development is about better coordination among governments, donors and other organized development stakeholders (such as NGOs). Just as important, it is also about bringing the poor into the policy and institution-building process – boosting ‘participation’ from the local and project level to the national level. IFAD sees this as the only real guarantee for making development assistance accountable to those it is ‘for’.

A high percentage of IFAD’s projects have long been developed and financed with other agencies, both multilateral and bilateral. In the period 1995-2000, 68% of the programmes supported by IFAD in the region had international cofinancers, with mobilized cofinancing equivalent to some 79% of the IFAD loan commitment. Direct financing partners in loan- and grant-based activities include the African Development Bank (AfDB), Belgian Survival Fund, European Union, FAO, OPEC Fund, World Bank, World Food Programme, Australia, Denmark, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Switzerland and the United Kingdom. Partners in executing grant-based research programmes include FAO, numerous Consultative Group on International Agricultural Research (CGIAR) centres and other international/regional institutions. In addition to collaboration with every individual
country in the region, IFAD is also working with regional institutions, particularly the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa.

Partnership frameworks for resource commitment, policy dialogue and programme formulation have become even more central. In this regard, IFAD has: (i) a formal memorandum of understanding covering collaboration with the World Bank and will have a similar one with the AfDB; (ii) is a full contributor to the Debt Initiative for Heavily Indebted Poor Countries; (iii) seeks to actively engage in PRSPs, comprehensive development frameworks (CDFs), comprehensive country assistance strategies (CCASs) and United Nations Development Assistance Frameworks (UNDAFs) in priority countries; and (iv) has been an active contributor to the comprehensive and multi-donor agricultural-sector investment programmes (ASIPs) in Lesotho, Mozambique and Zambia.

IFAD was a full participant in the UN Secretary General’s high-level task force on the crisis in the Horn of Africa, and is already programming targeted development assistance to the most vulnerable populations in livelihood systems most at risk. IFAD has also been one of the lead supporters and financiers of the SADC Multi-Donor Hub in Harare, which is orchestrating and increasing donor support of the regional capacity to develop and implement rural poverty-reduction strategies and programmes. Next on the agenda is the construction of national-level rural development fora for focused collaboration among stakeholders, creating common mechanisms for the analysis, consultation and impact monitoring that are now being developed separately by many stakeholders.

The challenge of partnership is not only in mobilizing and coordinating investment commitments in core economic empowerment issues. It also involves much closer intersectoral operational collaboration. For example, IFAD’s core experience and comparative advantage do not lie in social investments in the conventional sense of improvements in health and general education. Nonetheless, IFAD field assessments have shown that social areas are vital to its target groups, for whom health issues are of particular concern. IFAD’s strategy for addressing ‘social good’ issues in its operations in the region is one of close partnership with other agencies with a higher level of expertise in those areas.

Much of the community and social development work within the context of IFAD programmes is conducted by NGOs. With their detailed knowledge of the local context and their cultural integration, they can facilitate and strengthen the work of government and international development agencies. They are particularly valuable in group promotion and training, and in stimulating participation. In some cases, NGOs with the required skills also become involved in technical aspects of project implementation, for example agricultural production technology. IFAD collaborates with some 75 NGOs in the region, and of course with numerous farmers’ and community-based organizations. In 2001 IFAD launched an enhanced programme of NGO collaboration based on grant resources provided by the Government of Italy. Its objective will be to strengthen the capacity of local NGOs to operate as stand-alone partners rather than programme subcontractors.

Inter-agency, inter-donor and NGO collaboration is essential. But partnership is also
very much about country stakeholder leadership. IFAD-supported programmes have always been nationally executed, and now all programmes are inscribed in national sectoral plans and implemented by regular, national operational structures. The objective, however, is to go substantially beyond that to the point at which programmes are the means by which agreed and coherent national policies are implemented. In Uganda, IFAD was the first external financier to commit resources to the Government’s Comprehensive Plan for the Modernization of Agriculture, which had been worked out in close consultation with international supporters. In Tanzania, IFAD is giving the first major impetus to national implementation of the Government’s rural finance policy. Partnership is progressing from ad hoc project operations to long-term, collaborative and wide-area programmes of policy development, capacity-building and national investment, oriented not only to capitalizing upon pre-existing facilitating frameworks but to bringing such frameworks into being. While IFAD retains its mandate for innovation through localized ‘demonstration projects’, it is increasingly charged with the task of putting together broad coalitions of support for scaling up positive, localized experiences to the level of national systems. Sustainable development and effective empowerment among the rural poor will require that the rural poor themselves be seen as the protagonists of their own transformation, and that they be approached in a partnership rather than a patronage relationship. This has long been pursued at the project and programme level. The challenge confronting IFAD and governments is to support the organization and empowerment of the rural poor beyond narrow involvement in projects to broader participation on an independent basis in making economic, social and political relationships outside project enclaves. Implicit in IFAD’s strategy is recognition and acceptance of the probability that there will be no single ‘voice of the poor’. Social, political and economic differentiation of the poor is as real in eastern and southern Africa as elsewhere, and it will be necessary to abandon reductionist concepts such as ‘the community’ in favour of support for different groupings expressing different opportunities and interests. In the region, IFAD is strengthening its relations with NGOs (including development of new financing mechanisms), principally with regard to their role in giving assistance to group development, especially among the poorest – and with CBOs in their capacity as accountable service providers. In the light of a joint analysis in 2000 (by IFAD and NGO/CBO partners), priority will be given to the forging of new relations in which NGOs emerge less as subcontractors to IFAD-supported programmes and more as independent but coordinated contributors to grass-roots-based processes – including impact-monitoring and policy review and articulation. It is fundamental to IFAD’s vision of sustainable mechanisms of rural poverty reduction that the formal private sector play an increasing role in the economies of the poor – as providers of services and as integral parts of production and processing chains. IFAD is seeking to promote this association in all its operations in the region. This will be a form of ‘partnership’ necessarily different from partnership with the poor, NGOs/CBOs, governments and donors. All of these can be assumed to share the objective of poverty reduction to some degree. This would not normally be an objective of
private-sector actors (whose interests are more personal/corporate than social). In addition to seeking to facilitate expansion of private-sector services accessible to the rural poor, IFAD is seeking to ensure that the poor are sufficiently well-organized and informed to negotiate equitable relations with their new partners.

**Contributing to a Supportive Policy Framework**

While direct public economic services to the rural poor will probably be of declining significance as alternative, non-public economic relations develop in the region, public policy will retain critical significance. While policy has created severe obstacles to the reduction of rural poverty in the past, it may play a major role in establishing the foundations and framework for pro-poor growth in the future. Policy will play a vital role in ensuring that public expenditure is focused on key material and institutional bottlenecks in the social and economic advancement of the rural poor, and it will shape the way in which new forms of non-public organization develop. For example, the emergence of new systems of rural finance to serve the interests of the rural poor is vitally dependent upon overall financial-sector policy and the regulatory framework, just as the intensification of the commercial network in rural areas is deeply affected by public policy with regard to the regulation of trade.

IFAD has long been involved in policy and institutional issues bearing upon the projects and programmes it helps finance. Its engagement is being upgraded, and IFAD will be more involved in dialogue on the general directions in development policy. Most of the countries in eastern and southern Africa are currently engaged in accelerated development of PRSPs as a result of their involvement in the Debt Initiative and in eligibility for the International Monetary Fund’s Poverty Reduction and Growth Facility. In their design, elaboration and implementation, PRSPs represent a major opportunity for all stakeholders to enter the dialogue on public policy directions for poverty alleviation. IFAD will participate in this, working with other stakeholders to ensure that this process is as participatory as possible. Its engagement will be directed towards ensuring that policies reflect the realities of poverty at the country level and take into account the predominance of rural poverty, the need to accompany social investments with support for economic empowerment and to seriously address the gender dimensions of rural poverty. Policy development will not end with ‘full’ PRSPs. They should provide a foundation for more fruitful policy and institutional dialogue in the future. IFAD will be part of this, and more importantly, it will seek to ensure that the organizations of the poor play a central role.

The principal day-to-day policy support offered by IFAD will continue to be implemented at sectoral and subsectoral levels. As IFAD programmes are continuously upgraded from a project to a broad programme footing (e.g. from savings and loan groups in a particular district to rural financial systems with a national scope), the policy issues involved are correspondingly broadening. Programmes become the platforms for supporting policy dialogue (principally among national stakeholders) and also the means of pursuing it (through support for policy development and institutional reform within the programmes themselves). In effect, both programme and policy work become deeper and
more focused – with a growing emphasis on a limited range of areas identified in consultation with national stakeholders as having crucial significance to rural poverty reduction. The adding of value to policy dialogue must be based on depth of experience and analysis, and IFAD will make its own contribution in the area it knows best: economic empowerment of the rural poor. It will follow other leaders on issues in which it has less experience, although retaining a commitment to support for the basic conditions that underlie all sustainable improvement: greater organizational strength of the poor and their direct involvement in public decision-making processes. The centre of this programme approach to development assistance is to give explicit and material support to national stakeholders, especially the poor, to define and pursue policy issues as they see them.

**Mobilizing Knowledge**

When IFAD was first established, there were few international resources earmarked for the rural poor. The situation has changed dramatically. But new money comes accompanied by relatively little recent experience – particularly in the area of economic empowerment of the rural poor. Correspondingly, IFAD’s value-added in eastern and southern Africa is not only the material resources it brings, but twenty years of experience in discovering what is important for the rural poor and what works in rural poverty reduction. This knowledge should inform not only IFAD’s work, but also the work of others – in investment programmes, policy dialogue and partnership development.

IFAD is undergoing restructuring, and one of the objectives is to enhance its regional and global role as a knowledge centre for rural poverty reduction. This involves better capturing and analysing IFAD’s own experience, the experience of governments and donors, and the views and experience of the poor and civil-society partners; sharing knowledge with all stakeholders and reflecting it in IFAD’s own activities, including partnership development and policy dialogue; and using IFAD operations and partnerships to generate and capture new knowledge about emergent key issues. As in other areas, this will involve focus. In eastern and southern Africa this means concentrating knowledge-management operations on those issues critical to support for the programme of investment and policy dialogue, which themselves will be subject to periodic review and adjustment. Work in this area is already well in hand, through regional studies on rural finance, water management and rural technology systems. Increasingly, this work will be conducted on a collaborative basis – for example, the planned joint work with the World Bank on water management, the studies done with the World Bank and local stakeholders on rural finance in Ethiopia, case studies in rural technology undertaken with the Centre for Development Research, Denmark, and action research on rural knowledge networks with FAO. IFAD’s objective is to establish the principles of focus and integration in its operations in the region. It will seek to ensure that the broad range of needs of the rural poor are responded to – but not exclusively by itself. IFAD will increasingly concentrate on developing its capacities in a few key areas, capitalizing upon its ability to deepen its experience and expertise, and counting upon partnership with other agencies for answers to other issues.
**IFAD’s Operational Commitments**

*Financial Commitments*

IFAD’s principal development instruments have been loans to governments in support of investment programmes in rural areas. IFAD’s role is not to independently formulate and implement programmes. Its job is to collaborate with national stakeholders in planning programmes that are implemented nationally by governments, civil-society organizations and the rural poor – and to provide guidance and support during execution. Its functioning is based on the principle of partnership and stakeholder ownership. Its role has recently expanded to include fuller participation in policy dialogue on rural poverty reduction – and the systematic sharing of its operational knowledge on rural poverty with all other stakeholders, both national and international.

The larger part of IFAD’s resources are disbursed to governments through loans on the following terms:

- **highly concessional terms** to low-income countries (17 of the 21 countries in the region). These are free of interest but bear a service charge of 0.75% per annum, with a maturity period of 40 years, including a grace period of 10 years;
- **intermediate terms** that carry a variable reference interest rate equivalent to 50% of the interest charged on World Bank loans and have a maturity period of 20 years, including a grace period of five years;
- **ordinary terms** that bear a variable reference interest rate equal to that charged by the World Bank and have a maturity period of 15-18 years, with a three year grace period.

IFAD charges no commitment fee for its loans. Borrowers pay only for the money they use. Under its constitution, at least two thirds of IFAD loans must be granted on highly concessional terms.

By the end of 1999, IFAD had globally financed 548 programmes in 114 countries for a commitment of some USD 6.8 billion. Governments and other financing sources in recipient countries have contributed USD 6.9 billion, and other external financiers a further USD 5.8 billion – for a total portfolio value of USD 19.5 billion. IFAD’s historic lending to sub-Saharan Africa is approximately 35% of the total, divided between the regions of western and central Africa and eastern and southern Africa. IFAD also makes grants to NGOs and for activities such as environmental impact assessment, agricultural research and training.

By the end of 2000, the countries of eastern and southern Africa had received IFAD loans totalling USD 1.2 billion to finance 105 programmes in 20 countries. In July 2000, IFAD was supporting governments in their poverty-alleviation efforts through 49 operational programmes in the region (see Annex II). In contrast to the general trend in external development assistance, which is away from rural/agricultural development and Africa, IFAD’s resources remain exclusively focused on rural poverty alleviation, and sub-Saharan Africa remains the highest priority.
In the period 1995-99, IFAD financed 29 programmes in eastern and southern Africa, involving loan commitments of approximately USD 328 million. For IFAD, 1999 was a record year in the region: seven programmes with a loan value of USD 113 million. The commitments of the main multilaterals have been broadly comparable (including AfDB, which lent USD 350 million for agricultural development in the region in 1996-1999). However, a distinguishing characteristic is that all IFAD programmes are focused exclusively on the rural poor, and most of the institution-building IFAD has supported has been at the local level and among the poor themselves. Generally, there has been complementarity between IFAD- and World Bank-supported activities and programmes – with IFAD focusing on smallholder- and local-level change and the World Bank addressing ‘upstream’ change in public institutions (ministries of agriculture, research and extension systems, etc.). The large majority of IFAD-supported programmes are developed with cofinancing partners; a very small proportion are exclusively financed.

