ACCHIEVING THE MILLENNIUM DEVELOPMENT GOALS
by Enabling the Rural Poor to Overcome their Poverty

DISCUSSION PAPER
Origins
The agreement to establish IFAD in 1976 resulted from the 1974 World Food Conference organized by the international community in response to the persistence of widespread hunger and malnutrition in the world. The conference recognized that hunger and food insecurity should not be associated solely with shortfalls in food production and supply at national or international levels. Rather, they should be understood as products of deep-seated structural problems associated with underdevelopment and poverty, especially as these affect rural poor people. IFAD approved its first loan for a project in 1978.

Mandate
Thus the Fund’s mandate – to combat hunger and rural poverty in developing countries, especially low-income, food-deficit countries, and to improve the livelihoods of rural poor people on a sustainable basis – defines hunger not just as a food production and supply issue, but also as a livelihood issue.

Emergence of a Specific Role
In responding to this mandate, IFAD has realized that rural poor people can enhance their food security and increase their incomes only if project designs and activities are built upon their production systems and livelihood strategies, and resources allocated accordingly. To be effective, therefore, investments to reduce poverty must be linked to a proper understanding of poverty processes and how they affect different groups of poor people, and women as compared with men.

To this end, IFAD has increasingly collaborated with local stakeholders in developing its operations. It has designed and implemented projects and programmes in a wide range of natural, socio-economic and cultural environments, in remote regions and with the poorest and most marginalized sectors of rural populations. Through its experience, the Fund has acquired a wealth of knowledge of the processes that contribute to the generation and perpetuation of poverty. It has also gained valuable insights about what works or does not work to foster the conditions in which the rural poor can enhance their productivity, output and incomes.

IFAD’s Contribution
IFAD’s contribution to rural poverty reduction has long been based on its recognition that the economic empowerment of rural poor people will not happen simply as a result of the ‘trickle-down’ effect of macro or sectoral investments. Action must address the obstacles faced by rural poor men and women and facilitate their opportunities, in their different and specific circumstances and activities. In addition, since in many low-income countries the majority of the poor and extremely poor (those with incomes below one dollar a day) live in

HISTORICAL AREAS OF INTERVENTION
- access to productive resources (especially land and water)
- sustainable agricultural production, including fisheries and livestock
- water management and irrigation (mainly small-scale)
- rural financial services, including microfinance
- rural microenterprises
- storage/processing of agricultural produce
- marketing and access to markets
- research/extension/training
- small-scale rural infrastructure (feeder roads, etc.)
- capacity-building for small producer groups and organizations
rural areas, helping poor producers to increase their output is often the most effective, and in some cases the only, way to bring about more rapid overall growth. IFAD has therefore advocated for broad-based economic growth, built upon an explicit focus on the initiative and capacity of poor rural producers. Such an approach acknowledges the consumption needs of the poor, but it also emphasizes to their social capital and their economic potential as producers and working people. This, in turn, has necessitated an in-depth understanding of the complexities of rural livelihoods and the different roles of women and men within these livelihoods. It has also required careful targeting of interventions at people and their activities – as farmers, agricultural labourers, fisherfolk, hunters and gatherers, pastoralists and small rural entrepreneurs.

IFAD’s experience over the last 25 years unequivocally shows that rural poor people are fully capable both of integrating themselves into the mainstream of social and economic development, and of actively contributing to improved economic performance at the national level – provided that the causes of their poverty are understood and conditions are created that are conducive to their efforts. No amount of national or international assistance will radically improve the rural situation unless such transformation is based on the aspirations, assets and activities of rural people – and unless poor people own the change process. Major efforts need to be made to remove the critical material, institutional and policy obstacles that prevent the rural poor from seizing opportunities for improved livelihoods. Development cannot be done for them. What can be done is to create the conditions that empower the poor to become agents of change.

**IFAD’s New Strategic Directions**

The Millennium Development Goals represent a commitment by the entire international community to take all necessary action, first and foremost, to reduce by half the proportion of people who live in extreme poverty by 2015. The *Strategic Framework for IFAD 2002-2006* is the Fund’s response – a statement both of the crucial issues to be addressed and of the areas that IFAD will focus on as part of that broader international effort.

The strategic framework draws on the Fund’s years of experience and reflection, and recasts IFAD’s mission in a very simple statement: *enabling the rural poor to overcome their poverty.* Concretely, this mission translates into three strategic objectives upon which IFAD is concentrating its investments, research and knowledge management efforts, policy dialogue and advocacy:

- strengthening the capacity of the rural poor and their organizations;
- improving equitable access to productive natural resources and technology; and
- increasing access to financial assets and markets.

The strategic framework also recognizes that IFAD must expand its engagement beyond the immediate impact of ‘its’ projects and programmes to influence the direction and content of national and international poverty-reduction processes. Thus it emphasizes building complementary partnerships and broad alliances to maximize IFAD’s contribution to the international community’s larger poverty-reduction effort.
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At the Millennium Summit in September 2000, world leaders undertook the commitment to halve by 2015 the proportion of people in the world whose income is less than one dollar a day and the proportion of people who suffer from hunger. They also pledged in the United Nations Millennium Declaration to achieve other Millennium Development Goals (MDGs) – goals that encompass education, gender equality and women’s empowerment, health and communicable diseases such as AIDS and malaria, and environment sustainability. These goals will provide the overall framework for development cooperation in the coming years.

The Millennium Declaration represents a historic global commitment, which recognizes that, given today’s wealth and technological achievements, permitting mass poverty and hunger to continue is no longer acceptable to the international community. The Summit reinforced the political momentum and focus on poverty, and helped create a new global partnership for development.

The first major follow-up to the Summit, the International Conference on Financing for Development, held in Monterrey, Mexico, in March 2002, brought together all the stakeholders in this global partnership: heads of state and government, ministers, and representatives of international organizations, the private sector and civil society. Its aim was to translate the political momentum gained at the Millennium Summit into concrete responses in support of the MDGs.

In the Monterrey Consensus adopted at the conference, developing countries agreed to seek to mobilize greater domestic resources for development and to strengthen governance and their policy frameworks. At the same time, the Consensus called for substantial increases in official development assistance (ODA) and debt relief, together with reforms to strengthen international monetary, financial and trading systems.

Success in all of the key areas negotiated in Monterrey will therefore depend on the commitment and actions of both developing and developed countries. Some promising signs of an increased engagement in development issues have already begun to emerge.

As regards developing countries, at the national level some 48 countries have already prepared either interim poverty-reduction strategy papers (I-PRSPs) or poverty-reduction strategy papers (PRSPs). Nationally owned and internationally recognized, these strategies hold out prospects for more-open dialogue within governments and with civil society, and give greater prominence to poverty reduction in policy debates. They can help establish clear priorities and focus resources on critical issues for better-monitored public expenditures. They can also provide a framework for collaboration among diverse stakeholders. So far, however, they have not always given appropriate attention to rural development and the needs of the rural poor. This shortcoming needs to be overcome.
At the regional level, developing countries are also showing growing commitment to elaborating comprehensive development and reform programmes. The New Partnership for Africa’s Development (NEPAD), for one, has recently emerged as a major initiative by Africa’s leadership to promote the economic, political and social transformation of the continent.

**Private capital flows** to developing countries increased dramatically during the 1990s, becoming the dominant component of financial flows to a number of these countries. However, foreign direct investments (FDIs) have tended to concentrate on a relatively small number of developing countries. Some of the poorest countries, particularly those in Africa, have received a small part of global FDI. In this regard, the challenge is to help create conditions to attract such investments, especially in agriculture and in rural areas.

**Trade** as an engine of growth has increasingly been a major theme in international conferences and international commitments. In Monterrey, trade was again identified as a stimulus for worldwide development in both developed and developing countries. Expansion of global trade has greatly boosted income growth and poverty reduction in many countries, especially in South East Asia. But at present there are major challenges in ensuring that the poorest countries, especially primary commodity exporters, participate in the benefits of growing world trade. Declines in commodity prices have reduced their export earnings, and trade restrictions in the developed world have limited developing-country exports of agricultural produce and low technology manufactures.

