



## The importance of scaling up for agricultural and rural development

And a success story from Peru

Intellectual contributions to this paper were provided directly or indirectly by Johannes Linn, David Nabarro, Rodney Cooke, Elwyn Grainger-Jones, Shyam Khadka, Cheikh Sourang and Barbara Massler for the material on Peru, and by Sara Bridges and Bruce Murphy for editorial assistance. Special thanks to Roberto Haudry de Soucy, who was IFAD's country programme manager in Peru for many years and was responsible for IFAD's contribution to the Peru success documented here. Also thanks to Josefina Stubbs, Director, Latin America and the Caribbean Division, who oversees IFAD's work in Peru.

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ISBN-978-92-9072-418-6

Printed July 2013

# The importance of scaling up for agricultural and rural development

And a success story from Peru

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Enabling poor rural people to overcome poverty



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# Acronyms

CORREDOR	Development of the Puno-Cuzco Corridor Project
FAO	Food and Agriculture Organization of the United Nations
FEAS	Promotion of Technology Transfer Project to Peasant Communities in the Highlands
GDP	gross domestic product
IFPRI	International Food Policy Research Institute
KfW	Kreditanstalt für Wiederaufbau
MARENASS	Management of Natural Resources in the Southern Highlands Project
M&E	monitoring and evaluation
NGO	non-governmental organization
ODA	official development assistance

## Abstract

The thesis of this article is that governments of countries that plan their agricultural and rural development programmes on a large scale – typically covering the entire agriculture sector and including all or most of the important ingredients for agricultural growth and rural development – do better in terms of agricultural production and reduction of rural poverty and hunger than do country governments that do not invest broadly and at scale in such development. The reason, for most low-income countries, is that agriculture still constitutes the most important economic sector, uses the most labour and contains the majority of the poor, who are also the majority of the hungry. Government action to stimulate agriculture at scale pays off by increasing food production and rural incomes. Donors that contribute to government programmes at scale and for the long term thus contribute more to this success than donors that do not operate at scale, and that have short-term objectives or invest in small-scale projects. IFAD's experience in Peru, in which it supported the Government in scaling up agricultural and rural development investments in poor areas of the Peruvian Andes over a period of 20 years, has paid off spectacularly in terms of poverty reduction. The Peruvian example points to two critical ingredients: government commitment to operating at scale and donor willingness to support governments in doing this.

# I. The relationship between poverty, agriculture and hunger

The large variation in performance among countries in terms of agriculture, poverty reduction and hunger reduction, combined with large differences in the treatment of agriculture sectors by governments, enables analysis of the relationship between agricultural performance, hunger and poverty reduction, and government efforts to support agriculture at scale.<sup>1</sup>

The most recent data from the Food and Agriculture Organization of the United Nations (FAO) show that over time there has been significant progress in reducing the total number of undernourished people globally, and the same is true for poverty. The *FAO Statistical Yearbook 2013* indicates that the number of undernourished people fell from 1 billion in 1990-1992 to 868 million in 2010-2012 (FAO 2013, 90). The same source shows that the prevalence of food inadequacy fell from 26 per cent in 1990-1992 to 19 per cent in 2010-2012. However, significant gains made in Asia and in Latin America and the Caribbean are offset to some extent by an increase in the number of undernourished and poor people in many countries of sub-Saharan Africa and a few countries on other continents.

Was good agricultural performance important in bringing down the poverty and hunger rates in the more successful countries? There is evidence that agricultural growth has a high poverty reduction pay-off:

- A 1 per cent per annum increase in agricultural growth, on average, leads to a 2.7 per cent increase in income of the lowest three income deciles in developing countries (World Bank 2007; De Janvry and Sadoulet 2009).
- Investment in agriculture is 2.5 to 3 times more effective in increasing the income of the poor than is non-agricultural investment (World Bank 2007).
- Agricultural growth, as opposed to growth in general, is typically found to be the primary source of poverty reduction (Diao et al. 2007, 10).

The contrary is also true; a decline in agricultural growth throws many near-poor people into poverty, and may explain some of the increase in developing country poverty and hunger in 2008 and again in 2010 when food prices increased worldwide.

