

IFAD Thematic Priorities for the Near East and North Africa



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**IFAD Thematic Priorities
for the Near East and North Africa**

**Near East and North Africa Division
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Acronyms

CGAP	Consultative Group to Assist the Poor
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
HMAPs	Herbs, medicinal and aromatic plants
ICARDA	International Center for Agricultural Research in the Dry Areas
IFIs	International Financial Institutions
IFPRI	International Food Policy Research Institute
MFI	Microfinance institutions
NENA	Near East and North Africa
NGO	Non-governmental organization
PN	Near East and North Africa Division

FOREWORD

Since its establishment in 1977, IFAD has maintained a strong presence in the Near East and North Africa (NENA). As of December 2007, total IFAD loan commitments in the region amounted to US\$1.3 billion invested through 105 programmes and projects in 15 countries. The NENA portfolio in IFAD is managed by the Near East and North Africa Division (PN). The objective of this document is to share with IFAD colleagues and partners the main thrusts of the division's medium-term approach for rural poverty reduction in NENA. While strategic objectives are best developed at the country level to reflect the specificity of the countries involved, this paper addresses the common challenges facing all countries in the region in their efforts to reduce rural poverty. As such, the document should provide an overall guiding framework for country programme managers and other operational staff when preparing country strategic opportunities programmes and related projects in the region. The thematic priorities presented in this paper are in line with the IFAD Strategic Framework 2007-2010 and cover the same period. The paper draws on several key recent IFAD documents and evaluations, studies and reviews prepared by PN in collaboration with partner institutions, and also on IFAD workshops/conferences at country level dealing with emerging issues in regional agricultural and rural development. I would like to thank our country programme partners in the region who contributed in these forums and others to the development of our thinking, and guided us in elaborating these priorities.

Mylène Kherallah, IFAD's Regional Economist for PN, prepared the paper. I commend her for her professional skills and timely efforts. I would also like to thank all PN staff who reviewed the paper at various stages of its production and provided valuable comments and suggestions. In addition, I wish to thank Sara Oliván, PN Programme Assistant, for her continuous administrative support.



Dr Mona Bishay
Director
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1. Background

This paper draws on key recent IFAD documents, evaluations, studies and reviews and also on workshop findings and discussions related to the Near East and North Africa (NENA) region¹. The IFAD documents and evaluations consulted are: (a) IFAD Strategic Framework 2007-2010; (b) the 2006 Near East and North Africa Division (PN) self-evaluation report on the regional strategies for Central and Eastern Europe and the Newly Independent States (CEN) and the NENA; (c) the corporate-level evaluation of the same strategies by the Office of Evaluation; and (d) the completion assessment of the NENA Gender Programme of Action managed by PN. The studies and reviews used are: (a) *The Status of rural poverty in the NENA* prepared by the Food and Agriculture Organization of the United Nations (FAO) and IFAD; (b) the thematic study by IFAD and the International Food Policy Research Institute (IFPRI) on the *Impact of trade liberalization on agriculture in the NENA*; (c) the paper prepared by the Economic Research Forum on *Rural unemployment and poverty in the NENA region*, and (d) *Guiding framework for rural finance in the NENA* prepared by PN.

The paper also draws on the outcomes and findings of several workshops: Strategic directions for IFAD's support to the rural water sector in the NENA region, held in June 2006; the round table on Generating remunerative livelihood opportunities for rural youth, held in conjunction with the thirtieth session of the Governing Council of IFAD, and two expert consultation workshops: (i) the role of domestic and export marketing of horticultural commodities in poverty alleviation in the NENA region held in March 2007, and (ii) the role of herbs, medicinal and aromatic plants (HMAPs) in improving livelihoods of the rural poor in the NENA region, held in July 2007. IFAD's operational, technical, and policy experience in NENA for the past 10 years was another crucial source of knowledge used in the preparation of this paper.

¹ The region covered in this study includes the following countries or territories: Algeria, Djibouti, Egypt, Gaza and the West Bank, Jordan, Lebanon, Morocco, Somalia, the Sudan, the Syrian Arab Republic, Tunisia, Turkey and Yemen.

2. An overview of recent socio-economic trends and the rural poverty situation²

General economic challenges

In recent years, economic performance in the NENA region has been uneven. The structural reforms initiated in the 1990s – albeit slow – have resulted in a significant reduction of state involvement in the economy and have boosted private-sector investment and overall economic growth. Countries such as Egypt, Jordan, Morocco and Tunisia have seen considerable economic benefits from these reforms. Average unemployment in the region, while still high at 13 per cent, has gone down in the last two years and, across the region, there has been a general opening up of economies, greater transparency in government, and increased access to global technologies and information exchange. For the oil-producing developing economies of Algeria and the Sudan, the surge in oil prices in the past few years has generated large surpluses. The direction of the development equation in those countries will depend on how those surpluses are invested.

On the other hand, a number of structural problems persist in the region, which are slowing down the pace of economic growth and restricting the capacity to reduce poverty. Total factor productivity remains low (at two percentage points below the world average) as a result of past inefficiencies in public investment and low labour productivity linked to the region's low level of skills. Demographic growth rates and dependency ratios remain high compared with the world average (a projected average population growth rate of 1.7 per cent for the region for 2003-2015 against a projected world average of 1 per cent). As a result, the labour market is unable to absorb the number of newcomers seeking employment every year. The imbalance between employment opportunities and new jobseekers, especially among young people, represents a serious challenge to poverty reduction. While historically, male migration to the Gulf countries and Europe has provided a source of livelihood for many families in the NENA countries, migration opportunities – especially for unskilled rural workers – are now decreasing. This is partly the result of recent changes in recruitment policies in the oil-producing countries of the Gulf, which have tended to attract Asian rather than Arab workers.