In this context, the Doha Round of Trade Negotiations is timely since many of these issues are on its agenda. The aim of making the Doha Round into a true development round is of great importance for the achievement of the MDGs.

At the same time, it is clear that for developing countries to take full advantage of opportunities opened up by trade liberalization, much needs to be done at the national level – both in terms of investment and policy reforms. In particular, investments are needed to enhance production capacity in transportation, telecommunications and infrastructure. Developing countries also require support to strengthen their capacity to meet quality and sanitary/phyto-sanitary standards.

As regards **external debt relief**, the enhanced heavily indebted poor countries (HIPC) scheme is providing increased resources for public investments and for poverty reduction – and tangible external debt relief is beginning to flow as the PRSP process matures. This progress notwithstanding, the Monterrey Conference encouraged donor countries to ensure that resources provided for debt relief do not erode ODA resources committed to developing countries.

**ODA and debt relief resources** cannot of course be the principal basis for sustainable economic development, but they can play a vital catalytic role. In this context, estimates have been made of the additional ODA resources required to achieve the MDGs by 2015. The 2001 United Nations report on financing for development, the Zedillo report, estimated that achieving the MDGs would require an additional USD 50 billion per year of ODA. The World Bank presented a similar annual estimate of USD 40-60 billion, while Oxfam placed the figure at USD 100 billion per year.

Encouragingly, there are indications that the declining trend in ODA levels is being reversed. At Monterrey, the members of the European Union pledged to increase their collective ODA from the then average of 0.22% of gross national income (GNI)
to 0.39% by 2006 – a positive step towards reaching the 0.7% target. The United States announced that it would increase its ODA over the next three years, resulting in a USD 5 billion increase annually over current levels by 2006.

The MDGs are a foundation for a new global partnership to reduce poverty. Meeting them will not only require more resources – domestic and international, private and public. It will also require that resources be applied and change be brought about where they make the greatest difference. For international and national resources to maximize their impact on poverty, policy and financial support must be focused on where poor people live (largely in rural areas) and on the basis of their livelihoods (agriculture and other rural activities).
The most basic and undisputed fact about global extreme poverty – the 1.2 billion people with an income of less than USD 1 per day – is that it is overwhelmingly rural. Some 900 million of these extremely poor people live in rural areas in developing countries and mainly depend on agriculture for their living. Even in 2025, when the majority of the world’s population is projected to live in urban areas, 60% of poverty will still be rural poverty, and most of the ‘dollar poor’ will still be rural.

The agricultural sector is also critical to the prospects for economic growth of many developing countries. Whereas, in 1997, agriculture accounted for only 3% of gross domestic product (GDP) for developed countries, it contributed 26% of GDP for developing countries and more than 50% of GDP for the least developed countries. It is also the main source of employment, and accounts for a major share of exports and foreign exchange earnings in most developing countries.

Against this background, it is evident that rural and agricultural development must be at the centre of approaches to reduce overall poverty. The focus needs to be on enhancing the productive and economic role of rural poor people: on enabling them to improve their agricultural productivity and to increase their incomes. Moreover, with high levels of male migration from many rural areas, and women typically taking the major responsibility for agricultural production, special efforts must be made to address the specific and differentiated needs, and the constraints and economic opportunities, of women.

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The Role of Agriculture in the Economies of Developing Countries in Different Regions

- **Sub-Saharan Africa.** Agriculture represents about 42% of GDP in the low-income countries and 27% in the middle-income countries, and it employs between 65 and 80% of the labour force. Agricultural exports also account for as much as 60% of export income in more than half the countries in this region.

- **Asia.** Agriculture contributes between 6 and 60% of GDP in different countries and provides employment to two thirds of the labour force regionally. For many countries of the region, this sector contributes 10% or more of total exports.

- **Central and Eastern Europe.** Agriculture contributes between 10 and 30% of GDP.

- **Latin America and the Caribbean.** Agriculture accounts for about 8% of GDP. However, this figure conceals the great variation across countries – 23% in Guatemala, 12% in Ecuador and 6% in Uruguay. When agriculture is defined to include agro-processing, its share of GDP is between 20 and 30% for the region as a whole. Moreover, primary agriculture employment accounts for a large share of the labour market: 20% for the region as a whole, with significant variations among countries.

Sources: Abdulai and Delgado, 1995; Canadian International Development Agency (CIDA), 2002; Food and Agriculture Organization of the United Nations (FAO), 2002; World Bank, 2001b.
Equally important, given the centrality of the agricultural sector in the economies of many developing countries, short-term prospects for their overall economic growth will be largely determined by the growth rates achieved in that sector. The sector’s linkages to the non-farm economy also generate considerable employment, income and growth in the rest of the economy. Studies have shown that for each dollar increase in agricultural value added, there is an increase of between USD 1.50 and 2.00 in value added in the non-farm economy. Similarly, for a 1% increase in agricultural gross output, there is a 1% increase in rural non-farm employment. Of the developing regions, sub-Saharan Africa faces the greatest challenge in making significant inroads in reducing poverty. Here, estimated annual economic growth rates of 6-8% are required if the MDGs are to be attained. In many countries of the region, only the agricultural sector can be the engine of that growth.

Paradoxically, even as the focus on poverty and hunger reduction has intensified, the proportion of ODA going to agriculture and the rural sector has actually fallen sharply. In fact, the real value of net aid disbursed to agriculture in the late 1990s was only 35% of its level in the late 1980s. Today only 12% of total ODA goes to agriculture as opposed to 20% in the late 1980s. World Bank lending for agriculture declined from USD 3.66 billion in 1990 to USD 1.34 billion in 2000. Loans to agriculture accounted for 18% of World Bank lending in 1990, but only about 9% in 2000. International financial institutions (IFAD excepted) also substantially cut back lending to agriculture during the 1990s, both in absolute terms and as a proportion of loans. Similarly, developing-country governments have reduced their level of engagement in the sector over the past ten years. It is difficult to reconcile the centrality of agriculture in the economic livelihoods of the very poor and the declining resources directed to agricultural development.

Emphasis on the economic activities of rural poor people does not imply that education, health, access to water and sanitation, and other social investments and services are not essential. They are. But social services will not be sustainable without substantial investment in productive activities that enable the rural poor to increase their productivity and raise their incomes. This is not taking place – or not taking place enough. Correcting this imbalance must be a major agenda item for the MDG process.

Reducing rural poverty will thus require a swing towards engagement in agriculture and rural economic activities. There are signs that this swing is beginning to take place. In this regard, the World Food Summit: Five Years Later, held in Rome, Italy, in June 2002, called for a reverse in the overall decline of agriculture and rural development in bilateral and multilateral ODA and in the national budgets of developing countries. It also urged that an international alliance against hunger be formed. Similarly, the World Summit on Sustainable Development, held in Johannesburg, South Africa, in August/September 2002, gave a prominent role to agriculture in its negotiations for a more equitable and sustainable development for all. Most significantly, perhaps, a number of bilateral donors – notably the Canadian International Development Agency, the Department for International Development, and the United States Agency for International Development – are starting to increase their level of engagement in the sector.