This evidence of the positive impact of agricultural growth on poverty reduction is not new. Higher agricultural growth – due to higher agricultural productivity growth – underpinned early development in Western Europe, Japan and the United States, and later in China and the Republic of Korea (World Bank 2007, 35).

<sup>1</sup> Scaling up is not defined here specifically. It refers to projects or programmes impacting significant numbers of rural people. The number will vary according to country size: what would be considered a large-scale programme in China will impact many more people than a large-scale programme in Togo, for example. It also refers to sustainability: the impact must be long-lasting. Scaling up does not refer to programme cost. Low-cost programmes that positively impact many people are more valuable than very costly programmes impacting the same number.

Another way of looking at this is to compare countries with the largest reduction in poverty rates and undernourishment against countries with the most rapid agricultural growth over the same period. Table 1 shows that among developing countries, those with the most rapidly growing agriculture sector generally had the most rapidly declining poverty incidence, as well as a declining incidence of malnutrition.<sup>2</sup>

The countries listed in Table 1 are the 'star agricultural performers' for the nearly 20-year period of the 1990s and 2000s (ending in 2008). All these good agricultural performers for which data are available, with the exception of Chile, were also star performers in terms of reducing the percentage of the population living in poverty during this period (that is, at below US\$1.25 per day per person; indicated in the third column). Even the exceptional case, Chile, saw some reduction in poverty as its agriculture grew rapidly. Similarly, using the decline in malnutrition as the dependent

**TABLE 1**

Countries with greatest agricultural GDP growth rates in 1990s and 2000s	Agricultural growth rate in 1990s and 2000s (per cent per annum)	Change in percentage of population living at below US\$1.25 per day between 1998 and 2008 (percentage of population)	Change in percentage of population undernourished from 1990/1992 to 2004/2006 <sup>a</sup> (per cent)
Average for developing world as a whole	3.3	-20	-
Algeria	5.2	-	-
Belize	4.8	-	-
Benin	5.2	-	-9.0
Brazil	4.0	-9.7	-4.0
Burkina Faso	6.7	-49.7	-5.0
Cambodia	4.6	-	-13.0
Chile	4.3	-1.5	-
China	4.0	-31.6	-
Ethiopia	4.8	-46.0	-27.4
Lao People's Democratic Republic	4.0	-37.2	-8.0
Malawi	5.7	-50.8	-16.0
Morocco	5.7	-6.3	-
Mozambique	5.6	-45.9	-22.0
Paraguay	4.4	-16.9	-4.0
Peru	4.4	-6.7	-15.0
Rwanda	4.4	-	-5.0
Syrian Arab Republic	5.6	-	-
United Republic of Tanzania	4.0	-	-
Viet Nam	4.9	-45.1	-15.0

<sup>a</sup> IFAD 2010a, 249-253, based on FAOSTAT data (<http://faostat.fao.org/>).

Note: a hyphen denotes that data are unavailable.

2 See IFAD 2010a, which compares poverty incidence (tables on pp. 248-253) with agricultural growth rates (pp. 238-241). Table 1 shows countries with average agricultural growth rates for the 1990s and 2000s at or above China's rate of 4 per cent per annum. The third column shows the decline in a country's overall poverty incidence (measured as the percentage of the population living at below US\$1.25 per day per person). The data are simple averages. The official statistics for Guinea and Myanmar would put them in the high agricultural growth group, but they were excluded because the data are questionable.



variable, countries with good agricultural growth had generally strong declines in the percentage of the population malnourished.<sup>3</sup> The World Bank (2007) and IFPRI (2007) analyses cited earlier suggest an empirically tight relationship between good agricultural growth and poverty reduction. Table 1 gives a sense of which countries are involved and the large magnitudes of improvement attained.

The evidence summarized above shows that, at least in the earlier stages of development, agricultural growth is an effective way of reducing poverty. As countries reach upper-middle-income status (e.g. Chile, shown in the table to be a good agricultural performer, but with only limited further poverty reduction), additional poverty reduction may be more effectively addressed outside of agriculture, depending on the remaining significance of agriculture to the economy.

<sup>3</sup> Note that malnutrition-sensitive agriculture can have key differences with poverty-reducing agriculture: malnutrition is an imperfect proxy for poverty and vice versa.