**Towards Stakeholder-Led Country Portfolios**

As its experience has developed, and as the context of poverty reduction has evolved, IFAD has become engaged on many ‘fronts’ in the region. It develops and finances investment programmes with the rural poor and a wide variety of other stakeholders; supports programme and project implementation; engages in a broad spectrum of policy dialogue; forges partnerships with national and international development stake-
holders; supports NGOs within and outside programmes; finances regional research and training activities on a grant basis; and is launching an important programme for knowledge mobilization for the empowerment of the rural poor.

IFAD mobilizes two principles to ensure coherence among these types of engagement: concentration of the IFAD/country interface; and the strategic organization of country portfolios, which include not only lending activities but all IFAD country operations. The IFAD country portfolio manager deals with all IFAD activities in any given country. A modified matrix organization stands behind him or her and provides policy and technical support, but the integration of activities is based upon their being managed through a single point of responsibility and accountability.

The coherence of these activities is based upon their development within the framework of IFAD country strategies, which have been agreed on with in-country stakeholders and placed in the context of the international development assistance effort. A country strategy defines key operations under all headings and elucidates their complementarity in support of principal objectives, which will themselves be defined in terms of country needs, IFAD’s comparative advantage and the commitments and plans of other stakeholders. This is the mechanism through which IFAD seeks integration into the PRSP/CDF process and coordination with other United Nations agencies. The question is not how IFAD stands out, but how it fits in: sometimes in a leadership position, but always in coordination with others. The principal task for IFAD in the region now, as for all other development agencies, is to ensure that national stakeholders take the lead in establishing strategic priorities – and, among national stakeholders, to ensure that the views of the rural poor take priority.

**Flexible Lending Mechanism**

For many decades, international development agencies had used ‘blueprint’ programmes in which objectives, inputs and expected results were detailed from the beginning with an implementation time frame of five to six years. However, this approach did not adequately allow for the participation of beneficiaries and other stakeholders in determining the direction and activities of a programme or changes dictated by new circumstances and needs. IFAD’s changing significance in the international assistance system in the region, the need to ‘learn by doing’ in a changing environment, and the premium placed on responsiveness to the poor have led to changes in the way the Fund operates at the project/programme level and in policy dialogue. One new tool is the flexible lending mechanism (FLM), which was approved by IFAD’s Executive Board in 1998. The FLM was created in response to a need that emerged as IFAD increasingly focused on stakeholder participation.

Under the FLM, a longer time frame for programme implementation is provided (10-12 years), and there is a clear articulation of the long-term development objectives. But the specific programme activities to be supported are developed within an iterative and phased design process over the extended period of the loan, allowing for greater flexibility in planning and in resource allocation. There are clearly defined preconditions or “triggers” for proceeding to subsequent cycles of programme activities, and an enhanced role for monitoring and evaluation to ensure that programmes remain on track in pursuit of their
overall objectives. The FLM allows for ‘process’ programmes, that is to say programmes that develop as they go along and are responsive to beneficiary priorities, with adequate time to achieve the capacity-building required for lasting change and development. Increasingly, IFAD is seeking to focus its operations and policy dialogue on a limited set of core smallholder and rural poverty issues in the region. It is using the FLM approach for larger operations executed over a longer period, with joint commitments with governments and other stakeholders to decisive action in the event of development bottlenecks. Two of the five IFAD programmes approved in 2000 for the region were based on the FLM. Non-FLM programmes have adopted many of the same characteristics.

**Articulating Strategy at the Country Level**

This more structural engagement by IFAD in the rural development process has involved a corresponding emphasis on a strategic orientation in portfolio development (including loan operations, grant financing, policy dialogue, knowledge development and partnership-building). Since 1998 all new IFAD programme commitments have been based on existing country strategic opportunities papers (COSOPs). These articulate IFAD’s perspective on the main issues in rural poverty reduction, policy development goals, local partnership strategy and the principal proposed areas for IFAD support – in the light of its own comparative advantage and the plans of other stakeholders (national and international). Initially developed on an internal basis, these strategy papers are now used as bases for establishing consensus with governments, civil-society organizations, associations of the poor and international development financial institutions, both bilateral and multilateral.

Like the World Bank’s country assistance strategies, COSOPs articulate a medium-term strategy. IFAD’s COSOPs focus exclusively on rural development and livelihood improvement among the rural poor. A major challenge confronting IFAD and other development stakeholders is to progress towards truly joint strategies – including a common understanding of rural poverty, agreed priorities for and modalities of action, distribution of responsibilities according to comparative advantage, and concrete resource commitments over the medium term. Another major challenge is making rural development a priority of national and international stakeholders so as to dissolve the uncomfortable contradiction between stated poverty-alleviation goals and the actual distribution of ‘anti-poverty’ resources.

**Cross-Cutting Strategic Concerns**

Differences in the nature and basis of poverty, and in the institutional and policy environment, dictate different solutions. IFAD’s detailed operational strategy in eastern and southern Africa is quite different from its strategy in Asia and the Pacific, for example. Notwithstanding wide variation in the content of IFAD operations, two threads run through all its work that are vital to the task of putting people in charge of their own destinies: promoting people’s empowerment and ensuring that those obstacles to poverty reduction based in gender relations are effectively addressed and overcome.
Participation, Empowerment and Inclusion

The importance of stakeholder participation in development programmes was only 
beginning to be recognized in the years when IFAD was being created. It moved 
towards centre stage with the World Conference on Agrarian Reform and Rural 
Development of 1978, and even then there were different interpretations of what par-
ticipation meant. These ranged from creating associations or cooperatives to people 
paying part of the cost of their health services, and even to mobilizing communities as ‘vol-
unteers’ to engage in building infrastructure.

It took most of two decades to reach the generally accepted conclusion that participa-
tion means that stakeholders, and particularly the marginalized majority, become involved 
in the planning of initiatives that affect their lives, as well as being involved in imple-
menting and evaluating them. This implies strengthening the social and economic rights 
of poor people – and helping them gain the confidence to assume an independent role in 
decision-making. Beneficiary communities must be empowered to the point at which 
their decisions and actions can have a tangible impact on programmes. In order to achieve 
that, they must be assisted in building the institutions, skills and knowledge necessary to 
articulate viable strategies and become major contributors to their realization.

Within development programmes, participation cannot be achieved through one-
time events, such as a single or even several workshops during the formulation phase. 
Empowerment is not just ‘hardware’ plus a workshop. Participation must be an itera-
tive process between communities and government staff, or other programme imple-
menters, that repeats contacts and consultations on a regular basis throughout the plan-
ning and implementation cycles. This necessitates major investments in social capacity 
and process – within programming instruments that have historically been stamped by 
an engineering metaphor. Ensuring participation requires budgetary resources and time. 
It can cause slow programme start-up, and it may introduce pauses in programme 
implementation when consultations with stakeholders show a need for reorientation of 
activities. However, expending resources and time on participation often makes the dif-
ference between reaching programme objectives or not reaching them, and it is critical 
to the sustainability of achievements.

Participation in programmes is no longer the (sole) objective – the objective is enhanc-
ing effective participation in the decision-making processes of all crucial factors bearing 
on normal, everyday life and building the institutions through which influence and 
control are sustainably articulated. Programmes can help promote that, but should not 
circumscribe it. A particular objective of IFAD-supported programmes is expanding the 
inclusiveness of participatory mechanisms and institutions through which the poor 
exercise voice and influence. Empowerment very much includes the effective participa-
tion of those who have rarely been consulted before. Any drive towards participation 
that does not specifically address obstacles to the inclusion of the marginalized is not 
likely to contribute significantly towards poverty reduction. Any effort that does not 
contribute to the creation of a sustainable institutional framework is unlikely to have 
enduring results.
Since all IFAD-supported programmes are nationally managed and implemented, the incorporation of participatory approaches depends on the willingness and capability of national staff and other stakeholders. IFAD has provided many workshops in participatory methods in the region, but the will to use them often requires a major change in mindset to break from the working methods that government staff have used in the past. The change involved is not merely cultural; it is political. In order to take root, it has to be supported by the governance framework, signifying that enduring change at the local level requires a supporting and enabling framework that transcends the scope of local interventions. A positive national governance structure is a critical factor in effective participation and accountability at the local level. But in no sense does effective participation mean only (if at all) lessened ‘interference’ from higher levels. It also means a recomposition of the local level – not least a process of decomposition/recomposition that overcomes ‘traditional’ mechanisms of local exclusion to include, for example, the poorest, women and youth.

Support to beneficiary participation, as one of the principal bases of programme design, implementation and evaluation, has promoted sustainability and impact across the IFAD portfolio and been a central objective for all IFAD operations. It has held these roles, for example, in small-scale irrigation development (as in the essential role played by water users’ associations in IFAD’s water development portfolio across the region), in natural resource management (as in the case of local and regional co-management committees for coastal fisheries in Mozambique), and in the construction of financial systems on the foundations of member-based savings and credit groups (as in Tanzania). It is also an essential element of good programme evaluation and management – not only to assess performance and impact against initial expectations, but also, and perhaps even more importantly, to clarify what is important to participants.

Participation makes for better and more effective programmes. But, for IFAD, support for effective participation is no longer only a tool for improving project impact. The objective of enhanced participation takes the new form of empowerment of the poor, and empowerment becomes not a programme means, but a programme goal. IFAD is under no illusion that a substantial reduction in rural poverty will take place on the basis of the empowerment of the poor alone, but over two decades of experience have demonstrated very clearly that material inputs have little sustainable impact unless provided within an enduring framework of influence and control in which the poor are included and have weight. This is true everywhere. It is particularly true in sub-Saharan Africa, where over two decades of focus on material factors at the expense of voice and control factors has contributed enormously to a general failure to make progress in the problem of rural poverty.

**Gender**

IFAD’s lending policies make particular reference to rural poor women as a target group. By 1992, it was increasingly recognized that the approach should broaden, and IFAD expanded its focus from women to gender relations, taking into account the situation of both men and women, and the relationship – often complementary – between
their economic, social and cultural functions. Gender relations do not typically explain or cause rural poverty. They explain why rural poor women are often poorer and more vulnerable than rural men – and why some resources are subject to suboptimal use from the point of view of household (and sometimes community) income and food security. Any drive to include the poor in the development process that fails to address the specific problems of inclusion of poor women is likely to have limited impact: addressing gender relations is an essential aspect of all development activities. The gender issue is one of the most important to be addressed under the headings of inclusion and the empowerment of the marginalized.

This is patently clear in the case of eastern and southern Africa. In rural areas, poor women are of outstanding economic and social importance: they produce most of the food, are responsible for household food security, look after the family’s small animals, fetch wood and water, and care for their children and homes. In addition to women being major contributors to the economy of men-headed families, there is a high proportion of women-headed households among the rural poor, in which the well-being of the household falls principally upon the shoulders of the woman head. In areas in which IFAD-supported programmes operate in Zimbabwe, for example, 19% of households are headed by women, and an additional 18% have an absent man head of household. Thus almost 40% of households are de facto headed by women.

The numerous women who head households because they are widows due to war or AIDS, or because of marital breakdown, generally have more authority to make decisions, but they often remain marginalized. Custom or civil laws may debar them from inheriting or owning land, or from gaining stable access to it. The same often applies to finance. Rural poor women make up a large percentage of the rural poor. However rural poor women are the least empowered members of the rural community – sharing many of the problems of rural poor men, but bringing even fewer assets and ‘rights’ to the challenge of overcoming them.

Given women’s predominant role in food production in most rural areas of the region – and the especially acute problems arising from the high rate of AIDS-induced adult mortality – IFAD is seeking to strengthen its support to the addressing and overcoming of gender-relationship problems as a source of marginalization, poverty and development underperformance. IFAD recognizes that women’s and men’s contributions to decision-making and livelihood strategies vary for several reasons: women’s reproductive role; uneven rights and obligations within the household; and women’s more limited access to resources, information and knowledge. It also recognizes that these differences are consequential – that they deeply affect the ability of rural poor people to put together viable food-security and income-generating strategies. Gender issues are not by any means the only cause of the poverty of rural poor women, but they do have a clear impact – and in many cases a negative one.

It is a commonplace assumption that gender is a relational phenomenon. But it is also true that the principal ‘losers’ in these relations are women. Progress involves targeting women and seeking to strengthen women’s social and economic rights. It also means
empowering them within the gender relationship – effective rights are anchored in an organized voice. IFAD’s experience in the region confirms that participating in groups empowers all the rural poor, but it is particularly important for rural poor women.

Training of programme staff in gender issues and analysis has been conducted in several countries of the region. However, there is also a critical need to work with communities on gender issues. An IFAD-supported programme in Zimbabwe, the South Eastern Dry Areas Project, exemplifies IFAD’s promotion of community sensitivity to gender issues. The approaches used have been:

- involving all segments of communities – men, women, youth, richer and poorer households – in identifying activities to be supported by the programme. This has prevented anyone from feeling left out and has increased the sense of programme ownership from the beginning;
- organizing separate discussion groups for women and men to encourage free expression about gender issues;
- setting quotas for key decision-making meetings, requiring attendance by two representatives from at least 70% of the households, and that at least half of the people attending be women;
- encouraging equal representation by women in all elected bodies; and
- developing programme guidelines to ensure full participation and access to benefits for the poorest and most disadvantaged households, which encompass most women-headed households in the programme area.