The NENA region faces other equally important political and socio-economic challenges. The region is still grappling with several issues regarding democratization and better governance. Civil society organizations have started to emerge and gain a voice in decision-making circles. However, they are still weak and in need of support. Other challenges include improving export performance, encouraging private-sector development through a better business environment, and attracting domestic and international investments. An added complexity is the political instability or conflict suffered by many countries in the region, as evident in the current situation in Gaza and the West Bank, Iraq, Lebanon, Somalia and the Sudan.

² The figures in this section are taken from the FAO/IFAD report *The status of rural poverty in the NENA*. 2007.

Agriculture's contribution to the economy

The agricultural sector's contribution to the total GDP of the NENA region is only 12.6 per cent (2005). This average masks a wide diversity across the NENA countries. For example, in Algeria, Jordan and Lebanon, the agricultural sector contributes less than 10 per cent of GDP, but it contributes 21 per cent in the Syrian Arab Republic and 34 per cent in the Sudan. In general, the development of the agricultural sector in the NENA region is constrained by limited availability of good arable land and by acute water scarcity. Most crop farming is practised on dryland, where it is directly dependent on rainfall and there is a high frequency of drought.

The share of agricultural exports in total exports in the region has been on a declining trend, reaching a low average of 7 per cent in 2005. The main constraints on agricultural trade in NENA include the inability to meet international standards for food quality and safety, and deficient marketing systems that do not facilitate the movement of agricultural goods to foreign markets. Furthermore, despite sizeable improvements, agricultural trade protection structures remain comparatively strong in almost all NENA countries. This reduces the incentive for the farming sector to improve its competitiveness and build on its comparative advantage. It also results in a biased and non-efficient allocation of agricultural resources such as land, labour, and water.

The low share of agriculture in total GDP and the low ratio of agricultural to total exports are disproportionate to the high percentage of NENA's economically active population engaged in agriculture. Of the total estimated economically active population of 126 million, 47.6 million (or 37.8 per cent) are engaged in agriculture. The percentage climbs to 77 per cent in Djibouti, 69 per cent in Somalia and 57 per cent in the Sudan. Among the middle-income countries, Turkey's agricultural employment amounts to over 43 per cent of the total work force, just below Yemen's 46 per cent. This demonstrates that the labour productivity of the agricultural sector is quite low. Future improvements in productivity will naturally lead to further shedding of surplus labour, which will shift from the farming to the non-farming sector, thereby accentuating the need for non-farm employment generation in the region.

Rural poverty challenges

In general, the NENA region has made less progress than other regions in reducing poverty in recent years. The reasons for this, as discussed earlier, can be found in the slow progress of policy reforms and trade liberalization, conflict, lack of effective decentralization and low public and private investments in areas with a high concentration of poverty, typically rural areas. As elsewhere in the world, poverty in the NENA region continues to be mainly a rural phenomenon: about 25 per cent of the region's population is estimated to be poor, of which about 58 per cent live in rural areas. Furthermore, about 34 per cent of the total rural population in the region is estimated to be poor, compared with 18 per cent of the urban population. The distribution of the poor within countries is also uneven, with some areas experiencing a higher incidence of poverty than others (e.g. Upper Egypt compared with the Delta region). In some countries, pockets of poverty are found in areas with a low poverty incidence (Tunisia, Morocco) while other countries – such as in Djibouti, Somalia, the Sudan and Yemen (i.e. the least developed countries) – experience widespread rural poverty.

These rural poverty estimates indicate that about 52 million rural people live in poverty in the NENA region. Rural poverty is particularly acute in Djibouti, Gaza and the West Bank, Somalia, the Sudan and Yemen, where 40-90 per cent of the rural population is considered poor. The main poor rural groups are made up of small-scale farmers, nomads and pastoralists, artisanal fishers, wage labourers, women-headed households and unemployed youth.

Gender inequity is a major hindrance to rural (and overall) development of the region. Gender disparities are large and obvious in terms of access to assets, capital, education, employment, extension, and other financial and support services. While rural women are essential for their contribution to agricultural production activities – sustaining rural livelihoods, providing education to future generations, and carefully managing household assets and financial resources – they have to cope with a number of major constraints. These include: (i) excessive workload related to agricultural and domestic tasks; (ii) lower access to education than men despite significant advances in girls' education in recent decades; (iii) lower access to production-related services, and physical and financial assets; and (iv) difficult access to health services and relatively high maternal mortality rates, especially in rural areas. These constraints are exacerbated by the sustained population growth in the region.

While NENA countries may not suffer from the levels of extreme income poverty found in South Asia and sub-Saharan Africa, their level of human development (reflecting education, health, gender balance, and political rights and freedom) is often not commensurate with their material wealth. The Human Development Index (HDI) for many countries in the region is often much lower than expected given the countries' income levels. This is particularly true in rural areas because access to physical and social infrastructure is biased towards the urban sector. For example, access to safe drinking water and sanitation facilities is far worse in rural areas than in towns and cities: in Morocco, 94 per cent of the urban population has access to safe water compared with 58 per cent of the rural population. And in most countries, illiteracy rates are far higher in rural areas than in urban areas (especially for women).