## II. How to stimulate agricultural production

Is enough known about how to stimulate agricultural growth and rural development in low-income countries, and what their relationship is to 'scaling up'? There is now a large body of literature indicating that domestic and international investment in agricultural and rural development, both private and public, stimulates growth. *World Development Report 2008* (World Bank 2007) focused on this question, as did IFAD's *Rural Poverty Report 2011* (IFAD 2010a). The World Bank report indicated that success in agricultural development requires a large number of investment and policy measures. The first set deals with improving farmer and agro-industrial access to markets. This involves an enabling government policy, partner country policy, and investment in infrastructure and government services. The policies and investments are generally those that create an enabling environment for private investment in marketing, farm input supply, agroprocessing and, of course, farming itself. The investments are both private and public, with the latter focused on rural infrastructure, rural education, information supply, regulation and policy. In the second set of measures, an international and individual government focus is needed on smallholder farming productivity, food production, reversing environmental degradation, and natural resource management, because smallholders have special information, infrastructure and support needs. This in turn requires research and development, instruments to reduce farmer risk, and rural financial services, among others. Labour mobility is important, as is the quality of public-sector governance and donor interest. Investment in rural areas more broadly is also needed, as an incentive to rural youth to remain.

The kinds of investments that work to boost agricultural growth include the following:

- Support to farm investment
- Investment in agricultural research and extension
- Rural finance
- Land tenure, land rehabilitation and land management
- Rural employment generation and support for non-farm small businesses through investment in smallholder farming, agro-industry, marketing and input supply
- Development of farmers' organizations, to help manage village-level investment and to enable farmers to have a greater voice in national and local policy
- Infrastructure
- Rural water management and irrigation
- Rural roads and energy
- Sustainable management of natural assets including forests, fisheries, pasture land and water
- Nutrition and household food security through rural education and changes in home production and diet

- Building of decentralized public services in rural areas
- An enabling agricultural policy, which avoids distorting policies such as: heavy government ownership and control of agricultural marketing, processing and input supply; agricultural price controls; suppression of private-sector agricultural investment; agricultural export controls; and disproportionately large fertilizer subsidies

The question that arises is: if agricultural growth is so effective in reducing poverty, and we know how to get such growth, why are agricultural production growth and rural development so problematic in most developing countries? The countries that have performed poorly in agriculture represent the majority, and they are not listed in the above table because their agriculture sectors are not growing at 4 per cent annually or higher. Why is the global rural poverty and nutrition problem not being resolved in these countries, while it is being resolved in the countries shown in the table? Why are known solutions, such as those listed above, not more widely applied?

One answer is that investment in agriculture, both by developing country governments and aid donors, has declined since the 1980s. According to figures from the Organisation for Economic Co-operation and Development, the share of agriculture in total bilateral and multilateral aid hit a peak of 22.5 per cent in 1979-1981 and has since declined, falling to a low of 5.4 per cent in 2003-2005, before increasing to 6 per cent in the most recent figures.<sup>4</sup> In addition to declining official development assistance (ODA), few governments have allocated sufficient public resources to agriculture. So the combination of declining aid to agriculture and low public agricultural investment by developing countries has resulted in a huge public investment gap between what is needed to get agriculture moving and what is supplied in terms of investment. For example, nearly all African governments still spend less than 10 per cent of public budgets on agriculture, despite the commitments made in the Maputo Declaration of 2003 (IFAD 2010b, 27).

Though donors are generally not as critical to scaling up as are developing country governments, they can be helpful, or harmful, to this agenda. One possible source of harm is that there are so many donors. The Brookings Institution evaluated 132 aid agencies, which provide aid (to all sectors) through thousands of projects (Birdsal and Kharas 2010). In other words, the aid business is generally characterized by innumerable small projects. Aid data provide information on 924,000 projects covering 322 donor agencies (*ibid.*, 17). An example given for Africa is that of Ethiopia, where the World Bank documented 20 donors supporting 100 agricultural projects in 2005 (World Bank 2007, 257). Donors are operating agricultural projects in all developing countries, and for those developing countries with poor agricultural performance (all those not listed in Table 1), this aid – fragmented as it is and placed in a poor policy environment – often has little to show in terms of impact on significant numbers of people or higher agricultural growth rates for the country. Combining aid-financed projects in support of larger government programmes, or convincing governments and other donors to scale up successful projects, would appear to be the direction to take.