Renewed support to the agricultural sector must involve not only more resources, but also better application of resources. Levels of investment in rural and agricultural development waned in the 1990s, partly because of previous failures to sustainably
reduce rural poverty and promote growth. Notwithstanding many success stories, disappointments – notably in Africa – resulted in scepticism as to the value of investing in the sector. Today, re-engagement in agriculture and the rural sector is essential, not only for reaching the MDGs, but also for increasing economic growth rates in many countries. To be effective, however, this re-engagement will require a firm grasp of what strategies and interventions will best contribute to achieving sustainable rural development involving the rural poor not as beneficiaries, but as empowered agents of change, capable of keeping pace in a world of rapid evolution. The greatest potential contribution that IFAD can make to the MDG process is to spearhead a rethinking of the rural development problematic, and provide models for change based on real experience. The Fund has argued strongly for reinstituting agricultural and rural development on the poverty-reduction agenda. It now must meet the challenge of working with others to ensure that this re-engagement supports strategies and programmes that work – in the countryside and in agriculture.
IFAD’s experience over these 25 years gives ample evidence that rural poor people can make significant contributions to the social and economic development of their communities and their nations. What needs to be done is to help remove the critical material, institutional and policy obstacles that prevent them from seizing opportunities and improving their livelihoods in ways that they themselves can sustain and expand. No amount of national or international assistance will radically transform the rural situation unless such transformation is based on the aspirations, assets and activities of rural people – and unless poor people own the change process. Donors, governments and development agencies cannot do development for poor people. What they can do is assist and enable. In other words, change will take place only to the extent that effective support is given to the rural initiatives of individuals, groups and communities.

Lack of recognition of the above was a main cause for the failure of previous investments, to the extent that they adopted top-down approaches, relied on highly technological prescriptions for agricultural production increases, and ignored the complexity of the livelihood strategies of rural poor people. Most importantly, they did not rely on the participation of the rural poor themselves in the identification of problems and the search for solutions.

Drawing on lessons that IFAD and its partners have learned over years of operational experience, the Strategic Framework for IFAD 2002-2006 identifies three areas of intervention and change that are crucial to the achievement of the MDGs in rural areas: strengthening the capacity of the rural poor and their organizations; improving equitable access to productive natural resources and technology; and increasing access to financial services and markets.

First and foremost, the poor need to be given a chance to build their individual and collective capabilities in order to gain access to economic opportunities and to basic social services and infrastructure. Lack of social organization makes it difficult for the poor to exploit opportunities within their communities and to develop links with

Empowering the Poor through Participation

At the operational level, IFAD’s experience has shown that true participation of rural poor people in the design and implementation of projects and programmes is a sine qua non for increased accountability and sustainable impact. Only through such participation is it possible to design projects that reflect the priorities of poor people and are relevant and feasible from their point of view. This, in turn, helps increase ownership and sustainability by building on people’s knowledge, initiative and motivation. Additionally, participation enhances capacity to identify and adjust to emergent problems, and to engage in advocacy and policy dialogue with local and national policy-makers. Participation requires longer implementation periods, the flexible design of interventions, close monitoring and evaluation, and an effective system for communication among stakeholders. Without participation, no development interventions can be sustainable.

Source: Adapted from IFAD, 2001a and 1999.
external partners. Here, institutions are critical; and the human and social capital base of poor people must be enhanced so that they can establish their own institutions, participate in institutions with broader membership, and effectively negotiate with and wield influence over the institutions with which they interact.

A main cause of entrenched poverty is lack of access to natural resources such as land, water and forests. Their inequitable distribution is often derived from long-standing historical and cultural practices. Moreover, the rural poor lack decision-making power over the use of these resources. Increasingly, land tenure systems, water rights and access by rural communities to forests and other common property resources are sources of social conflict. Reducing such tensions and improving planning for sustainable and equitable resource use are key challenges throughout the developing world.

Appropriate technologies and research to improve farm productivity by increasing returns to land and labour are also essential. As solutions are often context-specific, technologies need to be developed by conducting and validating research with the rural poor – a collaboration that is still quite rare. Full appreciation needs to be given to the existing risk-management strategies of small farmers. These often differ for men and women farmers and require gender-differentiated approaches.

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**The Central Role of Community Organizations: Experiences in Mauritania**

In Mauritania, a law on land tenure was adopted in 1983 to provide security to farmers by facilitating private ownership of land. The law, however, failed to effectively serve poor peasant communities.

Under the Maghama Improved Flood Recession Farming Project, the possibility of substantially increasing flood recession farm land (from less than 4 000 hectares to more than 9 000) in an area dominated by traditional land-use arrangements presented IFAD with an opportunity to propose a change of policy to the Government, involving devolution of local land tenure arrangements to the village populations concerned. A decree was promulgated in 2000 providing for beneficiary involvement in the resolution of land tenure issues. An overall framework agreement and individual arrangements guarantee secure access for at least 15 years to land upon which improvements are made. Community organizations play a central role in establishing and enforcing land tenure arrangements. As intervillage cooperation is crucial, a village organization in the project zone has formed a cooperative to manage the flood recession scheme.

Source: IFAD, 2002e.

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**Improving Access to Productive Resources: Experiences from Asia**

IFAD has gained experience with a range of approaches aimed at enhancing the rural poor’s access to productive resources. Two important experiences concern the Oxbow Lakes Small-Scale Fishermen Project (Bangladesh) and the Hills Leasehold Forestry and Forage Development Project (Nepal). In both projects, community- and government-owned resources (lakes and degraded forests respectively) were leased to the poorest people on a long-term basis (40-50 years).

In Bangladesh, the project solved the problem of poaching by enlisting the help of the poor from all villages around the lake. This demonstrated that ‘social fencing’ can be effective in safeguarding the benefits of investments, and that income sharing based on labour contributions can preserve the principle of equity. Adequate investment support from IFAD allowed the formerly landless labourers and poor fisherfolk to raise their incomes to the level of middle-sized farmers in the community. Smaller fish ponds leased to groups of women contributed to increasing their incomes and enhancing their overall status within the family and society. In the Nepal project, degraded forest lands were leased to forestry groups, mainly to grow fodder. This generated substantial livelihood benefits for the poor, including women and disadvantaged ethnic minorities. These successful project experiences were replicated and scaled up by the governments concerned to cover wider areas.

Source: IFAD, 2002b.
To raise agricultural productivity or diversify their incomes, the poor often need investment and working capital. Yet, rural credit schemes have frequently failed to reach small farmers and the poor, and have rarely been sustainable. Assistance needs to focus on developing professional and responsive rural financial institutions, which not only provide credit (particularly credit for specific uses, such as marketing or the purchase of agricultural inputs), but also offer a range of appropriate financial products to rural savers and borrowers. Lessons from rural finance operations have underlined the need for a more holistic approach to strengthening rural financial systems.

This approach should enhance, or where necessary build, linkages among informal community-owned savings and credit organizations (SACCOs), microfinance institutions (MFIs) and commercial and development banks, all within an enabling policy and institutional framework established by the central banks.

Efforts to increase agricultural productivity can only be effective if they are also linked to an appreciation of market potential. Too many agricultural investments have failed because they only concentrated on increasing production while neglecting the development of commercial linkages between producers and market intermediaries. Integrated approaches along the full continuum of production, processing and marketing are needed to raise rural incomes and significantly contribute to economic growth and poverty reduction. Roads and transport infrastructure are also critical for developing links to the outside world. Diversifying income sources, either by producing and marketing non-traditional crops or by exploiting off-farm opportunities more fully, is also necessary. Income diversification reduces the risks posed by rapidly changing market conditions and can help even out seasonal fluctuations in income and consumption.

IFAD’s strategic framework explicitly recognizes that the reasons for rural poverty are complex, and that approaches need to be multifaceted and adapted to local contexts, taking gender, social and political issues into account. It also recognizes that these approaches can achieve little if, at the same time, efforts are not made to effectively address HIV/AIDS – a threat to the very existence of households, communities and entire societies across the developing world.

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**Effective Methodologies for Technology Development and Dissemination**

Recognizing the inappropriateness of inputs and technologies extended to poor *minifundistas* in the mountain regions of Guatemala, IFAD and the Inter-American Development Bank financed a project to improve the generation and transfer of agricultural technologies to these smallholders – and in so doing helped transform the whole process of technology development and dissemination in the country.