In brief, rural poverty in the countries of the NENA region is driven by a combination of constraints related to natural resources, socio-economic considerations, and the policy and institutional framework. As mentioned earlier, in terms of **natural resource constraints**, the NENA region is one of the driest regions in the world, with limited arable land and severe water scarcity. The **socio-economic constraints** include high fertility rates leading to high dependency ratios,³ gender inequity, low education rates (especially among women) and very high rates of unemployment (especially among young people). Compounding these constraints is the unavailability of adequate rural microfinance services, the weakness of rural marketing institutions, and insufficient public investment in physical and social infrastructure (such as rural roads, rural water supply, and health and educational facilities). In some countries, the rural sector is also affected by **policy and institutional weaknesses**. These include limited representation of the rural poor through grass-roots organizations; a weak civil society and private sector in the rural areas; poor governance of public institutions at the national and local level; distorted agricultural price and trade policies; and poor management of common-pool resources such as water and rangelands.

³ It is estimated that about 58 per cent of the population is under 25.

3. Thematic priorities for the NENA region

The focus of IFAD interventions in NENA is driven by the IFAD Strategic Framework 2007-2010; the rural poverty challenges of the region; the analytical framework developed in the recent report on *The status of rural poverty in the NENA* (FAO/IFAD); the various studies that were undertaken to analyse the evolving constraints faced by the rural poor in the region; regional workshops and internal discussions within PN; and IFAD's comparative advantage vis-à-vis other development partners. Against this backdrop, IFAD will focus on four main themes in NENA:

- (i) Expanding microfinance for the rural poor.
- (ii) Addressing unemployment among rural youth.
- (iii) Linking small growers of non-traditional commodities with domestic and international markets.
- (iv) Managing land and water resources more effectively and reducing vulnerability to climate change.

Expanding microfinance for the rural poor

The rural financial sector in the Near East and North Africa is still considered one of the least developed in the world. The region is characterized by strong state involvement in the sector and by restrictive legislation and regulatory oversight. Furthermore, many established financial institutions (e.g. microfinance institutions [MFIs] and commercial banks) prefer to concentrate on urban and peri-urban markets. While state-owned agricultural banks serve the agricultural and rural sectors, they mainly cater to better off farmers and entrepreneurs who are able to offer collateral or some type of guarantee, which the rural poor do not have. As a result, millions of poor rural people remain without the financial services that might help lift them out of poverty.

At the same time, the number of institutions providing development financial services in the region has grown over the past decade. This may be attributed to national efforts that have supported the development and expansion of MFIs in the region. International donor funding has also helped a number of MFIs to grow, especially in Egypt, Jordan and Morocco.

During this period of expansion, there has been some degree of experimentation and innovation, with the result that there is now a wider range of institutional models for the provision of services to rural areas. These include grass-roots community-based organizations, local savings and credit groups, NGOs, rural banks and national social funds for development. This has meant that more funding is now available at both the wholesale and the retail levels of the market. Furthermore, the financial methodologies being used to provide services have also begun to increase, and a mix of village banking, rotating savings and credit associations, group lending and individual loans is now being offered. Moreover, most clients may elect to avail themselves of either the Islamic banking system or regular banking services.

The range of services, also, has widened slightly, although in the case of savings mobilization, the related services are hampered in many countries by regulatory and oversight requirements. With the high level of migration both within the region and outside it, the demand for fund remittance services has increased. The array of credit

products has also begun to expand, and loans of varying maturities are progressively becoming available. In addition, the demand for ancillary services such as insurance will rise as the usefulness of these products is better understood.

Despite these advances, a major breakthrough is still needed in NENA's rural finance sector to provide the rural poor with the financial means to increase both on-farm and off-farm production and achieve food security. The region as a whole is poised for a massive expansion in microfinance services, and IFAD is well positioned to grasp this opportunity for building the institutional capacity to supply these services to the rural poor.

While in the past IFAD has worked mainly with state-owned agricultural banks, their poor performance in reaching out to the rural poor has resulted in a shift in IFAD's strategy and its working modalities in rural finance. PN has now moved away from the traditional state-owned bank credit-line. More recent programmes in the NENA region have explored alternative models and instruments to bring financial services to the rural poor. These have taken various forms, for example: (i) supporting village credit funds in the Syrian Arab Republic and the Sudan (also known as *sanadiq*); (ii) working with intermediary institutions (such as the Social Fund for Development in Egypt and Yemen) that can provide wholesale financial services to rural-based MFIs and NGOs; (iii) expanding the outreach of existing MFIs to previously un-serviced rural areas (e.g. in Morocco); and (iv) exploring the potential for commercial banks to engage in rural microfinance directly (in partnership with ACCION International). Most of the above initiatives are still relatively young and more work is needed to achieve sustained progress and results in this area.

To build on these nascent initiatives and further strengthen its approach in the rural microfinance sector, PN has prepared a new document entitled *Guiding framework for rural finance in the NENA*, which provides broad guidelines for future IFAD operations in the sector. The document sets forth the following objectives and approaches for future IFAD interventions:

- Develop a strategically differentiated approach at the country level that complies with the IFAD Rural Finance Policy in both design and application. This will entail adapting the approach to the specific circumstances of the country.
- Ensure that all rural financial institutions supported by IFAD are viable and sustainable over the long-term. This will require all such institutions to be in full compliance with rural finance best practices, particularly in terms of loan portfolio quality and responsiveness to client needs.
- Continue the shift from extending long-term direct credit lines to providing capacity-building support and to funding the initial capital requirements of partner institutions. Alternatively, wholesale funding can be extended to apex organizations or social funds for development that will act as wholesalers to grass-roots rural finance institutions.
- Adopt a flexible approach towards methodologies and partnerships, identifying and using those that are most appropriate for the particular operating environment. Partners could include community-based organizations, savings and credit associations, *sanadiq*, rural banks, NGOs, social funds for development, and commercial and state banks willing to expand into rural microfinance.