<sup>4</sup> See Islam 2011. Aid to agriculture averaged US\$6.3 billion in 2006-2008 out of total aid to all sectors of about US\$104.8 billion, or 6 per cent.

Looking back on the longer period of the 1990s and 2000s, large-scale investment in agriculture in large-scale programmes by the governments of Brazil, China, the Lao People's Democratic Republic, Morocco, Mozambique, Peru, the United Republic of Tanzania and Viet Nam – all countries that were star agricultural performers over this longer period – helped them achieve their excellent agricultural growth and good poverty reduction. Unfortunately, there is no good measure for scaling up, preventing an empirical investigation of the relationship between scaling up and agricultural performance. The proxy used in Table 2 is the size of public agricultural investment compared with gross domestic product (GDP). This assumes that governments that allocate a larger part of their budgets to agriculture relative to GDP will be those scaling up public investments into larger-scale projects and programmes. The problem with this assumption is that governments with large agricultural investment programmes could conceivably be dividing the programmes into many small projects. One could argue that even in this situation, the scale of the agricultural investment is high. But clearly a better measure is needed. Table 2 shows a comparison of the agricultural growth rates in the 1990s and 2000s, for the strong agricultural performers only, with public agricultural investment as a percentage of GDP.

Table 3 shows a second set of countries whose investment in agriculture was above average, but which did not achieve such spectacular agricultural growth rates, and in a few cases performed unimpressively (Bhutan, Sri Lanka and Thailand). Other factors

**TABLE 2**

Countries with greatest agricultural GDP growth rates in 1990s and 2000s	Agricultural growth rate in 1990s and 2000s (per cent per annum)	Average public expenditure on agriculture as a percentage of GDP 1995-2007 (per cent)
Average for developing world as a whole	3.3	0.81
Algeria	5.2	-
Belize	4.8	-
Benin	5.2	-
Brazil	4.0	0.31
Burkina Faso	6.7	-
Cambodia	4.6	-
Chile	4.3	-
China	4.0	1.25
Ethiopia	4.8	1.94
Lao People's Democratic Republic	4.0	-
Malawi	5.7	1.60
Morocco	5.7	0.96
Mozambique	5.6	-
Paraguay	4.4	-
Peru	4.4	-
Rwanda	4.4	-
Syrian Arab Republic	5.6	2.30
United Republic of Tanzania	4.0	-
Viet Nam	4.9	-

intervened in these countries so that good agricultural growth was not obtained, in spite of strong investment. Sri Lanka had a civil war; Bhutan is landlocked, mountainous and has limited agricultural potential. India has shown satisfactory performance, with an agricultural growth rate consistently above 3 per cent, but it is not a star performer despite the high level of public and donor investment in agriculture. High expenditure by India on farm subsidies and a poor agricultural marketing policy have held its agriculture back from achieving the Chinese level of agricultural growth.

It is also instructive to look at those African countries meeting the 10 per cent Maputo declaration target for public investment in agriculture. The idea was that, at such a level, significant public investment at scale would be possible. Of course, the 10 per cent figure is highly arbitrary, but at the time it reflected a consensus among African leaders. Very few countries in Africa have achieved this level of agricultural public investment – only Ethiopia, Madagascar, Malawi, Mali, Niger and Senegal).<sup>5</sup> Several of these countries had large public-sector investment programmes, on a national scale and nearly always assisted by donors. This succeeded in stimulating the agriculture sector in Ethiopia (agricultural growth from 2000 to 2008 of 7 per cent per annum), Mali (5.2 per cent) and Niger (7.1 per cent), but not in Madagascar (2.1 per cent), Malawi (1.1 per cent) or Senegal (1.5 per cent). In these latter cases, other factors worked against the positive effects of large public investment programmes in agriculture. These factors included poor agricultural price and marketing policies (Malawi and Senegal), which can erode or negate the benefit of investment in agriculture even if the government devotes more than 10 per cent of its public expenditure to the sector. Madagascar has gone through considerable civil strife and international isolation, which has undone its economy, including the agriculture sector.