The point is not simply to ‘sensitize’, but to provide a foundation for improved access to assets (e.g. land improved under small-scale irrigation programmes) and to make support more relevant to the needs of poor women as the region’s “number one marginalized group”. Success in terms of female participation has sometimes been startling. IFAD has supported local savings and credit groups throughout the region. Almost invariably, the principal participants in these activities have been rural poor women, and their involvement has contributed palpably to high levels of impact and sustainability. Equally, rural women have taken a leading role in supporting and benefiting from community-based health and water initiatives – and, notwithstanding stereotypes, poor women have often been leaders in cash-crop-oriented production support activities, where these have been designed to express their interests and utilize their assets.

Such activities at the programme level are demonstrably beneficial for women and the overall process of poverty reduction, and review of IFAD’s experience suggests that there is still scope for significant further improvement. What is less clear is the ability to succeed at changing gender relationships at the level of the non-programme resources and processes that constitute the foundations of the lives of rural poor people – access to land, for example. IFAD’s strategy is to contribute to sustained change in the everyday mechanisms that create and perpetuate rural poverty. With the support of the Government of Norway, it is investing substantially to better understand the gender problematic among the rural poor in the region and to identify those factors and processes that can promote positive and sustainable change.
In a departure from many previous approaches that have been both outside-in and top-down, this operation starts with a diagnosis of principal poverty constraints and gender challenges by rural poor people themselves. Empowerment starts with the ability and the right of poor women and men to define their development problem. It seeks not only to improve the approaches of existing and future programmes, but also to lay out a path that stakeholders can follow in graduating gender from a project/programme issue to a truly structural problematic within the general strategy for social and economic transformation that is a *sine qua non* of effective poverty reduction.
Empowering the rural poor in the context of economic and political liberalization; focusing on inclusion and gender challenges; recognizing and investing in the social totality of the development of poor people – all these are basic to IFAD’s approach in eastern and southern Africa, as elsewhere. These should top the agenda of all stakeholders in the accelerated reduction of rural poverty.

The obstacles facing the rural poor are complex and multisectoral. No single institution can mobilize adequate resources and ‘cutting-edge’ knowledge in all these fields – but the rural poor deserve excellence from their partners. Thus the optimum configuration for development assistance is institutional specialization within a higher level of coordination among centres of excellence, each of which can make decisive contributions in a particular area to field-level change, institutional development and policy improvement. This requires each stakeholder to identify its areas of comparative advantage – and build upon them.

Most international development partners in the region are heavily engaged in social development issues. This engagement is essential, but it tends to neglect the economic dimensions of the livelihoods of the rural poor. It is on these vital dimensions that IFAD will focus in eastern and southern Africa – in coordination with the more social activities of many other stakeholders and in concerted support of the vital framework factor of good governance.

Even the economic aspect covers a multitude of issues, and IFAD has made a strategic decision to focus its portfolio of activities on a limited number of areas critical to growth for the rural poor. Only through such a rigorous focus will IFAD be able to deliver on the requirement to operate simultaneously at various levels (e.g. partnership development and coordination, policy dialogue and impact management).

Some of these focal areas encapsulate a great deal of existing experience; others will be sites of accelerated knowledge development for IFAD. The six principal thrusts will be:

- promoting efficient and equitable market linkages;
- building rural financial systems accessible to the rural poor;
- improving access to and management of land and water by the poor;
- strengthening demand-based information and technology systems;
- supporting community- and household-based mechanisms for the prevention and mitigation of HIV/AIDS infection; and
- providing a basis for pro-poor development in post-conflict situations.
The first four thrusts address the business issues that the rural poor confront in building better and more sustainable livelihoods in a context of radical change. They involve critical factors for the transition to a new and more effective framework for income generation, including policy, institutional and asset issues that require new relations among all actors: public, private, civil society and the poor themselves. These business issues are affected by the environment of public policy, services and material investments. They must be addressed within a new governance environment in which increased participation by the poor generates a stronger public platform from which to confront private challenges.

IFAD will explore means by which the poor can better organize themselves to attract and sustain relations with more developed elements of national and international market systems – helping globalization work better for the poor. It will be trying to link and to catalyse. These means cannot be encompassed within traditional development programmes. They involve important political change, institutional development and articulation of new partnerships. They also hinge upon relationships rather than things, and upon relationships among predominantly national actors and forces. Very often in the past, development programmes tried to supply the forces of development and change from the outside. This is neither appropriate nor sustainable. IFAD’s objective is the facilitation of relations that are potential or latent within rural areas – helping them come to light, driven by and for the benefit of the rural poor.

Such relations are not just social. They are also physical and spatial. There is a huge need for connectedness of infrastructure in the rural areas of the region, and it is difficult to see how fundamental change can take place until issues of transport, communications and energy are solved. Nonetheless, infrastructure will lead to very unequal benefits (and losses) without organization of the poor to respond to new opportunities and challenges. It is on the organizational and institutional side that IFAD will concentrate its own resources, while making a major effort to mobilize resources for investment in rural infrastructure by governments and major donors.

The last two thrusts reflect the bitter reality of poverty in many parts of the region: economic and social development has to be pursued against a backdrop not only of incomplete transition in crucial dimensions of the rural political economy, but of severe and apparently external threats to life and security – civil strife and the terrifying epidemic of HIV/AIDS. Neither of these are completely external to the rural-poverty problematic. Rural poverty contributes to both, and the right types of assistance for rural poverty alleviation can contribute to both preventing them and mitigating their effects. Not only is it impossible for those committed to rural poverty alleviation to ignore them, but is also possible that development assistance focusing on the most economically and socially vulnerable can significantly contribute to reducing their incidence and impact. This is not to suggest that the economic empowerment of the rural poor is a ‘cure’ for war and HIV/AIDS, but it does have a role to play in changing the social conditions that shape them – and IFAD is committed to ensuring that this role is not overlooked and that the contribution is made. The issues of HIV/AIDS and conflict will be dealt with in Chapter V.
Strategic Focus for IFAD Operations in Eastern and Southern Africa

Promoting Efficient and Equitable Market Linkages

The problems and priorities expressed by rural communities in participatory diagnostic studies are site specific and vary by production system. In drought-prone production systems, water and food security tend to be the top priorities. In remote areas without health facilities and road access, these items take priority. Income diversification, commercialization and cash-earning opportunities are priorities in subhumid and humid areas. Households in all production systems want better linkages to markets. The reasons are not mysterious.

At the end of the day, the market is where much of the development action takes place. This is where outputs are transformed into money, and where money is transformed into producer and consumer goods and services. Arguably, it is in the market that much of the recent transformation of the rural world has taken place, setting challenges and obstacles in the sphere of production. A decade and a half ago, it would have been more accurate to speak of marketplaces rather than markets. Effective demand for output, availability of inputs, and relative prices of goods and services were heavily influenced by governments under regimes not only of administered prices, but also of administered quantities. Nearly everywhere this situation has changed radically: smallholders know that when they go to market they will not inescapably face prices that represent a de facto confiscation of part (often a large part) of the value of their produce – just as they do not inescapably face a physical shortage of inputs (which does not, of course, guarantee that inputs will be financially accessible). For some farmers, particularly those producing export crops, this has created major new opportunities. For others, particularly those trying to market staples at the agricultural margins, it has created major problems.

This shift from parastatal monopolies and monopsonies and administered prices sets the scene for a possible renaissance of smallholder production, incomes and investment. In Uganda, for example, the deregulation of coffee prices, combined with the upswing of international prices, led to a dramatic increase in smallholder coffee receipts, a decline in rural poverty and a very visible improvement in on-farm investment, including in food crops. What has been most striking, however, has been the disappearance of one form of market organization but only the partial and uneven appearance of another. On the one hand, the presence of private rural traders and processors is far from assured (and the level of competition is often very far from what is implied by the term ‘liberalization’). On the other, the level of farmer organization and preparation for freely negotiated commercial transactions is very low. Both sides of the buying and selling equation are weak in many areas – not least as a result of a history of limited ‘space’ for the operation of private trade and a present of uncertain government policy, putting a brake on private investment. The lack of organization of the smallholder population is particularly worrisome – as is the lack of a supportive legal and regulatory framework.

In the parastatal marketing regime that dominated much of the region until recently, the marketing organizational requirements of smallholders were small. Given one buyer and one price, the relevance of and thus need for market intelligence was small. Given that the smallholder was a single price ‘taker’, a producer organization to increase bargaining
power and to negotiate bulk contracts for output and input was unnecessary (or fruitless). For the smallholder, then, the market existed independently of his/her knowledge and organization. This situation has changed radically: prices are no longer administered; they are, to some extent, negotiated. Smallholders need information on prices, services, quality of goods and market operators. There are demonstrable benefits to be accrued in some circumstances – particularly where the private sector is weak and/or uncompetitive – from the organization of small buyers and sellers on a group basis. Smallholders are ill-prepared for this. The good news is that smallholders will no longer depend on markets in which they confront monolithic organizations following policies that may (deliberately and otherwise) transfer their income to others. The bad news is that they are ill-equipped to extract the maximum benefit from the new relationship.

In the past, the marketing issue was frequently posed in physical terms: the absence of a marketplace, the lack of storage facilities, etc. These issues are still real, and market-linkage development has to address both organizational and infrastructural issues. What is particularly striking, however, is the fact that whether smallholders face a ‘thin’ private sector or a weighty one, they have neither the knowledge nor the organizational assets to overcome the problems of isolation and small individual scale. Nonetheless, it is in this relationship that the pace of rural intensification and poverty reduction will be determined, and where the answer to the question of who gains how much is hammered out.

### Table 6: Problems and Priorities of the Poor

<table>
<thead>
<tr>
<th>Production System</th>
<th>Main Problems</th>
<th>Main Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pastoral</td>
<td>Drought, low livestock prices, crop failure, lack of large animals</td>
<td>Water (people, animals), health facilities, animal health services, restocking</td>
</tr>
<tr>
<td>Agro-pastoral millet/sorghum</td>
<td>Drought, crop failure, low livestock prices in hungry season and in droughts</td>
<td>Water (people, animals), early-maturing drought-resistant crop varieties, roads, health facilities, restocking</td>
</tr>
<tr>
<td>Marginal maize/cotton</td>
<td>Drought, crop failure, lack of oxen, maize and cotton pests and diseases, cotton inputs and marketing</td>
<td>Water, crop and income diversification, pest control, cotton inputs and marketing</td>
</tr>
<tr>
<td>Maize-based system</td>
<td>Low profitability of maize, high cost of inputs, low prices, lack of markets, no oxen, cash shortage</td>
<td>Commercialization, diversification out of maize, cash crops, road and market access, input supply, credit</td>
</tr>
<tr>
<td>Mountain wheat/barley system</td>
<td>Frost, crop failure, shortage of oxen, no roads, physical isolation</td>
<td>Diversification, livestock</td>
</tr>
<tr>
<td>Banana/coffee system</td>
<td>Land pressure, very small farm size, declining soil fertility, organic manure shortage, lack of cash crops</td>
<td>Now: reconstruction; later: cash-earning opportunities, cash crops, roads and market development</td>
</tr>
<tr>
<td>Coastal system</td>
<td>Boats and fishing gear, drinking water, road and market access</td>
<td>Cash crops and marketing support, credit for boats and gear, roads</td>
</tr>
<tr>
<td>Root-crop-based system</td>
<td>No money, human diseases, infant mortality, lack of health facilities, isolation from markets</td>
<td>Forest: roads, health, cash crops Lakeshore: cassava disease control, revival of cotton economy</td>
</tr>
</tbody>
</table>

Source: IFAD social, economic and production studies; formulation and preparation reports
Box 2: IFAD Programme Support for Commercialization and Marketing

Kenya, Mozambique and Zambia: Rural Enterprise and Agribusiness Promotion Programme (REAP)
Approved in December 1997 (IFAD grant: USD 600 000)

The technical assistance grant REAP evolved from the positive experiences of the Agribusiness Entrepreneur Network and Training Development Project (AGENT) in Zimbabwe. With the financial and technical collaboration of the Co-operative for Assistance and Relief Everywhere (CARE-Canada), and now established in three countries, the primary objective of REAP is to increase agricultural incomes of smallholder farmers through the development of market linkages. In Kenya, REAP aims to raise household income through increased horticultural production, organizing smallholders into five production units and establishing linkages between these units and partners such as private companies and research institutes. In Mozambique, the main objective is to promote horticultural production and marketing among smallholder farmers. While REAP had planned to focus its activities on promoting irrigation (through treadle pumps), a horticultural subsector study showed that smallholder incomes would not benefit from treadle irrigation, so a range of other options were developed while concerns such as access to inputs, credit and output marketing are being considered. In Zambia this has entailed establishing local business agents for input supply, as well as strengthening farmer associations for marketing output. Through creating increasing economies of scale and reducing transaction costs (by organizing a network of rural-based traders/agents), REAP has assisted in mobilizing private-sector investments and supporting agribusiness firms in their efforts to participate more actively in input/output opportunities in remote rural areas.

Mozambique: PAMA Support Project
Approved in December 1999 (IFAD loan: USD 22.8 million)

Mozambique is rapidly approaching the point at which the broad rural development focus will shift from achievement of basic food supply to establishment of more commercialized smallholder production systems, operating on the basis of local comparative advantage. In response to this evolving production situation, and to increase smallholder incomes and food security and promote broad-based economic growth, PAMA seeks to: (i) increase the number of smallholders marketing, and buyers purchasing, agricultural produce; (ii) raise the share of end-market prices obtained by smallholders for their produce; and (iii) increase the total value of smallholder produce marketed. These objectives will be achieved through institutional capacity-building and a variety of activities under the Provincial PAMA Support Fund, including farmer-group/association development; market-access road improvements; rural financial services enhancement; rural retail training; the establishment of provincial private-sector fora; provincial market information dissemination; small-processor support; and smallholder crop initiatives.