- Consider state banks as potential partners in cases where such banks are prepared to service IFAD's target market and comply with best practices. A fruitful way of cooperating with state banks might involve using their network of branches to deliver financial services (savings, for example) in collaboration with other entities (such as community-based organizations).
- Support the development of various loan products suited to the small-scale farming sector (e.g. short-term micro-loans tied to the agricultural season and long-term lending for farm investments); promote collateral-free lending to increase outreach to poorer groups; and strengthen the link between farmers' access to finance and the adoption of new technologies for agricultural production.
- Support to the extent possible reforms in the regulatory and legislative framework to further development of the microfinance sector, especially the mobilization of savings in the rural areas.
- Further strengthen monitoring and evaluation through linkages with international, regional and national entities such as the Microfinance Information Exchange, Inc. (MIX) Market and *Sanabel* (an Arab microfinance network), and share successful and best practice experience widely among IFAD-supported programmes through existing knowledge management networks (e.g. KariaNet and other means).

Addressing unemployment among rural youth

High unemployment rates (especially among young people) are one of the biggest challenges facing the NENA region today. The region has the worst rates in the world for both total unemployment and youth unemployment. On the basis of available data, rural unemployment in the NENA region averaged about 14 per cent in recent years compared with an average unemployment rate of 13 per cent. Jobless rates among young people are twice the regional average, requiring the creation of about 4 million jobs a year in the region over the next 10 to 15 years to accommodate new entrants into the labour market.

In rural areas, the lack of attractive jobs and opportunities leads to idleness and unemployment (or underemployment) among young people. In some countries, rural unemployment rates are lower than urban unemployment rates, which can be partly explained by rural-urban migration, where rural people migrate to urban areas to escape poverty and underemployment. Given the scarcity of suitable land and water resources, the ability of the agricultural sector to absorb more labour is limited. In fact, the sector's contribution to employment and value-added has shown a downward trend in most countries. Furthermore, as economies develop and agriculture becomes more productive, the agricultural sector is expected to release more labour rather than create additional employment. Therefore, alternative sources of employment and income-generation activities will be required to reduce rural unemployment. While migration to towns and cities (or abroad) may be a good source of employment, it needs to be facilitated in order to link it more successfully to concrete economic opportunities. Otherwise, it may lead to a transfer of unemployment from rural to urban areas, or to illegal migration abroad.

Given the large proportion of young people in the future labour force and their key role in the future development of their countries, any development efforts in the region will increasingly have to include youth as a major target group. Another important consideration is gender bias in the labour force. In terms of labour force participation, the NENA region has the widest gender gap in the world: in 2004, labour force participation rates for women stood at only 28 per cent compared with 77 per cent for men. This corresponds to about 36 economically active women per 100 economically active men,

the lowest regional rate in the world. Statistics also show that the NENA region has a large proportion of women engaged in agriculture in relation to men. This difference is especially prominent in lower middle-income and middle-income countries. In Algeria, for example, 40 per cent of all economically active women are engaged in the agricultural sector, as opposed to only 16 per cent of all economically active men. In Turkey, the corresponding rates are 72 per cent for women compared with 25 per cent for men. Furthermore, the majority of women agricultural workers are still mostly unpaid or fall outside the formal economy.

An additional constraint that young men and women face is that the education they are receiving may not be necessarily relevant to their immediate environment or responsive to the skill needs of the job market. Hence, there is a need to better equip rural youth to meet the current demands of the labour market. In addition, there is still a wide gender gap in the region's education rates. Despite a continuous positive trend over the past two decades, the average young women-to-young men literacy rate in NENA is 0.80, with the widest gaps found in Morocco and Yemen (0.62 and 0.34 respectively).

To address this mounting crisis in the long run, overall economic growth is clearly needed in order to create more employment in both rural and urban areas. However, in the medium term, some measures can be taken to help generate rural employment. PN will therefore design projects that address rural unemployment as an integral part of rural poverty reduction programmes in the NENA region. These projects will include:

- Supporting on- and off-farm micro, small and medium enterprises as a source of self-employment or employment generation and income diversification in rural areas.
- Promoting labour-intensive crop production and on-farm processing operations that add value and provide additional sources of employment and income. For example, horticultural and other high-value commodities tend to be labour-intensive and therefore can create jobs and revenue through processing and marketing.
- Supporting the small-scale livestock sector, especially small ruminants, as a source of employment and income generation. Small ruminants are especially important for the food security of very poor households or households with small landholdings.
- Matching the labour demand of local enterprises with rural labour supply by supporting employment search offices with information and computing technology in rural areas.
- Encouraging post-school vocational training programmes to improve the education levels and skills of unemployed people in rural areas, especially young men and women. The training programmes could be enhanced by linking them to the labour demand of enterprises in neighbouring towns or urban centres.
- Targeting women more effectively by organizing basic literacy and numeracy classes for women; investing in rural infrastructure such as roads, transportation, potable water, proximity of schools and child-rearing facilities to facilitate female participation in the labour force; supporting women extension agents; and improving access to credit for women.

- Supporting the establishment of private rural business service providers to support men and women in preparing their business plans, applying for credit and managing their nascent businesses.
- Encouraging reform in the regulatory business environment to attract private-sector investment in rural areas.
- Exploring the potential to mobilize migrants' savings and remittances as a source of productive investment and job creation in the rural areas.