Research and extension methodologies were changed to allow technicians, researchers and smallholder farmers to interact effectively. The result was improved, site-specific technological options, developed in partnership with the producers themselves. ‘Agricultural representatives’ with strong knowledge of local conditions – elected by the villagers and paid by the Ministry of Agriculture, Livestock and Nutrition – acted as auxiliary village extension agents. Their collaboration with ministry staff was critical to ensuring that seeds distributed to farmers were appropriate to their farming systems. As a result, production of broad beans, wheat and corn doubled in only a few seasons. The project also identified other technological requirements influencing research and the breeding of improved milch cattle and pigs. The methodology applied was so successful that it became a model for the national agricultural research system in Guatemala and elsewhere in the region.

Rural Financial Services Programme in the United Republic of Tanzania

The programme, financed by IFAD and other donors, is assisting the United Republic of Tanzania in designing and formulating a comprehensive nationwide financial system encompassing the following elements: (i) development of suitable institutional and legal frameworks to enable grass-roots MFIs to operate as private banks; (ii) strengthening of the institutional capacity of rural financial institutions, particularly SACCOs; (iii) design and approval of regulatory norms for the efficient operation of the rural financial institutions, including liberalization of deposit and savings rates; (iv) provision of technical assistance to MFIs to develop appropriate policy instruments, procedures and management techniques in order to improve their efficiency and rural outreach capacity; and (v) provision of essential non-financial services to support marketing and promotional activities.

MFIs and SACCOs will be expected to undertake a range of functions based on a carefully phased approach. In the formative stage, they will concentrate on increasing memberships and mobilizing share capital and savings. In the consolidation phase, they will operate as financial intermediaries using only their own resources, while gaining confidence in operating as financial institutions. Credit operations at this stage will be restricted to small short-term loans, thus allowing them to gain experience in loan appraisal, disbursement and recovery. In these first two stages the programme will help SACCOs develop their operational capacities and mobilize savings. In the last stage, subject to satisfactory performance, SACCOs, like other normal financial intermediaries, will be eligible to borrow from external donors to supplement lending operations.

Source: IFAD, 2002c.

Worldwide today some 42 million people are living with HIV/AIDS.12 The vast majority are in developing countries. Sub-Saharan Africa is the region worst hit, with almost 30 million people infected. Yet in other regions too – notably in Asia – the number of people infected is rising rapidly. The epidemic had a disproportionate impact on rural people and on the extremely poor. The short-term effects on the economic situation of rural poor families are profound. While they face declines in their agricultural production and incomes, they concurrently experience a dramatic increase in expenditures (for medical treatment and transport, funeral costs, etc.), which often must be financed through the sale of assets. The epidemic’s longer-term effects, on the transfer of generational knowledge, on traditional social security mechanisms, and on the basic demographic and socio-economic characteristics of these societies, are likely to be even greater. HIV/AIDS is thus creating a new poverty dynamic, but it is also driven by poverty. Poverty induces people into high-risk situations and activities, such as prostitution and migrant lifestyles, with poor women being particularly vulnerable. The current food emergencies in southern Africa highlight the potentially dynamic interplay between the HIV epidemic and other crises.

HIV/AIDS is therefore clearly a rural development issue. IFAD’s response is threefold: to ensure that – where appropriate – the dynamics of the epidemic inform programme and project targeting; to empower communities and support HIV prevention through the dissemination of relevant information; and to work towards establishing low-risk livelihood options for the poor. IFAD is already engaged in improving community-level knowledge and decision-making systems, creating economic opportunities for marginal groups and addressing gender issues. All are crucial for tackling HIV/AIDS, and for moving beyond a purely medical model to a recognition of the social, economic and gender dimensions of prevention and mitigation. IFAD already has considerable experience in mitigating the impact of HIV/AIDS (on orphans and women survivors) in Uganda and is now making such work a significant part of its operations in an increasing number of countries.
DEEPENING THE DISCUSSION:
A FOCUS ON SELECT STRATEGIC ISSUES

This paper has chosen to concentrate on two particular sets of issues among the many elements of IFAD’s strategic framework. The first issue relates to mechanisms through which the rural poor engage with others in defining and establishing their economic livelihoods. The focus is on two strategic areas of intervention identified earlier: institutions and market access. These are acquiring new importance in today’s rapidly changing national and global environments. Perspectives on them are evolving, and IFAD is keen to engage in dialogue on both areas and learn from its member governments and other partners.

The second set of issues derives from IFAD’s long-standing commitment to targeting support at the rural poor and to counteracting processes that exclude or marginalize specific groups of people – even among the poor themselves. Within rural areas of developing countries, women are often among the poorest people. Although women play a central role in the rural economy, particularly for food crop production and household food security, they lack assets, incomes and, above all, a voice. Their economic and social empowerment is thus essential for accelerating rural development and poverty reduction. In its work with the rural poor in the development world, IFAD has also found that indigenous peoples represent a chronically marginalized and still largely neglected group. These targeting issues deserve further discussion.

ENHANCED RELATIONS FOR BETTER RURAL LIVELIHOODS

Institutions for the Rural Poor

Achieving sustainable poverty reduction and broad-based economic growth depends on enabling poor women and men to transform their livelihoods. It also requires supporting governments and civil society in creating and maintaining the conditions for the poor to do so – in the market and in other areas of social life. In effect, the poor will only be able to sustain livelihood improvements if the unequal power relations that contribute to generating poverty are modified, and conscious efforts are made to enable excluded people to exercise their full potentials.

Institutions are vital for improving the conditions of the rural poor: they represent the mechanism through which rural poor people can gain access to resources and services; they establish and maintain the ‘rules of the game’ in many crucial relations affecting the rural poor; and it is through them that influence is organized and articulated. Historically, the approach to institutions focused on public institutions and their capacity to provide services – on the assumption that public institutions were always the key service providers, and that their focus was necessarily on the poor. There has now been a dramatic shift, and the assumption no longer is that public institutions are always the key players; or for that matter that any institution will serve the interests of poor people – unless the poor exercise an organized influence over it.
IFAD nevertheless remains firmly committed to supporting government institutions in order to serve the interests of rural poor people – and in fact this is a priority. In so doing, however, the Fund has become increasingly involved in two other essential areas: first, assisting in the development of institutions owned by the poor themselves so that they can directly provide the poor with access to basic services and directly manage assets; and second, promoting mechanisms (including the self-organization of poor people) to influence other sorts of institutions (both public and private).

Institutional development and support are therefore necessary for enabling poor people themselves to manage natural resources and infrastructure (e.g. through water users’ associations, and range management groups), and to negotiate and collaborate with private-sector institutions more effectively (e.g. through small farmers’ marketing groups). In many IFAD-supported projects, small farmers administer and maintain small-scale irrigation systems; they run local credit associations, distributing credits from formal banks and collecting repayments; and they form extension groups to facilitate the communication of advice from extension workers to farmers and vice versa – indeed, in some cases they are beginning to pay the costs of the extension workers themselves.

A principal approach to making existing institutions more accountable to the rural poor is to decentralize the public bodies involved in rural development processes to a local level. IFAD is increasingly supporting decentralization with the aim of creating public institutions that are in direct contact with the private organizations of the rural poor and other local agents. Yet to enable rural poor people to influence public policies, investments and services, and to ensure that rural elites do not capture most

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**Self-Help Groups**

By participating in local self-governing and self-help groups (SHGs), the rural poor build their social capital and gain a greater sense of confidence and collective identity. These elements are especially important for their empowerment, in particular that of rural women.

The IFAD-financed Tamil Nadu Women’s Development Project in India promoted the formation of SHGs and provided preliminary linkages with the banking system. It supported SHGs in inculcating members with the habit of saving. Members used savings for small emergency loans, and received larger individual loans from banks for investment purposes. The project not only achieved excellent savings and repayment rates, thus laying the foundation for a viable rural financial system, but it also contributed significantly to the empowerment of women. After SHGs were formed, women reported greater mobility and self-confidence, for example when going to banks or talking with officials visiting their villages. Women’s access to resources and their participation in decision-making were enhanced. Today SHGs in many districts have become village institutions and form the core of various development initiatives.