A tentative conclusion is that bigger public expenditure programmes for agriculture, combined with bigger allocations of ODA for the sector, permit public agricultural programmes on a larger scale (often nationwide). This appears to stimulate faster agricultural growth – unless poor policy, civil strife or other variables (such as inadequate rains) intervene. Operating at large scale is no panacea, but when combined with good policy and adequate governance, the experience of Africa has shown that agricultural growth can exceed that of the benchmark Chinese agricultural growth rate

**TABLE 3**

Other countries with high agricultural expenditure, but lower agricultural growth	Agricultural growth rate in the 1990s and 2000s (% per annum)	Public investment in agriculture as a percentage of GDP (1995-2007)
Bhutan	2.0	4.05
Egypt	3.3	1.36
India	3.1	0.80
Philippines	2.9	0.90
Sri Lanka	2.2	1.10
Thailand	2.4	1.47
Tunisia	3.1	2.28

<sup>5</sup> Data on the percentage of a country's government budget going to agriculture among African countries in the 2000s are courtesy of the Independent Office of Evaluation of IFAD (IFAD 2010b, 27). Agricultural growth rates are for the 2000s and do not include the 1990s due to the absence of data in that decade for most African countries.

of 4 per cent per annum – for example in Ethiopia, Mali and Niger in the 2000s. Good performers also receive much donor aid to agriculture, including from IFAD (which has a performance-based system for allocating its resources to countries). And this donor aid comes to the larger-scale programmes in these countries precisely because their governments have set up large-scale programmes into which both donors and governments can channel their resources. Yet high public investment in agriculture is not enough, as shown by the bottom group of countries in the table – having high investment but low agricultural growth. Good policy, reasonable agricultural potential, marketing and infrastructure, and the absence of civil strife also play a role. Problems in these areas can offset the positive impact of high public expenditure and larger-scale programmes.

What about the countries that invest little in agriculture, which are absent from the tables? The kinds of investments listed above, which work to stimulate agricultural growth, are sometimes undertaken in these countries (which we should remember make up the majority), but in small projects, with small amounts of financial aid and small amounts of developing country government resources. With small public-sector budgets, these investments in agriculture are rarely at a sufficient scale to have an impact on large numbers of people. There is little scaling up. Low public investment and lack of investment at scale, combined with poor policy environments, lead to low agricultural growth and contribute to the hunger and rural poverty problems characteristic of (but not limited to) such countries.

IFAD's experience is relevant here. Its ongoing projects are estimated to have directly brought 60 million people out of poverty over the 2008-2012 period – a relatively small number compared with the problem (there are nearly 900 million people living in extreme poverty worldwide). Given the size of this problem and the fact that the numbers of rural poor and hungry are decreasing only very slowly in absolute terms, it is apparent that no donor is having a significant enough impact on a large scale. The thesis presented above is that countries doing well in terms of rural poverty reduction have invested their own public resources in agriculture, in combination with aid, at a sufficient volume to enable them to do well when combined with good agricultural policy and the absence of civil strife. The challenge, then, is to convince governments in the developing world and their cooperating donors to scale up those agricultural investments that are working and to introduce the conducive policies listed previously.

### III. The role of scaling up in IFAD operations

IFAD's approach to agricultural and rural development is to provide funding, technical advice and partnership-building to assist governments and national organizations (civil society, farmers' groups, non-governmental organizations [NGOs] and the private sector) in sustainably increasing rural incomes and food security. In doing so, it contributes to building local capacity in countries. IFAD focuses exclusively on rural areas and rural development. It provides assistance for farm input supply, marketing, processing of agricultural products and support to farmers' organizations in order to reduce rural poverty and hunger and enhance food security. IFAD's financial and technical inputs complement and increasingly catalyse those of governments, other local institutions and other donors.

From 2010 to 2012, IFAD provided about US\$1 billion in loans and grants for these purposes to developing country governments, civil society groups and NGOs. It anticipates providing about US\$1 billion per annum for the next five years. In addition, it mobilizes cofinancing from other donors, recipient governments, NGOs and the private sector. In 2012, IFAD raised about US\$1.5 billion in cofinancing from these sources. Despite these numbers, as mentioned earlier, IFAD brought only an estimated 60 million people out of poverty over the 2008-2012 period.