Uganda: Area-Based Agricultural Modernization Programme (AAMP)
Approved 8 December 1999 (IFAD loan: USD 13.2 million)

AAMP targets economically active smallholders that wish to participate in commercial agriculture, and existing or potential small-scale entrepreneurs and business associations that provide services to rural households. The main programme objective of increasing income through agricultural modernization will be achieved through: (i) encouraging smallholder participation in markets by promoting a shift from subsistence to commercial farming through improved access to rural services (technical, commercial and financial); (ii) better organization of smallholder producers through community mobilization, training, interest-group promotion and beneficiary empowerment; (iii) rural infrastructure development through improvement of rural feeder and community roads and other infrastructure (irrigation, livestock, market and storage); and (iv) support for adequate administrative and financial management by local district government.
The new challenge of market organization and preparation for survival arising from globalization is a commonplace to any reader of financial journals in the developed world – as are the characteristic responses: coordination/rationalization of production and marketing strategies through enterprise agglomeration (takeovers and mergers); emphasis upon specialized management technology; and investment in information collection and analysis. For the main production groups of the developed world to survive and prosper, it is generally understood that globalization necessitates collaboration/consolidation and knowledge. What is less generally understood is that exactly the same is true of the smallholder farmer: the benefits of the globalized market do not come from simply being in it. They come from being better organized to manage relations within it.

The special challenge of the market is that, for smallholders in the region, it is a place where they meet and exchange with actors who have more resources, more information, more options and – in sum – more economic power than they themselves have. It is a place of acute asymmetries that translate into poor terms of exchange and little smallholder influence over what they are offered: whether it be financial ‘packages’, technology, manufactured inputs or land and water. Under these circumstances, market liberalization and the retreat of the public sector hold the potential not of progress, but of regression for all but the most well-located groups.

This is a problem for small rural producers everywhere. When the issue of production goes beyond physical quantities to monetary values, market organization becomes a

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**Zambia: Smallholder Enterprise and Marketing Programme (SHEMP)**

Approved in December 1999 (IFAD loan: USD 15.9 million)

SHEMP developed as a response to the Government of Zambia’s intention to support the commercialization of smallholder farming. Although the ultimate goal of SHEMP is to increase smallholder income, the primary objective is to improve farmers’ access to input and output markets. This would be achieved through: (i) formation of farmer enterprise groups; (ii) improved physical access to input and output markets; (iii) more diversification in smallholder production; (iv) creation of a competitive and efficient network of agribusiness/trading enterprises serving smallholder farmers; and (v) the creation of a capacity for legal/policy dialogue and formulation, to build national and local consensus on market linkage principles.

The above goals would be achieved through three main investment components: (i) **support for smallholder enterprise group development** (formation/strengthening of groups and associations and of local NGO capacity). The aim here is to strengthen smallholder management/business skills, knowledge and capacity to participate actively in input and output markets to the benefit of their members, with the intention of developing financially viable and sustainable smallholder business organization; (ii) **market-linkage development to respond to local area needs and priorities** through access-road improvement, support for smallholder market intermediaries, and support for market diversification. The aim of this component is to allow the relationship between smallholders and market intermediaries to operate more efficiently, to the benefit of both; and (iii) **policy/legislative and institutional support**. This component aims to promote a more favourable policy environment for smallholders and market intermediaries, as well as providing market information to smallholders and traders.
critical determinant of poverty, and poverty-reduction strategies have to address it — seriously. IFAD’s lending strategy in the region is now explicitly oriented to these issues, with the aim of assisting the development of sustainable, equitable commercial linkages between smallholders and other market operators. It sees its function as that of bringing together the various actors – the private sector, smallholder producers, the public sector and NGOs – into a partnership that ensures equitable returns to smallholders, as well as to the private sector to ensure its continued interest and presence. Work to date suggests that the following are priorities:

- establishing a supportive policy and legislative environment;
- ensuring basic minimum infrastructure to allow producers and traders to physically interact and to foster competitive trade;
- supporting new entrants into the market (particularly for input suppliers and output traders/processors), thus increasing competition and diversifying market outlets;
- reducing any monopolistic hold by private-sector agribusinesses, while at the same time helping them reduce their transaction costs and expand their operations;
- increasing the negotiating power of smallholders by helping them organize collectively and providing them with access to market information;
- promoting smallholder access to independent sources of capital;
- identifying new market opportunities/niches; and
- developing alternative or supplementary systems of production technology, e.g. for the growing of food and cash crops.

The commitment of IFAD’s resources to this focus area has expanded rapidly, initially through grant-financed pilot operations in Kenya, Mozambique, Zambia and Zimbabwe starting in 1995, and subsequently through major loan-based programmes in Mozambique, Uganda and Zambia in 1999 (with a similar programme under development for Tanzania in 2001). IFAD is acting as a catalyst to help the private sector become an effective partner with smallholders, both for marketing and/or processing of products, as well as to supply inputs. Smallholders are being helped so that they can relate effectively in economic terms with the private sector. Governments are being supported to play a crucial role in promoting dialogue among the main stakeholders and in providing the policy, institutional and legal context required for enhanced market linkages.

IFAD’s interventions in developing smallholder-to-market linkages in the region are still in their early days. If they succeed as hoped, they will become a pillar in the regional strategy for reducing rural poverty. IFAD’s operations have absorbed a great deal from the experience with non-governmental organizations (NGOs), (especially CARE and the Cooperative League of the United States). They also reflect the operations of NORAD and the United States Agency for International Development (USAID) in business development in rural areas (as well as the in-depth experience gained in French assistance to cash-cropping systems in West Africa). Cofinancing for programmes has already been mobilized from AfDB. Further development of partnerships in programme development and financing is a major objective for the future.
BUILDING FINANCIAL SYSTEMS FOR THE RURAL POOR

Most farmers have to rely upon markets to gain cash flow in order to sustain access to a wide range of essential consumer and producer goods – and to finance access to social services. That cash flow depends upon establishing a competitive position in the market. In order to achieve this, smallholder farmers (like small entrepreneurs everywhere) will need the means to purchase inputs and equipment in order to increase the productivity of land and labour and to adopt profitable income-generating activities.

Throughout the region, the prevailing post-independence model for rural finance was provision of credit (and only credit) through parastatal institutions to some small farmers in the amounts, on the terms, and for the purposes determined by governments. Hampered by general economic conditions that struck at the viability of investment in smallholder production, by an approach to credit as an undifferentiated social entitlement, and by major internal management problems, this model never represented a viable approach to sustainable financial services. Most of the parastatal institutions have either been given a new mandate or have been unceremoniously shuffled into the annals of development failures. Nonetheless, the demise of these institutions – at least in their smallholder-relevant manifestations – has exposed (if not created) a huge gap in the smallholder economy.

Structural adjustment and subsequent serious work on financial-sector reform have created the conditions for the re-emergence of a vigorous private banking sector in many countries – involving both domestic and international operators. However, no significant financial services are being extended to smallholder agriculture from the private financial sector – notwithstanding the fact that opportunities for rural investment and rural demand for financing are definitely improving. Rural society, or at least the huge part of it made up of the rural poor, has become an ‘unbanked zone’. The prevalent donor response to this situation has been extremely uncoordinated support for a multitude of microcredit initiatives, ostensibly based on loans from member savings, but in most cases heavily dependent upon injections of donor finance to create the capital base and cover operating costs.

Few of these interventions represent even the seeds of viable rural financial-service development. Not only are a tiny number of smallholders reached with very limited services, but there is little prospect that smallholder requirements would ever be addressed by such structures. In eastern and southern Africa, the task of facilitating smallholder access to capital to exploit real opportunities for growth lies mainly in the future.

Credit is certainly not a panacea for rural poverty, but it will certainly have a role to play in accelerating exploitation of new, viable investment opportunities for the rural poor. However, the issue is no longer only one of credit for agriculture. It involves the demonstrated demand by the rural poor for a broad range of financial services (including savings facilities and consumption-smoothing loans), all of which are now understood to have important implications for better and more secure livelihoods.

IFAD is definitely not concerned with developing new delivery mechanisms for lines of credit ultimately based in donor assistance (an approach now rejected by most donors, if not all governments). Rather, the focus is on:
• assisting smallholders in developing their own organizational framework of financial institutions in order to capture local savings and recycle them to needs identified by smallholders themselves (on terms and conditions satisfying the needs of both depositors and borrowers);

• helping smallholder and locally-based financial institutions develop in such a way as to provide a viable linkage mechanism to formal-sector financial institutions, capable of mobilizing resources from formal institutions, relending at the local level and recuperating loans for repayment to the formal sector; and

• aiding the development of individual credit histories to facilitate graduation of some smallholders to direct financial relations with upstream financial institutions (particularly to satisfy medium- and long-term investment capital requirements).

Exploring options in rural finance. IFAD has been involved in rural finance from its earliest days. The parastatal systems were operationally defined in terms of supply of agricultural credit in order to enable small farmers to adapt the recommendations of government technical agencies. Inevitably, activities linked to these underperforming systems were generally disappointing, and this institutional approach to rural finance issues has been discarded. Indeed, notwithstanding IFAD’s global commitment to development of rural financial services – in which it has marked many successes elsewhere – in eastern and southern Africa its investment in rural finance development fell to low levels during much of the 1990s as it digested the consequences and causes of the parastatal failure and sought experience in more effective alternatives. IFAD is now working towards rural finance systems that can be effective in reaching smallholders and be self-sustaining in the new political and economic environment. Thus IFAD programmes launched since 1993 with a rural finance component have taken on quite new directions. They have increasingly focused on supporting rural savings and credit, rather than on agricultural credit per se (see Annex II, Tables 12 and 13). The drive is to empower smallholders in developing their own capacity to respond to their needs for financial services – in association with upstream institutions tapping national savings – as opposed to looking for new mechanisms to deliver credit based exclusively on donor capital transfers.

If there has been a shift away from credit supply as the immediate objective, there has also been a shift from an exclusively agricultural focus to a rural one. Experience with and participatory research among the rural poor in the region shows that loans for agricultural production are not always their priority; they often need money for unforeseen needs or to tide them over during periods of income fluctuation. Rural poor people also express the desire to have better ways of managing their savings. They want a safe haven to protect themselves against risks, but at the same time they want easy access. Consequently, IFAD has changed the way it approaches the issues of rural finance. One major result of this is to abandon the idea that credit should always be tied to a specific aspect of agricultural production. The multifaceted nature of rural poverty may often mean that a loan for something else meets a greater need. There is some evidence that access by rural poor people to credit for non-agricultural purposes is contributing to greater agricultural investment, but it is clear that massive agricultural credit supply will not be appropriate,
nor demanded, until there is a significant improvement in the smallholder business environment: better markets, reduction of vulnerability to variations in rainfall, and better technology. In such a context there is a definite ‘breathing space’, allowing the development of broad-based rural financial systems. Certainly there are also calls – from various segments of society, not all rural – for traditional agricultural credit, but this is by no means equivalent to a pressing, effective demand for non-subsidized finance.

Towards membership-based financial organizations. In the period of its disengagement from parastatal finance institutions, IFAD support for rural finance declined in volume terms and assumed a much more exploratory character in the areas of development and use of local, grass-roots, member-based rural financial institutions. In several countries in the region, there are existing credit unions or savings and credit cooperatives, and these have become important partners. Some of them began their work in urban areas, but subsequently expanded into rural ones. Examples are: the credit union and savings associations in Zambia; the Caisse mutuelle d’epargne et de credit (CMECs) in Madagascar and The Comoros; the rural savings and credit cooperatives of Tanzania (SACCOs); and the cooperative savings banks in Burundi.

Given the hiatus in government rural finance policy and strategies in most countries of the region, IFAD-financed programmes in some cases even assumed (on a very exceptional basis) direct responsibility for rural finance components – which were implemented, however, through community-based financial institutions. In Tanzania, the Southern Highlands Extension and Rural Financial Services Project sought to provide credit to beneficiaries for the purchase of farm inputs. Given the inability to mobilize the active involvement of parastatal institutions (themselves undergoing restructuring), IFAD supported the transformation and development of SACCOs into autonomous, self-financed and self-managed institutions functioning like private rural banks. The results have been promising: deposits of local savings are increasing at 70% per year; and loan repayment rates are running at just over 90%, still not ideal but much better than ever achieved under any previous parastatal system. The lesson – the capacity of rural poor people to develop and sustain viable local financial institutions – has been learned and is becoming the centrepiece of new programmes. On the other hand, the practice of developing institutions to support input supply schemes has been dropped.

More characteristically, NGOs have also become partners with IFAD in the development of locally-based and -managed rural finance services. They usually need capacity-building similar to that of savings and credit unions. In Uganda, where it proved difficult to involve commercial banks, IFAD chose the Uganda Women’s Finance Trust as a partner in its Hoima District Integrated Community Development Project. The results were good in terms of participation of the poorest, particularly women, and in terms of mobilization of local resources for local lending. The experience is being built on for other projects. Similarly, IFAD is working with the Kenya Women’s Finance Trust, which emphasizes client training, particularly of group leaders. This adds to operating costs but produces long-term benefits. A major issue is the establishing of a balance between institutional sustainability and outreach to the poor in marginal areas.
Where there are no pre-existing grass-roots finance institutions, IFAD-financed programmes are helping create them. In Angola, for example, the Northern Fishing Communities Development Programme plans to establish and use fisheries-enterprise finance unions (FEFUs) as savings and credit institutions in communities or clusters of communities. The programme will provide initial funding to capitalize the FEFUs and provide short-term loans for marketing activities. Collection of savings from members will only begin once formal banks have opened provincial branches that can provide safe investment opportunities for FEFUs. The long-term objective is to create operational linkages between fishing families and the formal financial sector, with the FEFUs as intermediaries.