Women have also derived strength from mutual solidarity, which has allowed them to take up collective action against social oppression. For example, in Usulumpatti, a local SHG network that emerged as SHGs grew in number, managed within three years to eradicate the centuries-old practice of female infanticide. In other places, such networks have succeeded in reducing the incidence of alcohol abuse, wife-beating and gambling. In an IFAD-assisted project in Maharashtra, a coalition of SHGs managed to negotiate better services from formal financial institutions and various government departments. In many cases, women’s solidarity has also helped reduce the petty corruption of local officials.

Source: IFAD, 2002b.
of the benefits of these social and financial assets, decentralization processes have to be accompanied by support for the self-organization and knowledge empowerment of the rural poor. Once organized, the poor can themselves become the main proponents and beneficiaries of local development initiatives, with public institutions playing a responsive and facilitating role.

Effective decentralization is therefore important for local participation. In an era of globalization, however, many issues critically affecting the lives of the poor are decided not at local levels but at national and international levels. To exercise influence at these higher levels, rural poor people must have more opportunities to participate in far broader processes (and a greater capacity, both as individuals and organizations, to articulate their interests). In many cases, achieving consensus for this participation will require a fundamental change in the approaches of existing power-holders to political processes – from a mindset of ‘winners and losers’ to a collaboration that exploits growth opportunities for all. In most cases, this will require the development of even stronger local-level mechanisms for the participation of poor people – not only as ends in themselves, but as indispensable bases for better organization and participation at higher levels. There has already been significant international support to representation in local and decentralized political processes. A crucial and extremely difficult next step must be support to higher-level integration – without which it is difficult to envisage the development of a stable and adequate degree of national attention to the problems confronting the poor.

Since institutions are inevitably shaped by the interests of their most powerful members, it is extremely difficult in practice to enable the poor to access and influence institutions. The challenge is to address not just institutional capacity per se, but also the issues of who holds the power to influence institutions, and for whom it is exercised. A crucial contribution to achieving the MDGs will therefore be not only investment in good governance and institutional capacity in general, but targeted investment to empower the poor: to give them the ‘voice’ and the capacity to pursue their vision through institutions that are much more – directly and indirectly – ‘theirs’.

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**Human Rights and Empowerment**

The issue of effective representation and participation of the poor in key decision-making processes is necessarily linked to human rights. Further, the holistic concept of human rights provides a framework of norms and values for the formulation of national and international policies. With its principles of non-discrimination and equity, this framework is particularly concerned with individuals and groups that are vulnerable, socially marginalized and economically disadvantaged. Fundamentally, therefore, a human-rights approach to poverty reduction is akin to the empowerment of the poor.

Implicitly, the Strategic Framework for IFAD 2002-2006 links the fulfilment of civil rights to economic empowerment. If the poor do not gain access to the means of production, they will continue to lack political power to change the conditions under which they operate. Conversely, if they do not organize themselves and gain a political voice, they will be unable to influence government policy, institutions and public spending in their favour. This is why IFAD’s strategic framework clearly states that reduction of rural poverty requires capacity-building of rural poor people and their organizations. The overriding importance of institutions and governance suggests that the crucial human-rights approach to sustainable poverty reduction may be less the rights to food or services than the right to organize and participate. In other words, the human-rights approach must be complementary to (and must not displace) an empowerment approach.

Market Access for the Rural Poor

Two concepts have come to dominate thinking on development and the world order: liberalization and globalization. Both are very much involved with markets: liberalization with the organization of relations within markets; and globalization with the interlinkage of markets – and with asymmetries of power within them. Years of achievement in terms of productivity, production and diversification of production can be wiped out by changes in market conditions, falling prices, market restrictions, and sanitary/phyto-sanitary regulations. Intellectual property rights can affect the production and marketing possibilities of poor and indigenous populations, restricting their use of the products and methodologies that they have been using for generations. These are major concerns for developing-country governments as they can adversely affect the domestic policy agenda and environment. Because of their immediate and direct influence on economic livelihoods, they are also of enormous importance to rural poor people.

Interacting with markets is a vital aspect of the livelihood strategies of most rural households, rich and poor alike. Markets are where, as producers, they buy their production inputs and sell their products; and where, as consumers, they use their income from the sale of their produce or from their non-agricultural activities to buy food and consumption goods. Rural poor people often identify difficulties in accessing markets – caused mainly by low population densities in rural areas, physical remoteness from centres and high transport costs – as a root cause for their inability to improve their living standards.

Issues relating to physical access, such as roads and information and communication technologies linking communities to markets, are important. Equally important are the constraints faced by the rural poor arising from their lack of understanding of markets, their lack of business and negotiating skills, and their lack of the collective organization that can give them the power that they need to interact on equal terms with other, generally larger and stronger, market intermediaries. To help improve the rural poor’s access to markets, IFAD supports three types of interventions: field operations, development and sharing of knowledge, and policy advocacy.

In terms of field operations, IFAD-supported projects focus on four broad areas: (i) assisting poor rural producers in developing their market skills and organization – including through the establishment of commercially oriented producer organizations (groups, associations, cooperatives); (ii) supporting the emergence of a private sector to provide appropriate and competitive services to producers, particularly for input supplies and agricultural products; (iii) helping producers and market intermediaries such as traders and processors come together, by establishing the essential physical infrastructure (particularly roads), ensuring the availability of market/price information, and helping buyers and sellers meet and develop business relations with one another; and (iv) promoting the development of a conducive policy environment that reduces uncertainty, and facilitates both the efficient functioning of markets and private-sector participation in the various marketing activities.

IFAD is still in the early stages of acquiring expertise in the field of market-access improvement and market development for the rural poor. The insights gained from this initial experience are extremely valuable and must be enhanced through knowledge sharing with IFAD partners: governments, at policy and operational levels to promote a conducive environment; donor agencies, to encourage cofinancing and the
To increase poor rural producers’ ability to access markets, all development actors need a thorough understanding of those markets and the requirements of the major players (including the private sector and commercially oriented regional and international networks and associations). In turn, this knowledge must be made accessible to the poor rural producers themselves.

IFAD’s strategic framework underlines the need for poverty-reduction efforts to embrace policy dialogue and advocacy. Nowhere is this clearer than in the case of the development of market linkages. Empowering the rural poor in market exchanges is essential, but it is likely to lead to disappointing results in terms of poverty reduction if important elements of the international economic system remain unsupportive of rural income growth in developing areas. Crucial in this context are the weak and volatile prices for commodities produced by the poor in developing countries. This is the result of the slow growth in demand relative to a more rapidly growing supply, on the one hand, and production subsidies and trade policies in developed countries, on the other.

At this point, the issue is not ‘globalization or no globalization’ – it is integration on what and whose terms. The global system of production and trade increasingly shapes the conditions and prospects of the rural poor. If – particularly in the poorest countries – the system is not structured to create opportunities for the rural poor to develop their potentials and defend their interests, then there is little hope of reaching the MDGs in large parts of the world (in 2015 or at any other time). Put another way, a combination of increased (and well-targeted) ODA with a poverty-conscious revision of elements of the international trade system (especially agricultural products) could speed up progress towards the achievement of the MDGs. The costs to the global economy of distortions in agricultural trade are currently large.

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**Zambia: Smallholder Enterprise and Marketing Programme**

IFAD developed the Smallholder Enterprise and Marketing Programme as a response to Zambia’s need to support the commercialization of smallholder farming. Although the programme’s ultimate goal is to increase smallholder incomes, its primary objective is to improve smallholder farmers’ access to input and output markets.