Recognizing the need to have an impact on a much larger number of poor people, the IFAD Strategic Framework 2011-2015 identifies the scaling up of impact to reach a much larger number of poor people as 'mission critical'. In the pursuit of this objective, a Brookings Institution review of scaling up by IFAD was undertaken in 2010-2011. It showed that IFAD has good examples of scaling-up solutions, but needs a more-systematic approach (Linn et al. 2011). The case of rural development in the Peruvian Highlands was found to be a good example of how IFAD has scaled up successful projects in the past (although, as is the case with other donors, most projects are not scaled up, even when successful).<sup>6</sup>

The Peru case began with relatively small, area-based rural development projects in the 1980s (the Alto Mayo and Cuzco Arequipa Highlands Rural Development Projects). Based on the mixed results of these projects, IFAD developed a new project in the Andes in the extreme south of Peru. It was called the Promotion of Technology Transfer Project to Peasant Communities in the Highlands (FEAS) and targeted poor indigenous populations in the Andean highlands. Starting up in 1993, the project's basic idea was that local people in rural communities would organize themselves to submit investment projects affecting their communities. The investments involved small businesses in agriculture, tourism and agriculture-related endeavours. Local communities created project selection committees that evaluated the proposals,

<sup>6</sup> Based on internal IFAD documents and information provided by Barbara Massler of AGEG Consultants eG (for the Brookings Institution and IFAD).

choosing the best ones to be financed. A competition was thus established among communities, and selection of winners was done publicly. The project provided technical assistance on demand to help prepare and supervise proposals. Local communities shared in the costs.

### Peru: key innovations being scaled up

- Competitions among beneficiaries for NRM and small businesses
- Local resource allocation committees (LARC)
- Local talent mobilized
- Direct transfer of public funds to community organizations
- Women's saving accounts

*Note: NRM = natural resource management (of water, land, soils, forests, wildlife).*



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A strong monitoring and evaluation (M&E) system and strong local management were key ingredients. Relying on local organizations to provide ideas and management was also important. Project implementation spanned the period 1993-1999.

The second phase expanded on FEAS by extending the project to a larger area of southern Peru, as shown in the map below. Management of natural resources (land, water, forest and soil) became an added focus, but the process of intensive community management, assisted by a government project management unit, was maintained. This project was called Management of Natural Resources in the Southern Highlands Project (MARENASS).