Experience with grass-roots savings and credit unions or cooperatives shows that they can work well as rural finance institutions given these conditions:

- mobilization of savings is given priority over loans;
- institutions are genuinely self-managed and members participate in decision-making;
- management is accountable and transparent within a framework of good governance;
- institutions are committed to financial integrity;
- an NGO or project provides access to technical advice for loan appraisal and accounting; and
- institutions are subject to a degree of supervision and regulation, and they develop linkages with the formal financial sector.

**Rural finance in a system context.** It is clear that the region has much to learn from West Africa in terms of local financial-institution development. But it is also becoming increasingly clear that informal and purely locally-based initiatives are not sufficient. If local organizations are to eventually link to upstream formal financial institutions, they must develop from the very beginning within a framework that eventually establishes them as valid financial partners in the eyes of the private sector (particularly if such linkages are to go beyond the limitations of social initiatives by the commercial sector). This requires internal financial organization and regulation that cannot be locally spontaneous; it may require the development of apex institutions capable of inspecting and technically supporting local groups. The same sort of organization (associations of associations, for example) may be required to effectively negotiate business relationships with the private sector. The notion of spontaneous bottom-up growth from the local level can be extremely misleading in this sector. Some smallholder associations need to be articulated into formal financial systems, and in order to do so, they must have forms of organization expressing the requirements of the system they will relate to, as well as the means to exercise a certain leverage over it. The qualification 'some' is important. Demand for rural financial services among the rural poor is extremely heterogeneous, suggesting that not all institutions need to be highly formalized – and, above all, that there is no single appropriate model for financial-system development.

The need to look at financial access from a system point of view (rather than an accretion of local and individual initiatives) is underlined by the influence of national financial-sector policies. If local institutions are to emerge as significant deposit takers and lenders,
they will be obliged to conform to national banking regulations. These regulations are currently not very supportive of the development of smallholder-based rural financial intermediaries (not least with regard to minimum equity requirements), and there are indications that the situation is becoming more rather than less difficult. There is a pressing need for concerned stakeholders to engage in a careful dialogue with national bank and financial regulators regarding the development of a more supportive framework within the limits of financial prudence. The inevitably ongoing nature of such a dialogue gives extra weight to the development of smallholder-financial-institution apex bodies for the active representation of smallholder interests. At an even higher level, policy consideration must be given to the implications of the adjustment-linked limits on monetary policy that are currently giving rise to extremely high domestic interest rates. Consideration must also be directed to major difficulties among rural investors in gaining access to financing on terms that are consistent with reasonable profit expectations. Failure to put smallholder concerns on the policy agenda means that they are neglected – or, more pointedly, that they go unheard. This necessarily raises the questions of how smallholder concerns are placed on the agenda, the extent to which advocacy of rural poverty alleviation should be the preserve of concerned donors and how much the capacity of smallholders to articulate their own interests should be an explicit objective of development assistance.

Rural finance development is often seen as an independently effective input into rural poverty alleviation. This is clearly not the case. The repeated lesson of initiatives in rural finance development – under all headings – is that finance is an aspect of the system of production and trade. The particular lesson is that although finance can make a contribution to growth, it can only do so when underlying production conditions are themselves positive: when resources can be freely allocated to areas perceived by producers as the best areas of investment; and when the underlying productivity and terms of exchange allow savings and profitable investment by smallholders. In this regard, the ‘problem’ of rural finance is often systematically misunderstood: failures are understood in terms of purely institutional issues (as, for example, problems in the design of rural financial institutions), rather than as the expressions of larger factors determining low rates of return to smallholder investment in production, depressing both the capacity to save and the incentive to invest.

Recognizing that rural finance development is an essential component of any system of commercialized smallholder agriculture, IFAD is now seeking to build upon its own experience and the experience of other stakeholders. It is substantially scaling up its approaches to rural finance and looking to the development of more comprehensive systems involving strengthened local institutions, a facilitating regulatory framework and linkage to upstream formal financial institutions. The first of a new wave of programmes was approved for Tanzania in 2000, building upon the very encouraging pilot experience with SACCOs. A broadly similar programme was approved for Ethiopia in 2001, with a further programme being developed for Uganda (2002). These are being developed with all major stakeholders in financial-system development.

In addition to including policy and institutional-development elements in new programmes, IFAD and the German Agency for Technical Cooperation (GTZ) are jointly
Given the positive experience of SACCOs in IFAD pilot areas, further replication of this strategy may assist the Government in consolidating and deepening its institutional reform process and in developing sustainable foundations for a sound rural financial system well integrated into a gradually liberalized financial sector. At the Government's request, and within the framework of a new financial architecture, IFAD and other donors will assist in undertaking major reforms in this subsector to explore options for extending access to rural financial services and to develop appropriate lending instruments for small farmers, including microentrepreneurs, the landless and women.

Under this modified strategic framework, the legal and regulatory functions of the agencies dealing with microfinance institutions (MFIs) would be simplified and made more efficient, so that MFIs can work without constraints under the prudential norms and guidance of the Bank of Tanzania. This would, however, require the design and development of financial instruments and mechanisms similar to those of private banking to meet the financial needs of and services to the rural poor, who often lack collateral and thus must borrow funds in relatively small amounts on flexible terms. The emergence of SACCOs, savings and credit associations and the community banks has demonstrated results, but to further increase the efficiency and effectiveness of financial services delivery by these institutions, the Government requires substantial assistance in the design and formulation of a comprehensive nationwide financial architecture encompassing the following critical elements: (i) development of suitable institutional and legal frameworks allowing transactions in rural financial markets to enable grass-roots MFIs to operate as private banks; (ii) strengthening of the institutional capacity of rural financial institutions, particularly at the grass-roots level; (iii) design and approval of prudential regulatory norms for efficient operation of the rural financial institutions, including liberalization of deposit and savings rates; (iv) provision of technical assistance to the MFIs to develop appropriate policy instruments, procedures and management techniques in order to improve their efficiency and rural outreach capacity; and (v) the provision of essential non-financial services to support marketing and promotional activities.

The range of functions that MFIs, including SACCOs, are expected to undertake would be based on a carefully phased approach, with concentration on enlarging membership and the mobilization of share capital and savings in the formative stage. In the consolidation phase, they are expected to operate as financial intermediaries using only their own resources, while gaining confidence in operating as a financial institution. Credit operations at this stage would be restricted to small short-term loans in order to gain experience in loan appraisal, disbursement and recovery. Programme assistance to SACCOs in the first two stages would assist them in developing their operational capacity and in mobilizing savings, while during the last or ‘maturity’ stage, subject to satisfactory performance, they would be eligible to borrow from external donors to supplement lending operations as normal financial intermediaries.

Box 3: Rural Financial Services Programme, Tanzania
Approved in December 2000 (IFAD loan: USD 16.3 million)

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supporting the African Rural and Agricultural Credit Association (AFRACA). Founded in 1977 under the auspices of FAO, AFRACA has 35 member institutions. The IFAD/GTZ support to AFRACA is primarily to give it impetus to work in the policy area of rural finance. In particular, it is to define the roles in rural finance of central, agricultural and commercial banks in the wake of structural adjustment and to promote appropriate policies. A main area of IFAD interest is the improvement of rural finance services for women; thus AFRACA is documenting experience among its members, conducting research and organizing national seminars on the constraints on women's access to financial services.
Rural finance without financial institutions. IFAD’s approach to strengthening smallholder access to financial institutions is not restricted to formal financial institutions. Private-sector agribusiness can and does successfully contribute to finance for agriculture. There is no doubt whatsoever that the volume of credit provided by agribusiness to smallholders in the region is far greater than credit provided by formal institutions. This sector normally has good links to formal financial circles, and it also has evident interest in financing its suppliers and buyers. In particular, agribusiness is often willing to finance smallholder inputs to ensure its supplies of raw material, generally under outgrower schemes. Work in Uganda with cotton ginneries under the Cotton Subsector Development Project is showing promising results, with ginneries using their Ginners and Cotton Exporters Association to borrow funds to purchase seed and pesticides for distribution of credit to farmers. The experience confirms the premise that buyers and processors of cash crops have the incentive to provide credit so that their supplying farmers can buy seasonal inputs: they often have large investments in processing facilities that must earn their keep. IFAD is actively exploring opportunities for agribusiness investment in small-scale producers in other countries of the region as part of its support for market-linkage development, which also includes giving substantial support to instruments such as credits against warehouse receipts.

Increasing Access to Land and Improving Natural Resource Management

Access of the Rural Poor to Land

Everywhere, the ‘natural capital’ that land represents is a critical factor shaping rural livelihoods. From the point of view of rural poverty, the issues are the value of that ‘capital’, who has access to it and who doesn’t, and on what terms. Critical land issues for smallholder livelihoods in the region include: the possibility and viable format of land redistribution in southern Africa; the transformation of customary tenure to accommodate new uses of land (including the use of land as collateral); countering the loss of land by the poor; improving access by poor women; and natural resource conservation. The priority among these issues varies from place to place, but land control and management are issues everywhere – issues that reflect the power, or better powerlessness, of rural poor women and men.

Many smallholders in the region have sufficient land of sufficient quality to substantially improve output and income – given a fundamental revision of the terms of their access to capital, rural infrastructure, markets, technology and knowledge. But very many smallholders do not. In some areas, particularly in the montane (mountainous) zones of Burundi, Rwanda and Southwest Uganda, land availability is limited and smallholding is the dominant system of land use. In those areas there is little prospect of expanding smallholder access to land through redistribution (although there are important opportunities for significant and sustainable improvements in the intensity of land use). In other vast areas (e.g. parts of Angola, Mozambique, Tanzania and Zambia), unused good land is relatively abundant and there are real prospects for area expansion by smallholder
producers, particularly when the energy constraint is overcome through mechanical or animal traction (the latter being heavily conditioned by the trypanosomiasis problem that has so deeply shaped the nature of agriculture in the region).

**The challenge of land reform.** The situation in parts of southern Africa (Lesotho, Malawi, South Africa, Zimbabwe and, to some extent, Namibia) is rather different. Here, large populations have access to small areas of land with limited agricultural potential – side by side with very large areas of land in the hands of relatively few large- and medium-scale farmers. As argued in Chapter II, this situation has not arisen from population growth alone; it is overwhelmingly a social and historical phenomenon reflecting the deliberate colonial displacement of indigenous populations to less favoured areas. In these countries, it is difficult to see how smallholder agriculture can contribute to a decisive reduction in rural poverty without revision of the distribution of land – or smallholder empowerment within national rural property systems.

In some respects, the situation in parts of southern Africa is now propitious for land redistribution, to the extent that the economic value of this asset to the large-scale current owner is low or declining. In Zimbabwe, for example, a significant portion of the areas held by ‘commercial’ farmers is unused (outside the Communal Areas, in which the large majority of African farmers are situated, with the worst agricultural resources in the country). In Namibia and South Africa, the economic value of many large holdings has declined as a result of the elimination of subsidies (which have always been captured, throughout the region, much more by large-scale farmers than by smallholders). In Malawi, the value of estate land is probably declining as market access privileges are eroded. In such circumstances, there may be a solid basis for the application of the ‘willing buyer, willing seller’ principle. However, land transfer is just the beginning of the processes involved in enabling smallholders to effectively benefit from improved access to land. To make land reform a major step forward in poverty reduction, it is necessary to address not only land distribution, but also land use, and especially the elaboration of new systems of smallholder production and commercialization. This process can take advantage of the more advanced systems of production, processing and trade that are characteristic of the dualistic systems where land reform is on the agenda.

There are few models of successful large-scale land transfer in favour of smallholders in the region. The most important experience, the Ethiopian land reform, principally addressed landlord-tenant issues rather than organizing smallholder access to land directly exploited (or held unused) by large landowners. Some experience has been gained in Zimbabwe (under the ‘first’ land redistribution programme), where the organization of the process totally under the aegis of the Government gave rise to criticism – at least initially – in terms of excess cost and low sensitivity to the views of beneficiaries. Little experience has been gained in land redistribution as a process through which smallholders themselves could take an active lead, and as one element of a comprehensive effort to establish better and more sustainable rural livelihoods. Nonetheless, without land redistribution on a significant scale, millions of smallholders in southern Africa will face a very grim future, not least as off-farm employment tightens (a phenomenon
very much affecting – and impoverishing – the rural poor in the reserve labour areas of Lesotho, southern Mozambique, Namibia and, to some extent, Swaziland).

Top-down land redistribution offers the prospect of limited change – bogged down by expense – that does not significantly improve economic and social opportunities because it ignores smallholders’ understanding of the conditions under which land can contribute to improved livelihoods. Exclusively market-based redistribution will not necessarily mean improvement in access to land among the rural poor (although it may increase overall agricultural resource-use efficiency). There is an urgent need to bring the smallholder voice into the process – not only with regard to the ‘whether’ of land reform, but also the ‘how’.

IFAD will seek to actively support all viable opportunities for pro-poor land reform and to ensure that they benefit the poorest and women and are implemented so as to improve livelihoods sustainably. Such support includes development of the human and institutional capacity to exploit economic opportunities in association with the larger-scale commercial sector (present in all countries where land reform may be entering the agenda). The land question in southern Africa is a real and important one, and its solution will be a vital contribution to effective empowerment of the rural poor.