Linking small-scale growers of non-traditional commodities with domestic and international markets

In 2006, in partnership with IFPRI, PN completed research on the impact of trade liberalization on the agricultural sector in NENA. The findings indicate that further agricultural trade liberalization (either through unilateral, bilateral or multilateral measures) will stimulate diversification from grain production into non-traditional and high-value commodities in which the NENA countries have a comparative advantage (e.g. horticultural crops and herbs, medicinal and aromatic plants [HMAPs]).

Investments in the horticulture (e.g. fruit and vegetables) and HMAP subsectors represent a promising economic development opportunity for the NENA region because these crops are characterized by greater water use efficiency, have a relatively higher economic return per unit area compared with traditional crops and present the potential to add value through processing and marketing. Furthermore, the gathering and cultivation of HMAPs provide critical sources of cash income to many rural communities, especially the women, landless, poor and marginalized farmers among them. HMAPs often provide a buffer in times of low employment, crop failure and other periods of economic stress.

A review of the experience of other countries and regions (e.g. Kenya, Latin America and Asia) shows a positive contribution by high-value crop production and marketing to the livelihoods of the rural poor. To obtain a better understanding of the potential for high-value commodities to contribute to poverty reduction in NENA, IFAD held two expert-level workshops in partnership with the International Center for Agricultural Research in the Dry Areas (ICARDA) at ICARDA headquarters in Aleppo, Syrian Arab Republic in March 2007 and July 2007. The topic of the first workshop was on the role of domestic and export marketing of horticultural commodities in poverty alleviation in the NENA region, while the topic of the second was on the role of HMAPs in improving livelihoods of the rural poor in the NENA region.

The following preliminary conclusions were drawn from the workshops:

Horticultural commodities

The NENA region has a comparative advantage in the production and marketing of horticultural products for several reasons: (a) the favourable climate and agro-ecological environment that allow many countries to produce a variety of horticultural commodities (in some cases year-round); (b) growing world demand for these commodities, including demand for organic produce and products that are of a specific geographic origin or “*terroir*” (e.g. *Deglet Nour* dates from Tunisia); (c) expanding untapped domestic markets for high-quality local products; (d) proximity to lucrative European Union (EU) and Gulf Cooperation Council (GCC) markets, especially for out-of-season crops (in the

case of the EU) and summer crops (GCC); and (e) other untapped international markets (e.g. Australia, Japan and the United States for dried products and spices).

The production and marketing of horticultural products offer great potential for improving the incomes of small growers because cultivation of horticultural crops is not as scale-dependent as traditional crops. Indeed, smallholder-based production systems may have distinct benefits over larger farms as crop care is often better, dispersed plots can pose fewer disease problems and management of labour is easier than on large farms. On the other hand, some factors may place small growers at a disadvantage with respect to large growers, including: prohibitive investment costs for certain commodities or production systems (such as costs of greenhouses or orchard establishment), poor technical and managerial skills, and lack of access to markets (either domestic or international). IFAD's interventions will aim to support small farmers in addressing these constraints. One should also consider, however, that medium and large-scale producers provide employment opportunities for landless and poor households, especially for women and youth. Medium and large-scale farmers should be selectively supported where appropriate, to the extent that they generate employment for the poor and may have a multiplier effect for the overall rural economy. This support should be undertaken within the framework of careful supply-chain analysis to ensure that benefits are not unduly appropriated by larger growers.

Herbs, medicinal and aromatic plants

The growing demand for HMAPs worldwide has created a new niche for these products: their global market has risen to US\$60 billion per year and they are maintaining an average annual growth rate of about 7 per cent. Many factors have contributed to their success including the "back to nature" trend throughout the world. These factors justify the promotion of exports of HMAPs in the NENA region, which is endowed with a wealth of plant biodiversity of great value to small growers.

Despite the poverty reduction and market potential for HMAPs in the NENA region, the attention being given to this sector is still inadequate. Most natural products are gathered and sold through informal markets in raw or semi-processed forms. In addition, most HMAPs are wild-harvested over large areas of land using rudimentary gathering practices and cultivation is impeded by growers' uncertainty about markets and production techniques. This raises concerns about both the quality of gathered plant materials and the sustainability of the plant resource base.

PN's approach for both horticultural crops and HMAPs will be to focus on commodities that have the potential to favour small growers and that take into consideration the obstacles these growers face in their production and marketing activities. This would privilege commodities that are labour-intensive; have low investment costs, low economies-of-scale and low production costs; use accessible technology; possess high water-use efficiency; can be integrated into existing subsistence systems; and conserve the natural resource base. Many horticultural commodities and HMAPs could meet these criteria and the division is currently working to identify a few of these commodities for further analysis. The division will then conduct a value-chain analysis in partnership with ICARDA to identify capacity-building needs, investment gaps and the policy, institutional and marketing issues that need to be addressed.

In summary, and given the work already conducted, PN's engagement in linking small growers to markets of non-traditional commodities will focus on:

- Deepening case-specific analysis and the understanding of the horticultural and HMAPs subsectors and their potential for sustainable rural poverty reduction and conservation of the natural resource base (through supportive field-based research by ICARDA).
- Value-chain analysis of specific horticultural commodities and HMAPs of importance to the poor to understand the constraints along the chain and identify where one can add value to the benefit of small growers.
- Establishing or strengthening producers' marketing associations or cooperatives that can pool farmers' resources and reduce marketing costs (e.g. by organizing farmers into producer groups or integrating them into existing groups/associations).
- Establishing or strengthening market linkages for small farmers by working with small and medium sized-enterprises, traders, and other market intermediaries involved in agroprocessing that can provide a market for small farmers' produce (e.g. through contract farming or out-grower schemes).⁴
- Supporting farmers' initial investment costs through access to long-term finance and providing them with training, technical information and knowledge transfer.
- Supporting the strategic development of niche markets such as organic and *terroir* products in partnership with the private sector, including the establishment of the necessary standards and certification procedures.
- Investing in market infrastructure, including roads, transportation, warehouses, market information and communication systems/networks.
- Working with larger partners (the EU, the United States Agency for International Development and the World Bank) to advocate for an enabling legal and policy framework for fair and competitive market-based exchange and to develop systems for local standards, grading, labelling and certification to support smallholder production and marketing.