### PHASE 1



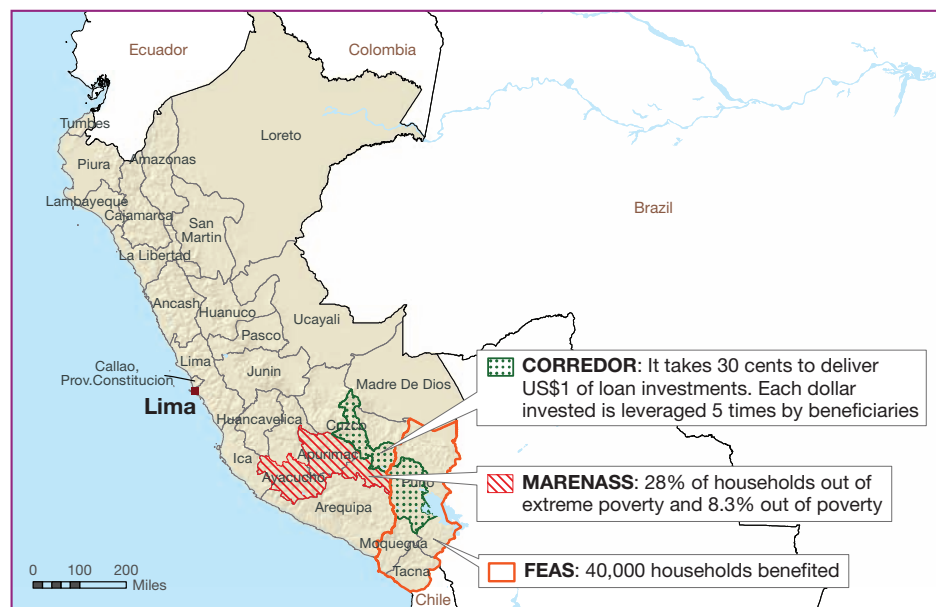
### PHASE 2



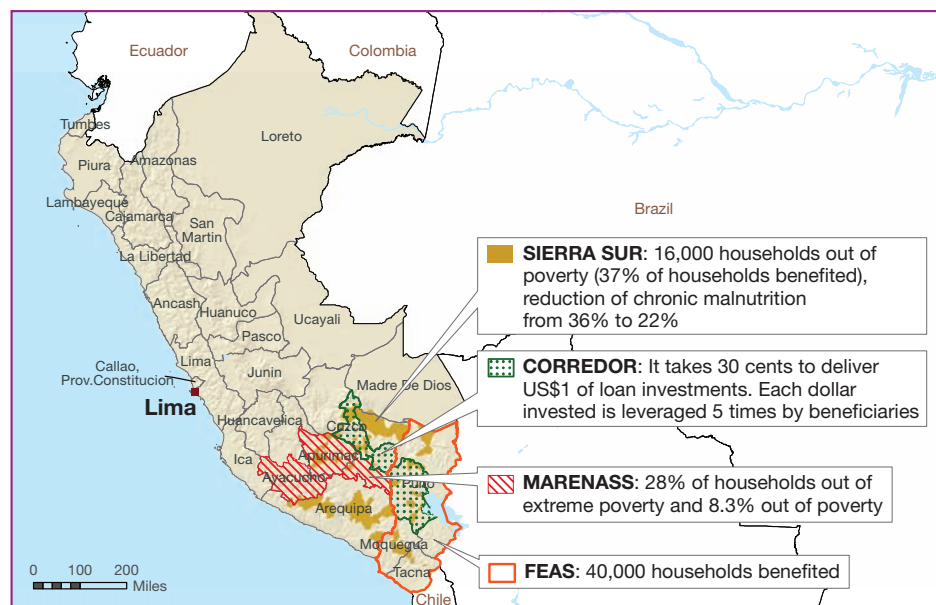
The third phase (2000-2008) made adjustments to strengthen local management and participation, reinforced the technical assistance provided to local communities by the project, and promoted market initiatives and business plans. It expanded the number of people benefiting and the territory served. The new project was called Development of the Puno-Cuzco Corridor Project (CORREDOR).

The fourth phase extended the area even further, and added a nutrition element. This was called the Market Strengthening and Livelihood Diversification in the Southern Highlands Project (Sierra Sur) and ran from 2005 to 2011.

### PHASE 3



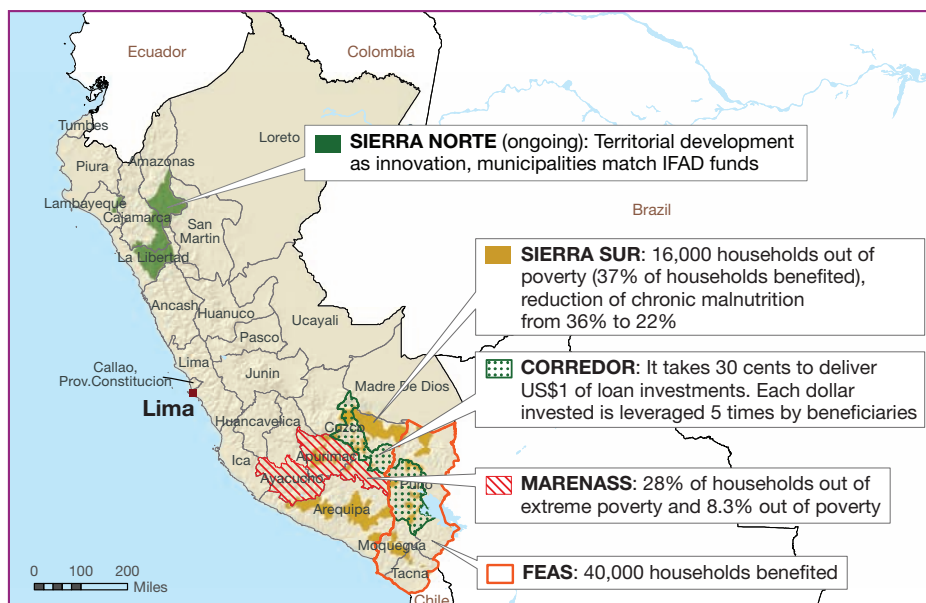
### PHASE 4



In phase five (the current phase), two projects were added: one in the Northern Highlands – Project for Strengthening Assets, Markets and Rural Development Policies in the Northern Highlands (Sierra Norte, 2009-2015) – and a follow-up project in the south (Sierra Sur II, 2011-2013). The approach described above has now become the national programme for the development of the Andean highlands of Peru, supported by the Government, the World Bank and Kreditanstalt für Wiederaufbau (KfW) (the German government-owned development bank). Peru is now one of the good agricultural performers identified in Tables 1 and 2.