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<th>Table 7: Smallholder Farm Size</th>
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Land tenure among the poor in the context of economic transformation. The issue of large-scale land redistribution is principally a problem of southern Africa. The issue of land tenure, however, is much more widespread. Many governments in the region have tended to consolidate a fundamental divide in rural tenure regimes – that between a private-property regime for more or less large-scale, ‘commercial’ enterprises and some sort of customary tenure for the mass of smallholders. Customary-property regimes are ostensibly the almost-single dimension of smallholder empowerment in a rural context over which smallholders otherwise have little control. However, ‘customary’ should not necessarily be identified with traditional or popular: the interventions that carved out huge areas for private property also contributed to a transformation of power and property relations in the areas subject to so-called customary tenure (or intermediate forms such as mailo). In agricultural systems, the combining of crop agriculture with extensive-grazing customary tenure objectively seems to favour the interests of large cattle owners (who are typically not among the poorest) over those of crop farmers without animals (who are the poorest). Equally, in parts of southern Africa it is clear that local notables who control customary tenure frequently have done so in their own interest (not least in terms of de facto alienation of land from the customary system).

Whatever the function of customary-tenure regimes in preserving smallholder access to land, there is a cost. Intensification of agriculture will require fixed investment in land and, almost inevitably, the use of land as collateral in financial transactions – both of which are consistent with the structure of private-property tenure, but not yet with that of customary tenure (although there is a convincing ‘revisionist’ argument that security of tenure is quite consistent with customary tenure). Everywhere, the impossibility of using land as collateral for finance is emerging as an issue, albeit there are still open questions about whether even smallholder freehold land is viewed as effective collateral by commercial institutions. Land-tenure regimes very much affect the economic options available to smallholders. Although customary tenure may have been serviceable to many in the phase of agricultural involution, it is becoming an issue in which smallholders should have a say as they approach a new set of development possibilities. This is not to suggest that private property is always a necessary element of smallholder-system development (common-property regimes are arguably more efficient for extensive-use systems). It is to suggest that land tenure should not be seen as a fixed entity but as a historical social construct, and one whose time for reconstruction may be approaching – this time in terms of the development strategies of smallholders themselves.

As in all other dimensions of the rural political economy, problems of land appear very different according to social position, and they are particularly acute for rural poor women and men. Much attention in the region has been focused recently on the land that smallholders do not have access to – with a view to supporting redistributive measures. This may not be the most pressing issue for the large majority of the rural poor. Of growing concern is loss by the rural poor of their existing land rights – to richer elements of the local community and, possibly, private-sector investors exploring new opportunities in high-value natural resource areas. In both contexts, it may well be the case that
eventual change in effective land distribution may be beneficial to all concerned, but it is also imperative that the poor in particular be equipped with mechanisms that enhance the security of their tenure. They must be allowed to decide when and whether to divest themselves of land assets, according to their perception of the availability of attractive alternative livelihoods. Be it in terms of collateral needs or in terms of security of land access among the poor, the utility of customary tenure as currently practised is being questioned. It should give way to change, enabling the rural poor to better handle challenges and leverage this vital resource in new types of economic relations.

IFAD’s own work in this area has focused on the land rights of poor women and men in areas of intensive programme-based investment (e.g. irrigation schemes), where there is broad community acceptance of change in the context of a decisive shift in the values of local assets. The challenge is to shift the focus from high-investment enclaves to addressing issues of access and control by the poor and women in the ‘normal’ smallholder economy. It is an area to which IFAD will be devoting much greater attention in the future – including investment in a better understanding of the issues. Current involvement includes support for: strengthening systems of local-level land management (in Burundi, Lesotho, Namibia, Rwanda, Tanzania, Zambia and Zimbabwe); smallholder land titling (in Tanzania and Uganda); women’s access to land titles (in Tanzania and in many irrigation programmes); and support for community-based approaches to land reform and engagement in broad knowledge networks directed towards pooling information and best practices among stakeholders in the region.

Natural Resource Management and Conservation

The factors that give rise to rural poverty are also at the root of the degradation of natural resources, and degradation of natural resources strikes at the heart of the ability of the poor to develop sustainable livelihoods. The following all contribute decisively to ill- and overexploitation of the natural resource base: lack of access to sufficient land; insufficient access to capital, irrigation and adequate marketing arrangements to pursue productive intensification strategies; weakness in the institutional mechanisms of individual and community land management; and underinvestment in rural technology systems (including knowledge-sharing among farmers) for smallholder conditions in both low- and high-potential areas. All these problems are particularly acute for the poor. Answers to environmental degradation questions cannot be divorced from the mainline issues of the smallholder economy.

Sustainable management of the existing natural resource base is essential for all agricultural systems and is particularly important for the rural poor working in more marginal areas. In these areas, restricted access to purchased inputs (and limited viability of their use) means that effective exploitation of the existing resource base is the key to livelihoods for the foreseeable future. This includes the realm of common-property resources (e.g. grazing land and forests), where vital resources are at risk because of tensions between traditional and state-imposed management systems, competition between extensive- and intensive-use interests, and difficulties within traditional systems in
responding to nontraditional pressures (economic, social and political). But degradation is not confined to the challenge of desertification at the agricultural margins: natural resource degradation (including loss of biodiversity and depletion of marine resources) has many insidious and less visible forms. It is in progress in all of the agro-ecological zones of eastern and southern Africa, particularly through deforestation, erosion, loss of soil fertility, soil compaction/loss of water retention and overgrazing. Arguably, soil and water degradation is worse in higher-potential and more highly populated areas. Certainly this is where its long-term effects will be most profound.

Population pressure is a major factor contributing to all these types of degradation, and it is frequently but not uniformly linked to inequitable tenure systems. When land was more plentiful, traditional shifting cultivation – clearing a plot in the bush, farming it for three to four years, and then moving on to another plot and doing the same again – was both a feasible and an ecologically well-balanced system. As the population has increased, so has the demand for land, and the fallow period has become shorter and shorter until, in many parts of the region today, the land is being continually cropped. In the absence of the regular replenishment of crop nutrients through fertilizers or organic methods, fertility has steadily declined and soil structure and water-retention characteristics have deteriorated. Similar pressures are forcing poor people to expand cultivation into marginal and fragile areas. A typical example worldwide, and in the region, is cultivation on hillsides without the benefit of soil-conservation measures.

A combination of physical and social factors drives degradation, including problems arising from interdiction of access to opportunities for sustainable intensification (e.g. to the dambos – natural wetlands – in southern Africa) and incentives for unsustainable practices. Low levels of income and savings tend to dictate a focus on short-term coping mechanisms at the expense of considerations of long-term sustainability. Local land-management structures rooted in the user community are weak. The supply of relevant technology is inadequate. And the challenge of introducing the higher-return production systems that could immediately provide incentive and finance small-farmer investment in land maintenance is virtually ignored.

**IFAD’s approach in dryland cropping systems.** IFAD supports activities in all of the region’s major agro-ecological zones (see Annex II, Table 14). Nonetheless, the major immediate challenge in the region in terms of actual and potential impact on rural poverty is the degradation of cropped areas in the dry-subhumid to humid zones – typically under staple grain production. IFAD has principally focused on dryland areas (in addition to the highly populated montane areas). Activities in southern Zimbabwe typify the approach it is seeking to promote.

Conditions in the area served by the Smallholder Dry Areas Resource Management Project in southern Zimbabwe have deteriorated badly over at least the past 30 years: a majority of households are food insecure. Agricultural production systems are not well adapted to environmental conditions, and natural-resource-management practices are unsustainable. This is the result of a number of historical factors, including the massive expropriation of large parts of the communal lands for commercial farming, combined
with a rapidly growing population. On the one hand, this has led to the undermining and loss of indigenous knowledge systems; while on the other, natural resource management and agricultural production systems have not been able to adapt quickly enough to the increasing population pressure. With the opening up of new and increasingly marginal arable lands, rapid deforestation, and growing numbers of livestock in a shrinking grazing area, there has been a serious deterioration in environmental conditions. Legislation, institutions and policies have also worked against the population as a result of two factors: a lack of understanding by policy-makers in the past as to what constitutes sustainable practices in farming and natural resource management in the dry areas; and support services – originally designed to serve the interests of the commercial rather than communal sector – that continued to offer advice that was in many cases of little relevance or inappropriate.

The responses to this decline have until recently been those of resignation on the part of the government institutions, bewilderment among the communities themselves, and inaction from both sides. The project is doing much to demonstrate that there is the real possibility of reversing the decline, and it is now starting to have a genuine impact on the target group. Farming-system development teams have been established in the project districts, effectively decentralizing research from the stations to the district and farmer level. Based on the results of PRAs and diagnostic/on-farm surveys, both adaptive trials and, for more proven technologies, participatory adaptive trials have been established on farmers’ fields, providing farming households and community groups with an opportunity to evaluate, adopt and spread innovations. Typically, well over half the participants are women.

A number of the technologies identified and being taken up offer immense scope for increased production and subsequent intensification of production systems. They focus on improved management of natural resources, particularly water and soil, and are, by and large, not input intensive. As such, they are of special value to poorer – and woman-headed – households. Examples include promotion of:

- bana grass, grown on contour ridges, to prevent soil erosion and provide fodder for animals;
- cowpeas, grown in association with maize, as a food-security crop, to fix nitrogen and, through improved ground coverage, reduce weed growth and soil erosion;
- alternative tillage techniques to reduce erosion, improve water retention and, in some cases, reduce labour and draft-power requirements (tied ridging, minimum tillage, etc.);
- production and utilization of drought-resistant food-security crops – cassava and sweet potatoes – in association with pigeon peas as a food, cash and fodder crop to increase soil fertility (none of which are widely grown in Zimbabwe);
- live fencing, to reduce deforestation, degradation of communal lands, and labour requirements and to improve livestock management;
- use and appropriate application of manure and ant heaps to improve soil fertility and structure; and
- improved dambo management, to reduce soil erosion, increase water retention, control grazing, and thus permit intensified and sustainable production.
In Zimbabwe, where resource conservation is a core element of IFAD programmes (as in Burundi, Lesotho and Rwanda), paths of transformation have to weave together different strands. These involve individual and communal access to and control over resources and development/dissemination of technology (including local technologies such as the Machobane system in Lesotho). But the challenge is not just land and technology issues. It very much involves ensuring that conservation is a basis for higher income, for without this there can be little hope of sustained change.

Conservation as a Development Outcome

The issue of land management is as great as that of access to land, but the land management and conservation challenge is not a free-standing issue. Resource degradation and apparent mismanagement are themselves aspects of rural economic systems, and the path of resource use is shaped by issues of market access and competitiveness – including in the most marginal areas. Land and water are assets, and the level of investment in their maintenance and improvement is closely related to actual and anticipated net cash flows – cash flows relevant to the time horizon of the poor. Population pressure is often identified as the cause of resource degradation. What is less often observed is that there is not a single agricultural response to population pressure. In areas with poor market access, it can lead rapidly to resource mining (“vicious intensification”). Where there are good market connections and access to a profitable crop, precisely the same pressure can lead – given the right institutional and organizational tools at the disposal of rural poor people – to intensification involving major investments in resource management and improvement (“virtuous intensification”). The issue is not one of a tension between population expansion and resource conservation, but of putting rural development on a footing in which there are benefits to be gained from good management and in which sustainable agriculture is a sound basis for income growth, savings and investment. In this regard, IFAD’s focus on creating the framework for rural trade and investment is not an alternative to support for resource conservation. It is a contribution to the development of a situation in which natural resources render greater benefits – and become more valued elements of the rural economy.

This route to valorization of natural resources through valorization of their products is a serious challenge in more marginal areas. Following the market reforms and general retreat of governments from active intervention in commerce and trade in the 1990s, the combination of increasing populations and the phasing out of subsidies has reduced the economic carrying capacity of marginal agriculture. This trend has brought into sharp focus the need to seek alternative sources of income to supplement rainfed-arable and extensive-livestock production. One promising development option is the sustainable exploitation of natural products accessible to communities. Independently, several regional NGOs with differing profiles have converged on community-based natural product development and marketing, either as an income-generating activity within a community development context or as part of appropriate land-use technology from an environmental perspective. A review of their activities has: (i) confirmed the conviction that natural products present a real opportunity for sustainable, supplementary income
generation for poor communities with access to natural resources; (ii) demonstrated that past natural product development interventions by NGOs have been relatively successful in community development and technical trials, but have fallen down in marketing and ‘closing the loop’ of cash return to primary producers; and (iii) highlighted the imperative to make optimum use of the very scarce resources available for investment in natural product development and marketing for the benefit of communities.

No single NGO has the ability to handle the entire natural product trade process alone, from ‘bio-prospecting’ through to community mobilization, product development, marketing, sales and, crucially, the return of hard cash to rural producers. One response has been the formation of a Southern African Natural Products Trade Association (SANProta) to complement the work of individual NGOs. There are evident gains to be made from rationalizing and prioritizing current efforts. Even if incremental resources are not forthcoming, the time is right for a more radical and proactive set of remedies to unlock potential incomes for marginalized households across the region. The three activity areas indicated for the trade association are networking, product research/development, and marketing.

The initiative seeks to apply a businesslike approach to the generation of supplementary income for communities through increased efficiency in natural product development and marketing within the region and through a concerted effort to improve external commercial links. The emphasis is on the application of high-quality technical and professional skills to open up trade in a succession of products based on natural, financial and other resources accessible to poor households. It is expected that greater cooperation among service providers will bring direct benefits to communities and will provide a forum for additional donor assistance. At the same time, it can serve as an instrument in promoting linkages with policy makers, commercial operators, research institutions and other important actors. (It is also envisaged that a useful collaboration can be devised with the United Nations Conference on Trade and Development BIOTRADE Initiative, which has targeted southern Africa for programme inception in the near future, and with other multilateral agencies such as the World Conservation Union and FAO.)