Managing land and water resources more effectively and reducing vulnerability to climate change

The livelihoods of most of NENA's rural poor depend heavily on natural resources such as land, water and pastures. The sustainable management of these resources is therefore essential for long-term rural poverty reduction. This theme has traditionally been a priority for IFAD in the region and will continue to be so in IFAD's collaboration with other donors and government activities. The vulnerability of natural resources in NENA is likely to increase in the coming decades as a result of global warming and climate change. Evidence suggests that climate change will have a significant impact on agriculture (through factors such as increased frequency of droughts and floods, encroaching desertification, changes in rainfall patterns, and rising sea and river levels). In Egypt, it is predicted that rising sea levels will lead to the submersion of the low lying lands of the Nile Delta, one of the most fertile regions in the world. As elsewhere, poor people will be the most affected by climate change because of their limited capacity to cope with dramatic changes in their natural resource base. IFAD has a role to play in

⁴ A good example of an approach that has worked in the past is the West Noubaria Rural Development Project in Egypt where IFAD supported the establishment of a contract farming scheme between an Italian agro-trading company and small producers of organic potatoes.

improving the adaptive capacity of its target groups (i.e. small farmers, livestock herders, artisanal fishers, etc.) to face the challenges of climate change and its consequences.

Water resource management

Water scarcity is perhaps the single most binding constraint on the rural poor in the NENA region and poses a serious challenge to agricultural development and the potential of agricultural growth to reduce rural poverty. Water scarcity is likely to be further exacerbated by climate change. While the population of NENA represents about 5 per cent of the world's population, total renewable water resources in the region represent less than 1 per cent of the world's total.⁵ Overexploitation of water tables is also leading to groundwater salinization as seawater seeps through freshwater aquifers. As additional, affordable sources of water supply are reaching their limits, the region has to focus on conserving its existing scarce resources and increasing the efficiency of water use. Since water for irrigation accounts for 86 per cent of water use in the region, water-savings and improving water-use efficiency in the agricultural sector will have the greatest impact in terms of effectively conserving and managing the water resources of the region.

Through past and current loan operations, in addition to several technical assistance and research grant programmes, IFAD has provided considerable support to improved and more equitable water-resource management in the agricultural sector and increased access to drinking water by poorly serviced rural communities. The lessons learned from this experience were discussed during a workshop organized by PN on "Strategic directions for IFAD's support to the rural water sector in the NENA region." The workshop recommendations included the continued support by IFAD of several ongoing activities initiated in past operations that are still relevant today but require further support or need some refinement. Support was also recommended for new initiatives to be undertaken in close collaboration with other donors in the sector, especially in the area of adaptation to climate change. In particular, the following key recommendations were made with respect to future support by PN in the rural water sector:

- Continue to promote participatory irrigation management (including supporting water users' associations) in all irrigation interventions, albeit with a stronger focus on adequate institutional support structures and well-defined exit strategies to ensure sustainability.
- Disseminate and scale up proven rainwater harvesting and management techniques, and support the use of supplementary irrigation in rainfed areas to improve water productivity and save on scarce freshwater resources.
- Support further research and pilot programmes on the (re)use of alternative water resources (such as saline water and treated wastewater) to address water scarcity in agriculture.
- Advocate for the management of water scarcity by managing water demand more effectively and by using water more efficiently (e.g. by modernizing and rehabilitating existing systems and canals, switching to sprinkler or drip irrigation, and introducing more appropriate water pricing); these interventions should also give due consideration to gender roles in water use and management.

⁵ Average renewable water resources in the region are estimated at 1,346 m³ per capita, which is only 19 per cent of the world average of 7,045 m³ per capita.

- Strengthen all future interventions in the rural potable water sector by including participatory processes, sanitation provisions, and an exit strategy to ensure sustainability and the ability of the communities to take full responsibility for maintaining and managing the system.

In partnerships with others, it is also important to continue supporting an enabling regulatory and policy framework for water resource management through policy dialogue, consultations with various stakeholders, and capacity-building. This would include participating in regional and international forums to raise awareness about appropriate policies for managing water scarcity in the agricultural sector.

Land conservation and improvement

Productive arable land resources in the NENA region are limited and for many rural families it is the only asset they own. Hence, there is a need to improve the quality and productivity of the land, or to conserve this resource and prevent its degradation. Many PN-financed projects have invested in land derocking (for example in the Syrian Arab Republic and Jordan) and land reclamation (in Egypt) to increase land productivity, which has resulted in a renewed source of income for the land owners or the new tenants. In 2007, IFAD launched a thematic study on the socio-economic and environmental impacts of derocking and land reclamation in the Syrian Arab Republic. The results of this stocktaking exercise should provide further guidance on the nature of future IFAD investments in this area. IFAD has also supported basic soil and water conservation schemes such as rock walls, terracing, contouring and orchard planting, to fix the soil and increase household revenue. These types of investments are still relevant and are recommended adaptive responses to climate change. PN will therefore continue to promote these activities, with greater emphasis on sustainability of the schemes and on ensuring access by poorer farmers to the improved practices.

