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Investing in rural people in **El Salvador**

Although poverty has steadily decreased over the last few years in El Salvador, including an 18 per cent drop in rural areas between 2000 and 2013, a large proportion of the rural population continues to live in poverty.

For more than a decade, El Salvador's economy has experienced a cycle of low growth that has impacted unemployment rates. Low economic productivity and crime present considerable challenges. In 2011, the World Bank estimated that widespread violence cost the country over US\$2 billion (around 10.8 per cent of GDP).

Although El Salvador has become increasingly urban, 37.8 per cent of the population still lives in rural areas. Rural areas are home to both traditional campesino farmers and young people whose lifestyles and expectations are mostly urban. The latter are reluctant to work in the agriculture sector because of its low profitability and the perception that agriculture is drudgery.

Young rural people face many challenges. They are trapped between the lack of access to education, which makes it difficult to enter the formal labour market, and the lack of assets needed to launch a sustainable business. They are also among the main victims of crime and, as a result, many choose to migrate.

The crisis in traditional agricultural exports, particularly coffee and low private investment, has led to a slow growth in the agricultural sector, which is also adversely impacted by climate change. El Salvador is highly vulnerable to extreme



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climatic events. Recurrent droughts, mainly in the eastern region, result in huge harvest losses which negatively impact smallholder farmers. Rising temperatures are expected to reduce the crop yields by up to 30 per cent within the next decades.

Eradicating rural poverty in El Salvador

Between 2000 and 2013, the percentage of households living in poverty fell from 38.8 per cent to 29.6 per cent, mainly due to an 18 per cent drop in rural poverty.

In 2011, El Salvador launched the Family Agriculture Plan, which was designed through a consultative process involving the private sector and civil society. The plan aims to boost agricultural production and productivity, and improve the well-being of poor rural families. This is also one major target of the Development Plan 2015-2019, "El Salvador: productive, educated and safe".

Both plans focus on providing support to family farming and the cooperative sector, and to enhance the competitiveness of domestic agriculture by promoting innovation. The government intends to fulfil this goal through knowledge and technology transfers, and by providing assets to improve the living and production conditions of rural young people, women, family farmers' cooperatives, producers' associations and indigenous peoples.

Climate change is also a priority for the Government of El Salvador. It is committed to ensure the transformation and diversification of agriculture, forestry and agroforestry, and climate change adaptation through water resources management.

The government believes that a sustained reduction in rural poverty can only be achieved through the implementation of a comprehensive rural development strategy that addresses structural issues and combines short- and medium-term measures.

IFAD's strategy in El Salvador

IFAD has acquired considerable experience during its three decades of partnership with the country. It has contributed directly and indirectly to the mobilization of resources aimed at removing structural obstacles to the development of rural poor people. This has been achieved through the active involvement of, and coordination with, family farmers, indigenous peoples, rural youth organizations, government, international cooperation agencies, civil society and, more recently, the private sector.

IFAD-funded projects mainly support family farmers and entrepreneurs in municipalities in which poverty is prevalent. Activities have also helped to address needs arising after the end of the 12-year internal armed conflict and the 2001 post-earthquake reconstruction process.

Local participation and producers' organizations have played crucial roles in the implementation of IFAD-funded activities. New IFAD investments in El Salvador will strengthen and increase the participation of rural organizations.

IFAD's strategy in El Salvador over the period 2015-2019 will be to reduce rural poverty by generating wealth and well-being for family farmers by:

- Improving family farmers' access to resources, technologies and information, to enable them to develop more sustainable agriculture and better adapt to climate change;
- Promoting economic empowerment of young people, rural women and indigenous peoples through support to agricultural and non-agricultural business and employment opportunities in rural areas; and
- Contributing to the government's efforts to make public spending and investments in rural areas more efficient, effective and equitable, through provision of tested methodologies and tools for policy analysis and monitoring, policy dialogue and technical cooperation and participation of civil society.

Ongoing operations



Rural Territorial Competitiveness Programme

This US\$36.6 million programme – US\$17.0 million from IFAD funds – is helping to increase the employment opportunities, incomes and food security of approximately 40,000 small farmers across the country. It assists them to improve and diversify their products and link them to markets, focusing on:

- development of entrepreneurial linkages
- food security and adaptation to climate change
- human development, strengthened associations and territorial management.

The target group includes poor, small agricultural producers, handicraft artisans and community-based rural tourism entrepreneurs, rural women, young people and families of indigenous origin.

Rural Development and Modernization Project for the Central and Paracentral Regions (PRODEMOR-CENTRAL)

This project aims to improve the living conditions of the inhabitants of 66 rural municipalities in the central and paracentral regions of El Salvador. To this end, the project interventions aim to:

- stimulate the local economy by supporting the creation of profitable microenterprises
- develop human and social capital, through training and support for local participatory planning processes
- rehabilitate the degraded environment and promote a more sustainable management of natural areas.

To carry out these activities, participants have access to credit to finance their needs for specialized technical and commercial assistance. The project also helps to consolidate the results of previous IFAD-supported projects in the country regarding rural finance and promotion of investment of remittances in rural development projects.

PRODEMOR-CENTRAL's total cost is US\$23.4 million, with an IFAD contribution of US\$14.6 million.

Youth, women and indigenous peoples are the main target groups of IFAD-funded projects in El Salvador

Rural Development and Modernization Project for the Eastern Region (PRODEMORO)

This project seeks to improve the levels of income and living conditions in 33 municipalities in eastern El Salvador. Most of the beneficiaries are subsistence farmers and seasonal workers hired for the coffee and sugarcane harvests. The project helps them to create profitable farming and non-farming businesses.

PRODEMORO – with a total cost of US\$22.2 million, and an IFAD contribution of US\$16.0 million – also supports the creation and strengthening of small producers' organizations and cooperatives so that they can improve marketing processes and cut production, transportation and marketing costs. Another key component of the project is to improve natural resources management.

Remittances from migrants abroad are a major source of income in El Salvador. The project also explores mechanisms for channelling these resources to benefit the development of migrant workers' communities of origin.



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Building a poverty-free world

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided over US\$17 billion in grants and low-interest loans to projects that have reached about 453 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

Contact:

Glayson Ferrari Dos Santos
Country Programme Manager
PNUD Guatemala 5 ave. 5-55, zona 14
Edificio Euro Plaza - Nivel. 10, Torre 4
Guatemala City, Guatemala
Tel: (502) 23843100 ext 1145
Fax: (502) 23843200
g.ferrari dossantos@ifad.org

For further information on rural poverty in El Salvador, visit the Rural Poverty Portal <http://www.ruralpovertyportal.org>



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International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: ifad@ifad.org

www.ifad.org

www.ruralpovertyportal.org

 ifad-un.blogspot.com

 www.facebook.com/ifad

 [instagram.com/ifadnews](https://www.instagram.com/ifadnews)

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