As a conscious attempt to address market-development issues in marginal areas and explore the conservation/income-generation linkage, IFAD provided a start-up grant to SANProta in 2001. This is but one building block in a broader strategy aimed at developing regional, national and local capacities to address the land and conservation issues that lie at the heart of sustainable development of the economic systems of the rural poor. IFAD hosts the Global Mechanism of the Convention to Combat Desertification and has been supporting the development of national action plans to combat desertification. In Zimbabwe, IFAD has supported a leading national NGO coalition – CREATE – in addressing the issue of smallholder-led land-reform processes. Regionally, community-based approaches to land reform are being facilitated through the ARNet, supported by the Popular Coalition to Eradicate Hunger and Poverty, which is also hosted by IFAD. Everywhere in the region, IFAD is seeking to place the land and conservation issues in the context of smallholder concerns for improved livelihoods – and
to empower smallholders themselves to address critical organizational, technical and tenure issues (including effective community-based resource-management regimes). The material engagement will become stronger as a result of IFAD’s participation as an implementing agency in the Global Environment Facility.

**Increasing Access to Irrigation and Improving Water Management**

In many parts of the region the most pressing smallholder issue may not be access to land as much as access to water for crops and livestock. Part of the access question concerns the need for alternative approaches to the development and maintenance of smallholder water-management systems – and major increases in investment in exploitation of the irrigation potential.

Particularly in southern Africa, however, the issue is not only one of infrastructure but also of water rights (in a limited-supply scenario in which competition is already marked), pitting new smallholder demands against the ‘established’ rights of commercial farmers. While the debate on these rights is cast in a predominantly economic idiom (e.g. the need for water charges as a means of resource-use rationalization), the issue is pre-eminently political. The economic ‘answer’ will reflect whose interests take priority – and smallholders have no organized voice in these deliberations. Water is emerging as an increasingly valuable global asset: the water assets of the region are not inconsiderable, and their contribution to rural poverty alleviation can be great.

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Source: Human Development Indicators, World Bank 1999 CD ROM
Rainfed cropping represents the backbone of agriculture in the region (see Table 8), and will continue to do so in the future. Unlike in Asia, where the large majority of farmers cropping rainfed land have been relatively neglected, assistance to smallholder agriculture in most of eastern and southern Africa has been virtually defined in terms of rainfed production. While the potential for improving production and income from these systems is considerable, dependence on rainfall often limits the possibility of intensifying production and inevitably adds to the risk of crop failures caused by drought.

There are 18 million ha in the region suitable for water management, but of these only about three million ha are presently under some form of management. Some two million ha of these are equipped for irrigation, about half of which are in Madagascar alone. The opportunities for improved water management in the region are thus very considerable, but they are not well exploited, particularly by small farmers. This represents a very major lost opportunity for the region’s poor.

Public investment in irrigation in the region has produced disappointing results, as in many other parts of the world. The common problems in public irrigation schemes everywhere are poor and non-participatory management, unsustainable operation and maintenance, and lack of systematic development of market opportunities for the high-value crops that usually need to be grown in order to justify the high investment and production costs. In the case of public irrigation schemes in the region, the policy, legislative and institutional contexts have also been inadequate to ensure reasonable performance. Equally important has been a virtual equation of ‘irrigation’ with ‘irrigation schemes’ involving highly engineered and capital-intensive approaches to water supply for crop production. The obverse of this approach has been neglect of water management and crop improvement in natural wetlands and informal systems, including in some cases legal prohibition of their use (e.g. *dambos*).

In contrast to the rather dismal performance of public water management or irrigation schemes, private ones have on the whole been viable and self-sustaining. There are extensive areas of cultivated wetlands, water advance-and-recession planting and sound water-management/harvesting systems in dryland areas that have developed spontaneously and are operated and maintained by farmers themselves. Such systems are cheap, and they are viable for supplementary irrigation of a single crop, such as rice. But the yields – typically 2 t/ha in Malawi and Tanzania – are low. There is ample potential for increasing these yields, especially through improved water management, which can increase yields considerably even without recourse to fertilizer. Investment in such areas can take advantage of farmers’ existing water-management experience. Intensified high-value crop production (e.g. the horticultural crops favoured by most farmers with access to irrigation, or rice for sale) is not the only bonus: there are often opportunities for using residual moisture to grow other crops.

IFAD has identified the following as the most promising opportunities for improving water management and irrigation in the region:

- simple low-cost improvements (budget ceiling of, for example, USD 1 500/ha) in traditional systems in wetlands, valley-bottoms and water advance-and-recession planting areas;
• intensification of existing public irrigation schemes by upgrading systems and transferring management responsibilities to the users (while focusing on enhancing the financial viability of the schemes);

• intensive small-scale developments in the drier agro-ecological zones for the production of higher-value crops requiring water management or irrigation in joint ventures with the private commercial sector; and

• new development, but only of schemes with a comparative advantage in relatively high-value cash-crop production and good market access.

Out of a total of 99 IFAD loans for financing programmes in the region in the past 25 years, about one third have included a focused approach to water management and irrigation activities, representing roughly 30% of IFAD loan funds currently committed in the region (see Annex II, Table 15). IFAD considers this an integral element of its strategy for moving smallholder agriculture onto a significantly higher level of productivity and income. This will not necessarily be restricted to small-scale schemes. IFAD is currently collaborating with the Government of Swaziland and other financiers in preparing the most ambitious scheme for capturing water for smallholders that has been seen in the region in many years. The capital cost is significant. But at the same time it has to be realized that rural poverty reduction is not just about empowerment; it is also about developing material assets – in social infrastructure as well as productive infrastructure.

Water development for agriculture is certainly not without its problems. IFAD recently conducted a review of 14 of its programmes in eastern and southern Africa, which, in aggregate, had spent, or were spending, 56% of their total loans on water management. The results of the survey showed a number of weaknesses that are by no means unique to IFAD-supported programmes. The principal ones are worth outlining here as an indication of what IFAD will be seeking to remedy and avoid in the future:

• Half of the projects were basically for the production of horticultural crops, but even so, very few had a component for access roads to facilitate marketing.

• There was a lack of adequate local engineering capacity in almost all the projects.

• Notwithstanding the importance of beneficiary participation in water management and irrigation projects – in the interests of engendering ownership and commitment and hence sustainability – in most of the cases reviewed, subprojects were pre-selected and designed, and construction begun, before the creation of water users’ associations.

• Policy and legal issues regarding water management and irrigation remained largely unresolved.

The message is clear regarding what is needed: more attention to the policy framework; local engineering capacity mobilized more effectively; users in the driver’s seat of development; and water development more closely integrated with market-system development. These concerns underpinned the strategy of the IFAD/DANIDA-financed Smallholder Irrigation Support Programme in Zimbabwe – and they will be at the very centre of IFAD’s programming in the future.
Inadequate and unreliable rainfall and the recurring threat of drought in the dry areas of Zimbabwe restrict the potential for development of the rainfed agriculture on which most smallholder farmers depend. For such farmers, irrigation represents the single most promising intervention for minimizing crop production risk, raising incomes and increasing food security. There are many examples of successful irrigation schemes that have: (i) increased and stabilized production in these otherwise high-risk farming areas; (ii) permitted an expansion of the cropping period; and (iii) raised incomes to the point where schemes are playing a major role in the economy of their respective localities. Such successes have been achieved under a range of schemes with different water-delivery and in-field irrigation systems, organizational status, production objectives and cropping systems, and marketing opportunities. Farmers and technical support services have thus each gained substantial experience in irrigated crop production, which provides an invaluable base on which to build further support for smallholder irrigation development.

Notwithstanding these successes, many schemes are, to varying degrees, failing to fulfill their potential and are faced with a series of technical, social, organizational and economic constraints. Together, these constraints are, at the least, limiting farmers’ income-generating potential and, at their most severe, posing a threat to household food security. While some of the constraints could be alleviated through actions taken at the scheme level, under guidance, by the irrigating farmers themselves, others require a substantial input from external sources, both in terms of expertise and finance.

The new economic policy environment and the associated, continuing changes in policies and strategies for agricultural and water-sector development (Zimbabwe Agricultural Policy Framework; Water Resources Management Strategy) provide an opportunity to support sustainable improvement and expansion of smallholder irrigation. At the same time, reforms have created new challenges to irrigating farmers, and to other private- and public-sector stakeholders in the smallholder irrigation subsector, as they attempt to adjust to new and changing circumstances. Developments in these areas are occurring at a time when the Government is devolving greater responsibility for local-level planning to the rural district councils as part of its policy of decentralization.

The financiers for the programme are the Government of Zimbabwe, IFAD, DANIDA (Government of Denmark) and the beneficiaries (mainly irrigating farmers). IFAD will contribute some USD 12.1 million (63% of total costs); DANIDA USD 5.4 million (28%); the Government USD 0.2 million equivalent (0.9%); and the beneficiaries USD 1.6 million equivalent (8%).

The development objective of SISP is to sustainably increase the incomes and food security of smallholder irrigating households and households in neighbouring communities. Success will depend on the level of output at both sectoral and scheme levels. At the sectoral level, the programme will aim to enhance the institutional and regulatory framework for smallholder irrigation. It will do this by: strengthening the capacity of the Agricultural Technical and Extension Services Department (Agritex) to provide farmers with appropriate and effective support services; encouraging the active involvement of civil society in the provision of services to irrigating farmers; supporting review and refinement of the policy and legal framework; improving coordination for water resource development among the Ministry of Lands and Agriculture, the Department of Water Development and the Zimbabwe National Water Authority; and contributing to catchment planning as a basis for longer-term irrigation development. At the scheme level, the programme will aim to ensure that farmers are able to manage, operate and maintain fully operational and productive irrigation schemes. It will do this by: carrying out physical works on existing and new schemes; providing training to irrigation management committees/water users’ groups for scheme management and enhanced production; providing support for enhanced environmental management; and developing linkages between irrigating farmers and input and produce markets.
Against this rather mixed picture of the water management and irrigation scene, as revealed by IFAD’s survey of its own experience, some unambiguous success stories are emerging. One example is the Upper Mandrare Basin Development Project in Madagascar. The Upper Mandrare Basin is a predominantly rice-growing area, and there were existing, small public-sector irrigation schemes and community-based systems. However, most of the irrigation infrastructure was in a dilapidated state, mainly because of poor design, construction and maintenance in both the public and community schemes. The efficiency of the systems was low, and downstream users often suffered water shortages. It was estimated that rehabilitation could markedly improve water control and lead to an increase of up to 60% in annual cropping intensity, as well as to substantial improvements in yields.

The project, now in its second phase, is rehabilitating the public and community systems and turning the public systems over to management by their users. A participatory approach is being employed; the users are involved in planning and implementing the works and are being prepared and trained to take over their operation and maintenance. An NGO has been responsible for training local facilitators to assist users in forming water users’ associations before any actual rehabilitation activities begin, so that they can be involved in the planning and development. There is enthusiasm for the project, as witnessed by the willingness of people to contribute their labour. Implementation is on schedule, and costs average a modest USD 1,400/ha. Rice production has increased considerably, and the region has passed from a food-deficit into a significant food-surplus region – attracting traders and agro-processors. The success of this project is leading to rapid and broad replication, not only with IFAD support but also through major investments by other donors.
The first sight for a visitor approaching the town of Tsivory in southern Madagascar is a large expanse of green rice paddies that extends to the distant hills. Eighteen surrounding villages send farmers to cultivate this land, and the participating growers have formed an association by the name of Mamelonanivo, which means “To feed thousands.” The president of the group, Rehoavy Flavur, says, “We are only at the beginning of this project, but already we are seeing benefits. People are building new houses, buying animals. We are growing new crops, and we see that our children are in better health. We will soon take over and continue this project by ourselves.”

Mr Flavur is referring to the IFAD-funded Upper Mandrare Basin Development Project. Started in early 1998, the project aims to improve the lives of the local population by helping them renovate run-down irrigation systems. One of the keys to reaching this objective is helping local farmers form groups like Mamelonanivo. According to IFAD coordinator and project director Harifidy Ramilison, that goal is reachable. “This is an integrated programme,” he says. “We are putting all the necessary infrastructure in place—the dams, the roads, the technical know-how—with solid participation from the beneficiaries. When we leave, they will be able to do everything by themselves, without us.”

Perhaps the most visible change to the region is the improvement of roads linking the area’s small villages to Tsivory. Routes that were often impassable in rainy months are now durable surfaces, with channels that carry away excess water to prevent erosion. Concrete and stone bridges cross small rivers and streambeds. Small villages that were once cut off for months at a time have access to the markets in Tsivory and other trading centres.

The ‘farm-to-market roads,’ as they are known, are built with project funding, but the local farmers and herders have also played a key role in their construction. In exchange for the new routes leading to and from their villages, villagers were responsible for digging the drainage channels that protect the new roads. For example, along the 7-km stretch from the village of Andovakely to Imajola, several cattle herders can be seen excavating a ditch along the side of the road. “They are unable to contribute financially to the project,” says Mr Ramilison, “so in this way, they are playing a major part in the construction.”

“The roads are a very important part of the project,” he continues. “Before, there were few vegetables growing in this area. Now it is a very productive zone; we are multiplying on a grand scale the amount of goods being produced here. This justifies the large expenditure on the roads.”