Rangeland management

IFAD has a long history of support in improved rangeland management in the region (e.g. Morocco, the Sudan and Syrian Arab Republic). The evaluation of these programmes has been very positive, resulting in second phase projects or the expansion and scaling up of project methodology nationwide. PN has used an approach built on participatory community-based rangeland management, entailing the establishment and support of range users' associations (or cooperatives). This has increased the uptake of technologies by communities and the sustainability of the range improvement projects. In order to reverse the deteriorating trend in range resource degradation, it is essential to continue to support and develop participatory range management approaches. Furthermore, range users' associations still face many institutional constraints and longer-term investments are needed to build their capacities and support the appropriate policies and regulations. It is particularly important to develop rules to regulate membership and access to resources. Equally necessary is providing support to communities with investments in rural infrastructure and community development interventions as a means of increasing the rangeland productivity and sustain the livelihoods of the herders and their families.

4. Cross-cutting issues

PN's focus on the above four themes will systematically stress a number of critical cross-cutting issues that reflect, inter alia, IFAD's main principles of engagement as highlighted in the Strategic Framework: targeting poorer rural groups and gender mainstreaming; empowering the rural poor and their organizations and supporting decentralization; investing in the promotion and dissemination of pro-poor agricultural technologies through support to agricultural research and extension; strengthening knowledge management and innovation; and establishing strategic partnerships. Each of these issues is summarized briefly below.

Targeting and gender mainstreaming

PN programmes and projects will continue to target the rural poor in areas with high concentrations of poverty. These include farmers in rainfed areas (such as in Jordan, Morocco, the Sudan, Syrian Arab Republic, Tunisia, Turkey and Yemen); small-scale farmers in irrigated areas (in Egypt, Lebanon and Yemen) and in watersheds (Morocco, Tunisia and Turkey); populations in mountainous and remote regions (Morocco, Turkey and Yemen); rangeland herders (Morocco, the Sudan, Syrian Arab Republic and Tunisia); and woman-headed households and unemployed rural youth throughout the entire region. The targeting approach used will be in line with the IFAD Policy on Targeting⁶ and the related operational guidelines, and will include the appropriate targeting methods and measures for reaching the above target groups. PN will pay particular attention during project design, implementation, and monitoring and evaluation to reduce the potential for elite capture of project activities and benefits. However, as specified in the targeting policy, where appropriate, IFAD will work with better-off production units within the communities (e.g. larger farmers or medium-sized enterprises) if these are demonstrated to provide direct benefits to IFAD's target groups, in terms of either employment generation, access to markets and services or the leadership and innovative potential they provide.

With respect to gender mainstreaming, the division carried out a completion assessment of the five-year (2001-2006) "Programme of Action to Assist IFAD Projects to Reach Rural Women in the NENA Countries". The assessment made two main recommendations for implementation by the division in its future work in this area: (a) to elevate gender issues to an advocacy level, whereby, based on its experience working with rural women in the region and in partnership with other larger players in this domain, PN will attempt to influence positively national and sectoral policies affecting rural women; and (b) to integrate gender mainstreaming within each project and at every level (design, budgetary allocation, implementation, training and technical assistance, monitoring and evaluation, etc.), rather than using a separate large grant to finance gender activities. Under this approach, project staff will consider gender mainstreaming as an integral part of regular project outputs and outcomes, which are included in their deliverables and for which they are accountable.

⁶ IFAD. 2006. IFAD targeting policy: Reaching the rural poor.

Empowering the rural poor and their organizations and supporting decentralization

It is now well established in the development literature that empowerment is an essential element and driver of poverty reduction. The rural poor in the NENA region do not have a strong voice in formal decision-making processes or in civil society. They are poorly organized and lack the necessary capital – physical, human, financial and social – to influence policies in their favour. This is evident not only at the overall political level, but also at the level of accessing and managing natural resources, using public services, and developing links with external partners and markets.

The ability of the poor to interact more equitably with those wielding power and exploit potential opportunities depends on the institutional framework, in other words, the social, economic and political organizations and the rules that govern their functioning. Therefore, empowering the poor in NENA means changing not only the policy environment but also the institutional set up. The development and strengthening of local-level rural institutions that are responsive to the needs of the poor will be a major cross-cutting priority for PN. Apart from investments targeting the improvement of the physical and financial assets of the poor, PN's interventions will also enhance the social capital of the rural population through the development and capacity-building of grass-roots or community-based rural organizations (farmers' groups, rangeland associations, women's cooperatives, marketing associations, savings and credit associations, etc.).

PN will also support decentralization, inclusiveness, and accountability in the public services delivered through its projects as these are essential factors underpinning good governance. Many NENA countries have undergone major reforms in order to decentralize public services and improve their delivery and performance. The decentralization process, however, has not always translated into more autonomy or transparency, nor has it led to more resources flowing to the poorer rural areas. Therefore, through its projects and programmes, PN will support the decentralization process to improve its implementation, performance and impact. Through the lessons learned from its country programmes, the division will also engage in policy dialogue with relevant agencies in support of pro-poor policies and institutions.

Supporting the promotion and dissemination of pro-poor agricultural technologies

It is now well established worldwide that returns to investments in agricultural research and extension are very high relative to the cost of capital and relative to other types of investments (*World Development Report 2008*, World Bank). This is an area where PN has already been heavily involved, especially through its regional agricultural research grants. Growth in agricultural production is central to increasing the income and food security of the rural poor in the region. However, the scarcity of water and arable land implies that such growth must come from the intensification of existing production systems and higher yields per unit area or per unit of water. For this, poor rural people must have access to improved technologies and production services that are appropriate to local conditions. Therefore, agricultural research in the region should focus on such areas as: heat-, salt-, and drought-resistant crop varieties; commodities that use less water per unit of output; and integration of crop-livestock production systems that are suitable for dry areas. PN will continue to work with its traditional regional partners in this area,

including ICARDA, the International Center for Biosaline Agriculture (ICBA), and the related national agricultural research systems.