To this end, the programme comprises three main investment components:

- **Support for smallholder enterprise group development** (formation/strengthening of groups and associations, and of local non-governmental organization (NGO) capacity). The aim here is to develop financially viable, sustainable smallholder business organizations, by assisting enterprise groups and their members in developing their management/business skills, knowledge, and capacity to participate actively in input and output markets;

- **Market linkage development.** The focus of this component is on investments that respond to locally defined needs and priorities and that can strengthen commercial relations between smallholder producers and market intermediaries, to the benefit of both. Activities supported include improvements to market-access roads, training and commercial support for market intermediaries, and support for market diversification by smallholder producers; and

- **Support for policy/legislative reform and institutional strengthening.** The aim is to establish a more favourable policy environment for smallholder producers and associated market intermediaries, and to provide market information to producers and traders.

Source: IFAD, 2002c.
Data produced by the International Monetary Fund (IMF) suggest that, even if only static (one-time) effects are considered, the welfare costs of agricultural distortions may be over USD 120 billion. One fifth of this cost is borne by developing countries, and the export revenues lost are much larger. But so far the actual progress made in ongoing trade negotiations has been limited, and benefits remain modest. If small-farm production and local employment generation are to be the basis of the rural poor’s livelihoods (and there are few alternatives in sight in most areas), much more needs to be done. The challenge is not only to ‘free’ trade, but also to recognize and diversify production to respond to new market opportunities, with much greater emphasis both on value added in the processing of raw materials and on the quality and sanitary and phyto-sanitary standards of the major markets.

Many of the poorest countries are not equipped to meet these challenges. Internal rural market organization and efficiency are poor; rural financial systems are inadequate; poor people’s access to crucial means of production (such as land and water) is often insufficient and insecure; technology and information systems fall short of new demands (including the demands made by poor people themselves); and the policy and institutional framework is not sufficiently supportive of private-sector-led market development. Poor rural producers and developing countries have to be assisted – and quickly – if globalization is to be a system of development for all.

**Targeting to Counteract Exclusion**

**Women as Agents of Change**

Within rural areas of developing countries, women generally constitute more than half of the population and considerably more than half of the agricultural labour force. They therefore represent a powerful force for economic growth. Notwithstanding this, women are often among the poorest people in rural areas. Indeed, one widely quoted estimate suggests that 70% of the world’s poor are women. They are also disproportionately affected by HIV/AIDS. Their economic and social empowerment must be given high priority in poverty-reduction and economic development processes. In fact, the strategic role that women can play in rural poverty reduction is increasingly recognized, including in the MDGs. IFAD’s experience shows that support targeted at women yields significant returns, in terms of both increased incomes and overall household impact.
Women’s roles and responsibilities are critical to the livelihoods of rural households and to the well-being of future generations. Rural poor women perform essential caregiving, food security and economic roles, and yet they have significantly less access than men do to financial, physical and social assets, and little voice in public affairs and community decision-making. Their exclusion on social, economic, political or legal grounds from access to and control over assets perpetuates their poverty and that of their households and communities. Legislation and policies have yet to adequately address factors favouring women’s capacity to organize, generate income and contribute to household well-being. Even where national policies and legislation guarantee women’s marital rights, their equal access to education and health, and their right to land and self-organization, the communities themselves have not internalized these ‘guarantees’.

There is a glaring imbalance between what women do, what they have and what they are entitled to. Achieving economic growth and the MDGs will in some measure hinge on the extent to which this imbalance is redressed. First and foremost, significant advances are needed in women’s access to and control over fundamental assets such as capital, land, water and forest resources. This access and control should then be endorsed through legal texts and community contracts that recognize women’s development and empowerment as a value to society. Similarly, major improvements are needed in basic rural infrastructure and services – principally water, health and education – in order to alleviate women’s work burden and pave the way for women to take advantage of development opportunities. Women’s voice and choice in community affairs and public decision-making at higher political levels must also be expanded so that women can influence decisions affecting their own lives and realize their potential as agents of change – bringing their knowledge and commitment to bear at the community level and beyond.

Since gender relations – together with class, ethnic and age factors – largely determine income levels and the degree of social mobility, efforts to reduce poverty need to tailor asset building to women’s and men’s needs and aspirations, and enhance both women’s and men’s capabilities. In this respect, such efforts should not address women as passive recipients of services, but support them as key agents of economic growth and social development. Women’s labour and capabilities, long undervalued, should be recognized as equally relevant as men’s in bringing about social cohesion.

Women Driving Change at Community Level

In many IFAD-supported projects, women have gained a place as major actors in development – even when this role was not recognized in project design, as was the case in some of IFAD’s earlier projects. Rural women have proved themselves to be committed, resourceful, willing to work in groups, eager to grasp opportunities to gain new knowledge and skills, and capable of using their social networks to work for change in their communities. They have shown that they can be prudent borrowers and savers and efficient managers of community infrastructure. At the community level, women – sometimes together, sometimes with men – have mobilized support for improvements in their communities. Paradoxically, the greater the impact of historical gender inequalities, the more active some of the poorest rural women become in working for change – when given even small opportunities to improve their lot and to participate in development processes.

Source: IFAD, 2003b.
Empowering Women in the Near East and North Africa Region

Culture and tradition are extremely important factors in reaching women in the Near East and North Africa region. At the micro level, IFAD has been successful in reaching many of these women. In South Kordofan, The Sudan, for example, mobile teams provide extension outreach to women in places where they assemble (water points, markets). The teams disseminate information on women's productive activities and their responsibilities for household well-being. In the Bekaa Valley, Lebanon, thanks mainly to their access to loans, women have initiated a significant cooperative movement and can now take advantage of the market niche for organic food products. In the province of Tafilalet, Morocco, the regional office for the promotion of agriculture (Office régional de mise en valeur agricole) has helped close the gap in outreach to women by recruiting and training women extension agents, providing them with transport and developing a strategy for women's empowerment and gender equity. The challenge now is to scale up successes to the macro level in order to overcome the ‘women’s empowerment deficit’ prevailing in the region.

Source: IFAD, 2002a.

and economic advancement at household and community levels. In addition, it should not automatically be assumed that men are against enhancing women's capabilities and choices: building broader social alliances, engaging men and local institutions, is crucial to the realization and sustainability of these processes.

IFAD is channelling increased core and supplementary resources to enable women, with support from local communities, to build their capabilities and expand their choices. Extension components in its programmes and projects are increasingly raising women's and men's awareness of their mutual relations and seeking to enhance their understanding of how these relations affect their livelihoods. Financial systems based on creditworthiness, group organization and market linkages are enabling women to diversify their entrepreneurial skills and generate a higher value for their labour. Redressing inequities in the allocation of entitlements to land, water and forest resources is becoming a prerequisite to creating an enabling institutional and economic environment, one that will allow rural poor women and men to make the investments necessary to increase the productivity of these resources, thereby improving their situations. Proceeds from economic investments are being channelled into social services support funds managed by both women and men and specializing in the provision of public goods, such as education, health, water and sanitation.

Furthermore, networking with local public, voluntary and civil organizations and informal and formal leaders is actively promoted so as to build local institutional capacity to plan and manage development efforts that are responsive to both women's and men's needs. These coalitions also constitute a significant advocacy forum for legislation and policies that adequately reflect the fact that investing in women and in closing gender gaps pays, not only in terms of the benefits it brings to women, men, households and communities alike, but also in terms of impact on national economic growth.

Indigenous Peoples and Sustainable Development

In much of the developing world – but particularly in Asia and Latin America – indigenous peoples are among the most vulnerable and marginalized of the rural poor, and their poverty is both endemic and intractable. By and large, indigenous peoples continue to be neglected by the international community and, in many countries, persistently marginalized by national governments.
Evidence shows that indigenous peoples are being increasingly displaced from their customary lands as a result of land purchases for development initiatives, encroachment by others or appropriation of natural resources (including land, water, forests and minerals) by national and transnational interests. Because they lack legal entitlement to these lands, they have no right of recourse against these processes of exploitation – and human-rights violations. The imperative to address the economic and social empowerment of the millions of indigenous peoples suffering from chronic extreme poverty thus stems primarily from a concern for poverty reduction and social justice; and given the numbers of people involved, support to indigenous peoples can significantly contribute to the achievement of the MDG for poverty reduction.