The one major obstacle to increasing the output of the region remains the national road that links Tsivory with the rest of the country. Travel time along this 210-km segment from Fort Dauphin to the Upper Mandrare region can take up to ten hours. It is only upon nearing Tsivory that the rebuilt project roads are reached and traffic can pass at normal speed. “There are private operators who want the products we are producing up here,” says Mr Ramilison, “but the problem is the main road. There is not enough demand in the immediate area to absorb all these new products. If we can’t get them out of the area, then supply will be too high and prices will go down.”

Another key aspect of the project is the installation of a radio station in Tsivory that reaches neighboring villages. Of course, there are music and news programmes, but there is an added element to the programming called the “Rural Radio of the Upper Mandrare Basin Development Project.” The station broadcasts information that is useful to farmers. Aired entirely in the local Malagasy language, there is one regularly scheduled programme entitled, “Study and you will have no regrets.” Others have names such as “Effective Cattle Raising,” or simply “Irrigation.” Local residents are encouraged to make requests or send out messages. This is one aspect of the project that Director Ramilison is especially proud of: “We are able to transmit information instead of having to go there and teach them. It is proving to be extremely popular with everyone.”
There are a number of constraints facing water management and irrigation initiatives in the region, but now they are better understood and can be overcome – with adequate support. IFAD will be very much involved in putting this knowledge to use. In recognition of the strategic importance of expanding sound water management in the region, the Government of Switzerland recently approved a grant to IFAD under which 13 IFAD-supported programmes in the region will receive additional, regular technical-assistance support in areas such as institutional capacity-building, farmer participation and ownership, and physical sustainability. One of the priorities of the SADC Multi-Donor Hub will be to provide support throughout the region to policy reform, programme design and implementation capacity in the small-scale irrigation sector. FAO is currently collaborating with IFAD to increase the return on irrigation investment through the introduction of aquaculture as part of improved water management and irrigation. Also in the pipeline is a collaborative study with the World Bank on principal issues in smallholder irrigation development.

**Creating a Better Knowledge, Information and Technology System**

Not only will smallholders need to exploit market opportunities to generate cash resources for consumer and producer goods, they will also have to select and use production inputs well – inputs that will be critical for production but may be outside the smallholder's field of direct and systematic experience. Perhaps no other area of smallholder development is more widely contested than the area of production technology, and in none is such a wide range of opinion encountered. Given the stock of available but under-exploited technologies, for most smallholders the immediate question of technology is not whether it exists, but how to access it – or how to adapt it to local production conditions, both natural and social.

There is, however, a basic issue: who is going to offer (or communicate) improved technologies to smallholders, and how are smallholders going to evaluate their ‘advice’? Technology supply to smallholders has generally been subsumed in the region under the heading of agricultural extension. This again represents a model of monolithic organization of centrally controlled services responding to upstream definitions of the appropriate path for smallholder development, with the slimiest directional input from smallholders themselves. As in the case of the rural credit model, smallholders have been confronted with a single formal service source focusing on a narrow range of activities – with a virtual
atrophy of mechanisms through which they could articulate their own demands and solutions. The principal concern of these systems has been adoption rates, with the communication system preparing farmers to receive and implement recommendations rather than to evaluate and adapt the advice given to them. Notwithstanding the vital role assigned to these systems, and the prodigious resources expended on them over the last three decades, the number of farmers effectively reached by them has been relatively limited.

Like the rural parastatal credit systems in the late 1980s and 1990s, public extension systems are today in profound crisis. On the one hand, it is clear that public finance and technology service systems are insufficient to respond to the real technical needs of smallholder farmers. This is true even for the narrow range of commodities that have received attention in the past, let alone for the extended range of activities that will emerge as the virtually monocultural orientation of present credit and market systems gives way to much higher diversity under liberalized marketing regimes. On the other hand, as a result of structural adjustment programmes, there has been much pressure to reduce the cost of agricultural extension and ultimately make it self-supporting from its client base. The question of the way forward has become particularly urgent as a number of the large-scale programmes that supported traditional extension systems are coming to an end. The radical problems of the model have created a lose-lose situation: declining support to and operational capacity of public extension – and absence of a viable alternative. This situation is not unique to extension. It is exemplary of the general predicament of the rural poor: declining public services of limited use and the absence of sustainable alternatives.

The problems of technology supply are generic to agricultural and rural development services as a whole: limited relevance to smallholders because of the absence of smallholder control over the operational agenda (and the sometimes quite alien, and typically uncommercial, economic agenda of those who actually did control the system); limited outreach because of dependence on public finance; and minimal smallholder contribution to the material conditions of the functioning of the system. Any sustained improvement in the rural poverty situation will require smallholder access to information about technologies in those areas in which they feel they can establish profitable operations, optimizing the impact of increased access to material inputs. This will necessarily involve a very different approach to rural technology supply.

A different approach is emerging, but as in both rural finance and agricultural market organization, its emergence is marked more by the retreat of the ‘old’ systems than by positive articulation of the new in terms of immediately mobilizable forces. Across the whole region there is recognition that the public extension system cannot provide a comprehensive response to smallholder technology requirements – and in some countries this has been accompanied by a reduction in the size of the public extension service. The assumption is that demand will be served increasingly by the private sector (input suppliers, output traders and agro-processors requiring certain sorts of output with particular timing and quality characteristics) and civil-society organizations.

In principle this seems to address the critical problem of responsiveness: smallholder
demand will drive supply; or smallholder organizations will begin to articulate their
own responses to service delivery. As in the case of market reorganization, however, the
approach has yet to respond concretely to a number of crucial real-world problems, par-
ticularly: the weakness of the private-sector supply system (are there, in fact, in many or
most areas the sort of formal private-sector operators that could provide meaningful
technical assistance?); the low level of development of civil-society organizations
through which smallholders could articulate their requirements in a more focused and
forceful way to both the public and private sectors; the extremely low level of prepara-
tion of smallholders for evaluating the recommendations they will receive from differ-
ent sources; and the lack of purchasing power for services among the poorest.

The smallholder problem involves both organization and information. These are con-
stantly present issues, but they become particularly pointed under proposed regimes of
private-sector service. How are poor smallholders going to influence what the private
sector supplies, in a situation in which there is not even the hint of a public-service ori-
entation in the private sector? How are smallholders going to gain access to information
about technology alternatives, and how are they going to evaluate them? The organiza-
tional issue is relatively well known. Less deeply considered is the information and
knowledge dimension. With regard to technology, the whole thrust of extension strat-
 egy has been to constitute smallholders as uniform ‘advice takers’. To have effective
access to technology they must be reconstituted as seekers after diverse sources of infor-
mation, and as evaluators of what they receive. The issue of smallholder development is
not only organizational empowerment, but also knowledge empowerment.

Helping the rural poor gain improved access to the technology they require to raise
productivity and income is one of the most regularly occurring components in the
IFAD portfolio (see Annex II, Table 16), and it will certainly remain so. In Tanzania,
where IFAD financed the implementation of the National Extension Programme –
Phase II in the southern highlands, it has collaborated with the Government and the
World Bank on studies of alternative approaches to extension as one of the bases of the
development of a potential new programme. In Uganda, IFAD and the World Bank are
the lead financiers of the new National Agricultural Advisory Services Programme,
which is providing a groundbreaking framework for a national system of decentralized
extension, based on a diversity of service providers to be contracted directly by small
farmers. NAADS is the equivalent, in the area of technology, of the parallel efforts to
put marketing and rural finance systems on a completely new footing in order to
respond to the challenges and opportunities of open economies, with public activity
limited to core services.

Experience gained in the new programme in Uganda will be an essential factor in the
evolution of IFAD’s engagement in rural technology systems. Nonetheless, in many
areas the public sector will continue to play an important role in rural technology devel-
opment and communication. It may have to play a critical and continuing role in mar-
ginal areas and in supporting the organization of poor farmers to access private services.
The whole issue of the development of farmer capacity to evaluate and make the best
The NAADS design hinges upon a deliberate move away from the traditional, stereotyped and centralized training-and-visit system of agricultural extension in favour of decentralized services – farmer-driven and increasingly delivered by the private sector/NGOs/civil society – and the commercialization of the smallholder subsector. Consequently, the primary objectives of the programme are to: (i) engender a change in the approach to agricultural service provision; (ii) initiate processes of farmer and community empowerment and enhanced local fiscal and operational viability; and (iii) ultimately reduce the share of government funding support for direct agricultural extension services.

Cofinanced by IFAD, the World Bank and the Government of Uganda, the programme will implement the following five components over a 25-year period, broken into five phases of five years each: (a) advisory and information services to farmers involving: (i) orientation, group mobilization and participatory planning, (ii) farm advisory-service contracting, and (iii) information and communications; (b) technology testing and market-linkage development involving: (i) on-farm technology testing and market-linkage development, and (ii) subcounty-, district- and national-level priority projects; (c) regulation and technical auditing of service providers involving: (i) standard-setting for and regulation of service providers, and (ii) technical auditing of service providers; (d) private-sector institutional development involving: (i) local service-provider development, and (ii) national support for representative organizations/institutions; and (e) programme management and monitoring involving support for: (i) the NAADS Board and Executive/Secretariat, (ii) planning, and (iii) a management information system and impact evaluation.

With a target of about three million households constituting the national farming base, programme participants will include: farmers, representative farmer groups, organizations and fora; subcounty councils and administrations on behalf of farmer groups/fora for subcounty-wide interventions; district councils and administrations for district-wide interventions; farm advisory-service providers and specialist contractors; and the NAADS management for agreed national thematic interventions. Programme coverage will begin with an 18- to 24-month ‘trail-blazing’, preprogramme pilot initiative in five selected districts (with four selected subcounties per district and at least 15% of the farm households within each selected subcounty). It will be phased to eventually cover the country’s 45 districts and 830 subcounties. Eligibility for programme uptake will be based on compliance with stipulated minimum criteria, which encompass already-established parameters under activities assisted by the Government’s Poverty Action Fund, the UNCDF-supported District Development Project, and the Local Government Development Programme financed with World Bank assistance.

NAADS will be implemented as an integral part of each subcounty district development plan and in the context of the national, rolling medium-term expenditure framework. Consequently, and in view of its demand-driven nature, programme design is deliberately flexible – as will be the annual work plans and budgets through which approved activities are implemented. The Ministry of Agriculture, Animal Industry and Fisheries will have overall national responsibility for the programme through a Board and a minimal, high-calibre Executive/Secretariat for day-to-day activity coordination, institutional facilitation and progress-monitoring. The core of the activities will necessarily be the participatory planning and execution process, in the context of which management responsibility will lie with farmer groups and fora, subcounty and district authorities, and service providers. The mobilization and sensitization of groups and communities – for increased awareness and linkages, skills improvement and reorientation, capacity-building and other community-based development – will constitute the main approach towards ensuring beneficiary involvement and participation, especially by the poorer, underrepresented categories of farmers.
use of technical services is fundamental. IFAD will principally focus on two issues: strengthening the basis for effective collaboration between poor farmers and private-sector/civil-society technology suppliers; and both defining the role of the public sector and making public services more responsive, more relevant and more efficient – within the framework of a partner relationship with farmers, whose technology requirements are likely to change and diversify very rapidly as commercialization takes hold.

One approach being piloted in the region under an IFAD grant to FAO are farmer field schools (FFSs). These were first used in Indonesia in 1989 to promote integrated pest management in rice crops, following a government ban on the pesticides commonly used by rice growers. Overuse of pesticides had been weakening their effectiveness, knocking out natural predators of rice pests and causing environmental damage. FFSs were highly successful: pesticide applications dropped dramatically, from an average of 4.5 to 0.5 per season; rice yields rose; and the country was saved USD 35 million per year in pesticide costs.

The crux of the FFS concept is empowering farmers through education to handle their own on-farm decisions. It is based on adult, non-formal education principles and begins with the assumption that farmers have a wealth of experience and knowledge that can be improved by a better understanding of the agro-ecological dynamics of their fields. FFSs are based on following the crop through the whole season, from planting to harvest, with each weekly session studying the actual stage in the field. The focus is on analysing and understanding basic biological, chemical, and physical processes through field observation, season-long research studies, and hands-on activities. The approach is based on the experience that farmers make more effective decisions when they have learned basic scientific principles and combine them with their own experiences and needs. The FFS methodology assumes that no technology will necessarily work in a new location and that it must be tried, validated and adapted by farmers in collaboration with technical input in response to farmers’ concerns. It is a system of farmer knowledge-empowerment based on a very different form of association with experts.

Important questions have to be answered about the cost-effectiveness of the FFS approach, and this is a critical element in the monitoring of IFAD grant-financed piloting of the FFS methodology in the Busia District of Kenya, the Kagera region of Tanzania and the Soroti District of Uganda. Whatever the final verdict, it is becoming clear that the FFS approach contains much that should be replicated. Small farmers will be offered ‘advice’ and technology from an increasingly diverse group of suppliers, including agricultural input companies and traders seeking to exploit the smallholder market. In this context, it is essential that they be equipped to better understand their own needs and to evaluate offers – suggesting that what is most needed is less a better ‘extension model’ than a new approach to the empowerment of farmers through enhanced capacity to make their own informed decisions. Indeed, the understanding that the rural development framework has changed radically and it is the farmer who must make decisions on the basis of his/her understanding of the information available is as important as the technology shared in the FFS approach.

It is quite clear that the traditional focus on production, alone, in technical support to
small farmers is rapidly becoming an anachronism. The rural poor need access to relevant technical information – including information on the indigenous techniques of other communities. But technology decisions are also economic decisions: they involve commitments to particular products and to particular cost profiles. These commitments can only be made in a rational fashion in the context of quality information about markets – as well as of good organization to access them. The issue is no longer extension, but information systems that respond to the broad requirements of small producers as small businesses confronting other businesses in trade, production and technology exchange.