The driver in the Peru case was the novel idea, especially during the 1980s, of rural development being led by local, often indigenous people. IFAD provided a vision and an external catalyst. This was helped by external funding from IFAD, along with government funding. Incentives for local participation included competitions among local farmer groups for the resources provided under the project. The local groups themselves managed the winning subprojects. M&E was strong, so donors, governments and local communities had good knowledge of activities and evidence of impact. Knowledge management components were designed into the projects. Local communities contributed financially. Government provided the policy space by formally stating that this project (now programme) was the government’s programme for agricultural and rural development in the Andes. Government and local communities developed the capacity to manage, and learning was built into the process. Institution-building is an important part of scaling up. The Government and IFAD committed resources and staff over the long term, about a 20-year period that is still ongoing. The objective was to have *impact* at scale, not just to have a large-scale programme. A very long-term focus was key, as this has ensured sustainability. Other donors are copying the model, for example the World Bank’s Sierra rural development project (Productive Rural Alliances in the Highlands Support Program, or Aliados, 2007-2013), covering 43 provinces. KfW’s agroenvironmental programme (2003) has

## PHASE 5



also incorporated parts of the model. One key aspect related to knowledge management, known as 'learning routes', is being replicated in several African and Asian countries.

Impact has been independently assessed by the Peruvian Government, and separately by the Independent Office of Evaluation of IFAD. The evaluations concluded that this interconnected chain of projects has been highly successful, having significantly improved food security, reduced malnutrition and poverty, and empowered local communities.

The lesson is that IFAD, as with other donors, needs to work so as to have a much greater impact, on a greater number of people, per dollar loaned or granted. The current IFAD target is to decrease the cost per person brought out of poverty by IFAD resources from the current figure of about US\$83 to US\$40. With more beneficiaries per dollar of investment, the economics of the programme improve as well. But the analysis also suggests that IFAD can scale up successful projects most effectively when governments are supportive, as was the case in Peru.

## IV. Conclusions

Evidence appears strong that in the early stages of development and where agriculture contributes a significant part of GDP, rapid agricultural growth is an effective tool in reducing poverty. Also relatively solid is the evidence on the types of private and public investment and policy that stimulate agricultural growth. Conversely, there are policies and investments that inhibit agricultural growth or have negative impacts on natural resources, making agriculture less sustainable (massive fertilizer subsidies, export restrictions, severe farm price controls). A country's intrinsic agricultural potential is important. In addition, very poor governance and civil unrest curtail agricultural growth; good governance and stability help it. Public investment programmes in agriculture, combined with aid, in large-scale projects focused on proven, successful approaches can generate very high agricultural growth rates, which in turn contribute to poverty reduction.

Operating on a large scale, with substantial resources, is no panacea. If policies are not enabling, or governance very bad, big programmes at scale are much less likely to work. Scaling up successful projects and policies is effective in generating growth and poverty reduction, but it will be successful only in countries with good policy environments under reasonably good governance regimes, and where government is committed to the programmes.

Though donors are generally not as critical to scaling up as are developing country governments themselves, they can be helpful, or harmful, to this agenda. The Brookings Institution analysis regarding the small size of the average project suggests that, on average, aid agencies are not contributing to the scaling-up agenda. Donors can help by cofinancing scaled-up projects and programmes that support national programmes. Brazil, China, the Lao People's Democratic Republic and Morocco, and more recently Burkina Faso, Ethiopia, Mali and Peru provide good models. On the other hand, it seems that scaling up with large donor and public expenditures in poor policy environments will lead to little growth and little poverty reduction. In these latter situations, it seems more reasonable to maintain low levels of expenditure on manageable projects and pilots, while working to improve the policy and governance environment, laying the groundwork for later scaling up.

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