Knowledge management and innovation

In line with the IFAD Strategy for Knowledge Management (approved in April 2007) and the IFAD Innovation Strategy (September 2007), PN will also strengthen its knowledge management and communication tools to share its experiences with others, innovate and communicate to its partners successful experiences that could be scaled up and replicated, and learn from others what works and what does not. Accordingly, PN has already created a Knowledge Management Cluster, which has a dedicated workplan and budget and is coordinated by a professional staff member. The knowledge management and innovation tools that PN will focus on in the coming years are:

- The division's quarterly newsletter *Rural Echoes* (launched in February 2007), which will, as stated in the message from the director in the first newsletter, "provide a proactive platform for sharing information and knowledge across the region, for creating greater awareness among regional partners of IFAD's efforts in support of poverty reduction and for facilitating the replication and scaling up of pro-poor innovation."
- The regional project-based electronic network KariaNet, through which PN will share knowledge and exchange experiences among its projects and with its rural development partners in the NENA region. The network will also promote the use of information and computing technology among the rural poor and their organizations, in addition to assessing and responding to their information and knowledge needs.
- The ongoing grant-supported Programme for Capacity-Building in Managing for Results and Impact (CaMaRI), which will improve the division's ability to assess the results and impact of its operations, and enhance the effectiveness of its programmes by learning from and replicating those interventions that have the greatest impact.
- PN's recent policy of reviving regional implementation workshops, which bring headquarters and field staff together to discuss common issues and challenges and share experiences and lessons learned. So far, a regional workshop covering the Mashreq countries has been held in Amman, Jordan (in October 2007) to discuss the themes of rural finance and monitoring and evaluation. More of such workshops will be held in the future.
- Scouting for innovations in areas where the regional challenges are most complex, such as rural microfinance, rural youth employment generation and marketing of smallholder crops. To do so, PN will widen its network of partnerships to include the private sector (both local and international), regional and international research organizations (such as the Consultative Group to Assist the Poor (CGAP), ICARDA and IFPRI), and the local rural organizations and farmers' groups that are often themselves sources of innovations.
- Workshops organized by PN at the country level (including stakeholder consultation workshops for country strategic opportunities programmes, project start-up workshops and thematic regional workshops), which will remain powerful forums for exchanging lessons, scouting for successful innovations, and for holding policy-related discussions among PN and its government and development partners.

- Establishment of better interaction with agricultural research partners in the region by enhancing management of agricultural research grants, ensuring links with country programmes and organizing thematic workshops/seminars with partners.

Strategic partnerships

Given the importance of alignment and harmonization, there is a need to maintain and enhance partnerships with other development actors in the region. IFAD resources invested in the NENA region are small compared with other regional and global international financial institutions (IFIs). However, PN could play an important catalytic and complementary role vis-à-vis other IFIs, because of its specific knowledge of poverty and its rural dimensions in the region, the division's experience and commitment to working with the rural poor and their organizations, the relationships it has established with the governments of the region, and its ability to attract additional investments for the projects and programmes that it initiates and supports.

PN's main partners in the region will continue to be the governments and the national institutions that implement IFAD programmes. PN's objectives are to build the capacity of these institutions to implement development programmes and to enhance their ability to partner with others.

The division's main international and regional partners will include the Arab Fund for Economic and Social Development (AFESD), the OPEC Fund for International Development (OFID), the Islamic Development Bank (IsDB) and the World Bank. Over the years, IFAD has developed a comparative advantage in working with small farmers and the rural poor at the local level. Meanwhile, OFID and the other regional IFIs have developed a distinct comparative advantage in financing rural infrastructure and large-scale social programmes in the education and health sectors. A natural and inherent complementarity exists between these two mandates.

Other United Nations organizations such as FAO, the United Nations Development Programme, the United Nations Children's Fund (UNICEF) and the World Food Programme will continue to be important allies in design, implementation, and thematic work and studies. Examples of such collaboration are the joint FAO-IFAD assessments and studies on poverty and rural livelihoods, agriculture and the rural sector and water, etc., and the use of UNICEF child nutritional surveys to evaluate IFAD's project impact.

Partnerships with NGOs and civil societies will also continue to be forged, especially in the areas of community-based development, empowerment of rural organizations, and policy dialogue regarding gender-equity and pro-poor policies.

Relationships with bilateral Arab financial institutions such as the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development and the Saudi Fund for Development need to be nurtured further. There is also an urgent need to forge new partnerships with the private sector (including private foundations), especially in the areas of technology, rural finance and marketing.

5. Concluding overview

In summary, IFAD's thematic priorities in NENA for the period 2007-2010 will focus on four main themes and several cross-cutting issues. The four themes are rural microfinance, rural employment generation, marketing of non-traditional crops and improved natural resource management with better adaptation to climate change. The cross-cutting issues include support to enhancing poverty targeting, gender mainstreaming, rural empowerment and decentralization, agricultural research and extension, knowledge management and innovation, and strategic partnerships. By combining the above four thematic priorities with these cross-cutting issues, PN aims to strike a balance between investing in the social aspects of rural development, and boosting agricultural production and rural income, both of which are necessary to achieve overall household food security for the rural poor.

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