Many indigenous communities have an intimate knowledge of their environment, and they often ensure the sustainable management of natural resources, thus providing valuable environmental benefits to others. These include abundant and clean water supplies, prevention of soil losses, biodiversity conservation and carbon storage. Their contribution to the stewardship of the global natural resource base means that support provided to indigenous peoples can also effectively contribute to the MDG for environmental sustainability.

Many indigenous communities also have rich traditional knowledge systems (ecosystem management and technologies, medicinal plants, local crops) that are increasingly attracting the attention of commercial interests. However, indigenous peoples rarely have a share in the benefits of the services they provide or of their traditional knowledge. Clear opportunities are emerging for rewarding indigenous peoples who act as natural resource custodians or ‘stewards’, and for enhancing their ability to profit from the commercial exploitation of their knowledge. These opportunities must be developed and mechanisms identified to further the process.

In Asia and Latin America, IFAD has allocated a significant share of its loans and grants, USD 736 million, to support indigenous peoples. It has also gradually developed an ability to address issues that are crucial to indigenous peoples: securing their access to their lands; empowering them through capacity-building and genuine participation; valuing and revitalizing indigenous knowledge and culture; promoting

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Regional Programme in Support of Indigenous Peoples in the Amazon Basin

IFAD’s Regional Programme in Support of Indigenous Peoples in the Amazon Basin is funded through a technical assistance grant. The programme’s objective is to assist indigenous communities in designing and implementing their own small-scale economic and cultural development projects; identifying cofinancing opportunities; and forging alliances based on common interests. The community projects funded so far have focused on territorial demarcation and recognition of land rights, ecotourism, crafts, education, arts and culture, and microenterprise management. In addition to exchange visits and publications, intercultural understanding is promoted through the annual Anaconda Festival where indigenous peoples from 11 countries present videos on their own lifestyles, problems and aspirations. The prize-winning videos are projected at international festivals and on national cultural television channels, broadening awareness and understanding of Latin American indigenous cultures. Policies in some countries have already been influenced. For example, one project presented – an ecotourism project in Mapajo, Bolivia, that started as a community income-diversification project – has been adopted as a model for increasing income, improving living conditions and ensuring environmental protection in indigenous territories throughout the country. Proposals for bilingual and intercultural education developed under another project – the Ticuna Teachers’ Training Project in Brazil – have been incorporated into the national curriculum for primary schools.

Securing the Rights of Indigenous Peoples

The Western Uplands Poverty-Alleviation Project (Nepal) was the first IFAD project to adopt a rights-based approach. Its aim is to reduce the high level of discrimination towards ethnic minorities and women by: (i) sensitizing communities and civil servants on human-rights issues; (ii) offering financial support for community-based activities; (iii) raising awareness of constitutional rights through studies and information campaigns; (iv) furthering policy dialogue by reporting human-rights violations, training people on rights issues, and funding policy reviews and measures promoting dialogue with community organizations; and (v) establishing a legal fund to defray the costs of legal action.


intercultural awareness; supporting bilingual education; enhancing indigenous identity and self-esteem; promoting indigenous women’s capacity for autonomous action in the face of constricting social sanctions and structural inequalities; strengthening indigenous peoples’ institutions and fostering apex organizations with a view to building indigenous peoples’ coalitions.

Since many of these issues need substantial leverage with the governments concerned, establishing strategic, broad-based partnerships among stakeholders – the donor community, indigenous peoples’ organizations, governments in both the North and the South, and civil society (including the private sector) – is critical.
The international commitment to poverty reduction is large and growing. To translate that commitment into effective progress towards the achievement of the MDGs requires a deeper understanding of who the poor are, what constitutes their livelihoods, and the root causes of their poverty – particularly in the rural areas of the developing world where most poverty is concentrated. Until international commitment is matched with that deeper understanding, its impact is likely to fall short of expectations.

IFAD has a role to play in improving understanding of these issues. For the past 25 years, it has worked with rural poor people, civil society and governments to understand the critical obstacles confronting poor people and the opportunities that they have – and to develop sustainable responses that can improve their livelihoods and enable them to contribute to economic development. This has necessarily involved a heavy emphasis on the concrete: working with partners to develop responses in situ, based on the realities of specific situations and on what really counts in villages and households. It has also required particular attention to marginal and vulnerable people, who are so often left out, whether inadvertently or intentionally.

It is these insights – the importance of focusing development efforts on rural poor people if overall poverty levels are to be reduced and overall economic growth rates increased, and the need to understand the specific economic opportunities of the rural poor and build on what actually works – that IFAD can contribute to the international debate on poverty. This knowledge should help increase significantly the impact of resources being committed to the attainment of the MDGs, thus becoming an essential building block in creating different futures.

In this paper, IFAD has focused on two different sets of issues that have arisen in its work with rural poor people in different parts of the world: what must be done to enhance the rural poor’s capacity to create more equitable relations with others in defining and establishing their livelihoods; and how to ensure that these processes are inclusive of the historically marginalized, even among the poor themselves. These issues certainly do not exhaust those that IFAD will engage in within its strategic framework, but they are crucial because they touch upon the most fundamental questions of the rights of poor people – and their own capacities to claim and sustain these rights.

IFAD will maintain its focus on field-based operations and on developing practical approaches that have a proven impact in terms of rural poverty reduction. Yet if an organization of IFAD’s size is to contribute significantly to rural poverty reduction, it must seek to have a catalytic impact. In other words, to make a difference, IFAD must rely not only on its field operations, but also on developing and sharing the knowledge and experience generated from country programme experiences, and on influencing national, regional and international policies affecting the economic
livelihoods of rural poor people. This it will do directly, and indirectly by empowering the poor to influence policies themselves.

At the international level, the main message to the development community is that assistance to rural development represents a viable and essential strategy – not only for sustained poverty reduction but also for enhanced levels of economic growth; and that it should represent a significant and larger percentage of development assistance. Beyond development assistance, proposed instruments for poverty reduction include the elimination of distortions in international trade in agricultural products; and the provision of global public goods that are important to the rural poor.

Rural poverty reduction is, of course, primarily the responsibility of developing countries themselves. But they need greater support from their partners as they seek to promote good governance and an enabling policy and institutional environment, and to mobilize domestic resources and investment.

IFAD now has a quarter century of experience in supporting the efforts of developing countries to address many of these issues. In the coming years, the Fund will continue to work to eliminate specific policy bottlenecks to the sustainable livelihood strategies of poor producers, many of which have been identified during the implementation of the projects it supports. Examples include improvements in, and security of, access to land and water; legal frameworks for community organizations; policies and regulations for financial service delivery; quality and other standards for agricultural inputs and commodities; policies for promoting and regulating private-sector-led market development; decentralization and increased accountability of public institutions to the poor; and equitable distribution of public expenditure. IFAD will also seek to raise awareness of HIV/AIDS – not just as a medical issue, but also as a poverty issue to be addressed in the context of rural poverty-reduction efforts. In all these areas, it will pay attention to the different opportunities and constraints of women, and make special efforts to work with governments to enhance women’s role in the economy.

The Fund will also support the pursuit of these national-level objectives through its engagement in PRSP processes, many of which have failed to analyse adequately the conditions of poor and marginalized rural people or to identify opportunities for their economic advancement – advancement that, in turn, will contribute to enhanced levels of national growth. In particular, IFAD will seek to ensure that the rural development problematic, and the interests of the rural poor, are fully reflected in PRSPs; and it will provide suggestions on how best governments, donors and civil society can work together to reduce rural poverty.

Above all, however, IFAD will promote the capacity of rural poor people and their partners to engage directly in policy dialogue. This point is essential. While IFAD clearly has a responsibility to discuss policies relating to the rural poor with governments, its core objective is to enhance the rural poor’s capacity to sustainably reduce their own poverty, including through policy dialogue. In other words, IFAD’s role is to contribute to the conditions through which the rural poor acquire the economic, political and knowledge base for pursuing their own interests through direct representation. For example, the Fund’s objective in the PRSP process is to ensure that the interests of the rural poor are adequately addressed – principally by promoting the direct participation of their organizations, and only secondarily by directly articulating key rural development concerns.
The essence of IFAD’s operations is partnership: IFAD implements no projects or grant activities on its own. Project and programmes are implemented by its partners – governments, NGOs and private-sector players, and it is upon their strengths and commitment that the success of IFAD-financed activities is built. Partnership also has to lie at the heart of advocacy efforts and policy dialogue. IFAD will seek to build alliances for entering into the discussions; but above all, it will work to create the conditions in which the rural poor and their chosen local partners can speak for themselves.

Achieving the MDGs requires a new partnership between developed and developing countries, based on sound policies, good governance at all levels, and the rule of law. Each country has primary responsibility for its own economic and social development; and, in this regard, domestic resources, national policies and national development strategies will play the key role. At the same time, domestic economies are embedded in an increasingly interdependent world economy. Globalization offers opportunities and presents challenges, and many poor developing countries face special difficulties in responding to both. National development efforts need to be supported by an enabling international economic environment, in which development aid, debt relief and private financial flows are mobilized, and international monetary, financial and trading systems become increasingly inclusive and equitable. Most importantly, development efforts need to focus on the rural areas, where the majority of the poor live; and on their main livelihood activities – agriculture, forestry, fisheries and related services. IFAD’s mission statement sums up this approach: to enable the rural poor to overcome their poverty. It is only by doing so that progress can be made in achieving the MDG for poverty reduction, and significantly increased rates of economic growth can be attained in the majority of developing countries.
## ANNEX

### MILLENNIUM DEVELOPMENT GOALS

<table>
<thead>
<tr>
<th>GOALS AND TARGETS</th>
<th>INDICATORS</th>
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<tr>
<td><strong>GOAL 1: Eradicate extreme poverty and hunger</strong></td>
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<td><strong>Target 1:</strong> Halve, between 1990 and 2015, the proportion of people whose income is less than USD 1 a day</td>
<td>• Proportion of population below USD1 a day • Poverty gap ratio (incidence x depth of poverty) • Share of poorest quintile in national consumption</td>
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<td><strong>Target 2:</strong> Halve, between 1990 and 2015, the proportion of people who suffer from hunger</td>
<td>• Prevalence of underweight in children (under five years of age) • Proportion of population below minimum level of dietary energy consumption</td>
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<td><strong>GOAL 2: Achieve universal primary education</strong></td>
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<td><strong>Target 3:</strong> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</td>
<td>• Net enrolment ratio in primary education • Proportion of pupils starting grade 1 who reach grade 5 • Literacy rate of 15- to 24-year-olds</td>
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<td><strong>GOAL 3: Promote gender equality and empower women</strong></td>
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<td><strong>Target 4:</strong> Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015</td>
<td>• Ratio of girls to boys in primary, secondary and tertiary education • Ratio of literate females to males among 15- to 24-year-olds • Share of women in wage employment in the non-agricultural sector • Proportion of seats held by women in national parliament</td>
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<td><strong>GOAL 4: Reduce child mortality</strong></td>
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<td><strong>Target 5:</strong> Reduce by two thirds, between 1990 and 2015, the under-five mortality rate</td>
<td>• Under-five mortality rate • Infant mortality rate • Proportion of one-year-old children immunized against measles</td>
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GOAL 5: Improve maternal health

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- Maternal mortality ratio
- Proportion of births attended by skilled health personnel

GOAL 6: Combat HIV/AIDS, malaria and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
- HIV prevalence among 15- to 24-year-old pregnant women
- Contraceptive prevalence rate
- Number of children orphaned by HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
- Prevalence and death rates associated with malaria
- Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures
- Prevalence and death rates associated with tuberculosis
- Proportion of tuberculosis cases detected and cured under directly observed treatment short course

GOAL 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
- Change in land area covered by forest
- Land area protected to maintain biological diversity
- GDP per unit of energy use
- Carbon dioxide emissions (per capita)

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water
- Proportion of population with sustainable access to an improved water source

Target 11: Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers
- Proportion of population with access to improved sanitation
- Proportion of population with access to secure tenure [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]
GOAL 8: Develop a global partnership for development

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction – both nationally and internationally)

Target 13: Official development assistance
Address the special needs of the least developed countries (includes tariff- and quota-free access for exports; enhanced programme of debt relief for HIPCs and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)

Some of the indicators listed below will be monitored separately for the least developed countries, Africa, landlocked countries, and small island developing states.

- Net ODA as a percentage of Development Assistance Committee (DAC) donors’ gross national income
- Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
- Proportion of ODA that is untied
- Proportion of ODA for environment in small island developing states
- Proportion of ODA for the transport sector in landlocked countries

Target 14: Market access
Address the special needs of landlocked countries and small island developing states (through the Barbados Programme and the Twenty-Second General Assembly provisions)

- Proportion of exports (by value, excluding arms) admitted free of duties and quotas
- Average tariffs and quotas on agricultural products and textiles and clothing
- Domestic and export agricultural subsidies in OECD countries
- Proportion of ODA provided to help build trade capacity

Target 15: Debt sustainability
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

- Proportion of official bilateral HIPC debt cancelled
- Debt service as a percentage of exports of goods and services
- Proportion of ODA provided as debt relief
- Number of HIPCs reaching Debt Initiative decision and completion points

Target 16: Other
In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

- Unemployment rate of 15- to 24-year-olds
Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communication

• Proportion of population with access to affordable, essential drugs on a sustainable basis

• Telephone lines per 1,000 people

• Personal computers per 1,000 people

1 Some indicators, particularly for Goals 7 and 8, remain under discussion. Additions or revisions to the list may be made in the future.
See Annex for the 18 targets associated with these goals.

One of the targets under the goal of environmental sustainability, namely to achieve a significant improvement in the lives of at least 100 million slum dwellers, has been set for the year 2020, and thus has been excluded from these calculations.


World Bank, 2003; and Oxfam, 2002. World Bank calculations are lower because of the assumption that policy improvements and resources implied for the achievement of the first target (halving income poverty) would substantially contribute to reaching the other goals.

According to Oxfam, 2002, meeting the 0.7% of GNI target would release about USD 114 billion per year additional to the USD 47.1 billion ODA of 2000.

The term agriculture is broadly used to include crop and livestock production, fisheries, forestry, post harvest operations and related activities.

IFAD, 2001b.

Beierle, T., 2002.


AfDB, 2002.

IFAD, 2001b.


These issues, briefly presented here, are dealt with at length in four separate papers, prepared by IFAD, for the roundtable discussions of the Governing Council.

IMF and World Bank, 2002.


The United Nations has adopted as its working definition of “indigenous peoples” the widely accepted definition used by José Martínez-Cobo, the Special Rapporteur to the then Sub-Commission on Prevention of Discrimination and Protection of Minorities, in his study of discrimination against indigenous peoples: “Indigenous communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from the other sectors of societies now prevailing in those territories, or parts of them. They form at present non-dominant sectors of society and are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity as the basis of their continued existence as peoples, in accordance with their own cultural patterns, social institutions and legal systems” (United Nations document E/CN.4/Sub.2/1986/87). The Asian Development Bank, the World Bank and other international organizations use the term indigenous peoples to refer to those with a social and cultural identity distinct from the dominant or mainstream society, which makes them vulnerable to being disadvantaged in development processes. Available estimates show that there are between 250 and 350 million indigenous peoples in the world (see IFAD, 2003a).

In other regions of the world, IFAD-supported projects do not use ethnicity as a basis for targeting support.


-- (2002d). Regional Assessment of Rural Poverty in Latin America and the Caribbean. Rome: IFAD.


