

## POLICY BRIEF

# Investing in rural livelihoods to eradicate poverty and create shared prosperity



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Investing in inclusive and sustainable rural transformation is strategically important for the 2030 Agenda. This has been broadly recognized in debates about the SDGs, particularly the roles of sustainable agriculture, food security and nutrition in relation to SDG2, the eradication of hunger. It is important to recognize that the eradication of hunger is inseparable from the eradication of poverty in all its forms (SDG1). While poverty is often the main driver of food insecurity and malnutrition, hunger and malnutrition also result in the inability to escape poverty. Investments targeted at rural people are needed not only to ensure no one is left behind, but also to unlock the catalytic role that inclusive rural transformation has been shown to play in reducing and eradicating poverty and hunger, as well as promoting wider prosperity.

As such, investments and policies to create opportunities for rural people are central to galvanizing progress towards SDG1 and SDG2. They contribute to the inclusive transformation of rural areas that promotes gender equality (SDG5), creates decent employment (SDG8), encourages the development of innovation and industry (SDG9), reduces inequality (SDG10) and enables vulnerable groups to adapt to the effects of climate change (SDG13).

Significantly, growth originating from smallholder agriculture and sub-sectors providing services to support the production and marketing of related agri-food goods has an impact not only directly on poverty reduction, but also indirectly on growth in the broader rural economy. Higher incomes among smallholders generate demand for local agricultural inputs, capital and services, commercial distribution, processing infrastructure and services, and non-food consumable goods. Additionally, increased profits and productivity in labour-intensive smallholder agriculture releases labour and capital that can be invested in other sectors. The role of smallholder agriculture in galvanizing inclusive rural and structural transformation – and therefore contributing to the generation of employment and entrepreneurship opportunities, particularly for youth – is of particular importance in countries with youthful populations, which are precisely those in which smallholder agriculture is the main provider of food and employment.<sup>1</sup>

<sup>1</sup> High Level Panel of Experts on Food Security and Nutrition (HLPE). 2013. *Investing in smallholder agriculture for food security*. Rome, CFS: pp. 55-64.

### KEY MESSAGES

- Implementing the Sustainable Development Goals (SDGs) requires increased investments in agriculture and rural areas. The experience of IFAD shows that such investments can represent a solid business proposition for both public and private financing, so long as they focus on developing the investment capacity of poor rural women and men, notably smallholder farmers.
- Smallholder agriculture represents a strategic sector to promote prosperity, advance food security and nutrition, and create decent jobs at the same time as developing the livelihoods of a large share of the world's poor and hungry population.
- Enhancing the resilience of poor rural people – by providing enabling public goods and institutions, scaling up sustainable agricultural practices that respond to climate change, and providing requisite financial products and services in rural areas – is indispensable to facilitate inclusive growth and transformative processes in rural areas.
- In order to ensure transformation and increased prosperity that is inclusive, specific targeted approaches are needed to enhance economic, social and political opportunities for vulnerable groups – with youth as a key demographic group, given their numbers and potential.

## INVESTING IN SMALLHOLDER FAMILY FARMERS

Smallholder agriculture plays a key role in the inclusive rural transformation process, as it represents the backbone of the rural sector in most parts of the world, with some 500 million smallholder farms worldwide providing livelihoods to more than 2 billion people.

Unfortunately, all too often, small-scale producers are constrained by poor connectivity to markets, lack of access to key services (e.g. training, finance, information technology, inputs) and the effects of climate change and environmental degradation. In many countries, smallholder agriculture has suffered from insufficient investment and policies to address these challenges. Moreover, the quality and modalities of investment matter greatly for the success of SDG implementation in this sector.

More and better investment, supported by enabling policy environments, needs to be directed towards smallholder farmers, who daily invest their time, labour, knowledge and resources in food production and related activities; and typically face great constraints and an unfavourable institutional and market environment. This requires political will from the highest to the most local levels, recognition of the role of smallholders as agents of transformation and change, and an understanding that, as outlined in IFAD's *Rural Development Report 2016*, inclusive rural transformation does not happen automatically – it must be made to happen. Accordingly, implementation of the SDGs will need to involve smallholders, including groups traditionally most likely to be politically excluded such as rural women, indigenous peoples and youth.

IFAD believes that rural people must receive increased levels of direct and indirect investment, as well as strengthening their own capacity to invest. Smallholders can feed themselves and their communities, and – with the right support – they can lay the foundations for economic growth that will fuel demand in other sectors and create off-farm jobs. This, in turn, will offer appealing opportunities to young women and men, creating prosperous and vibrant rural communities. More broadly, IFAD's experience shows that investment in the rural sector and in rural people is key to bridging rural-urban gaps, reducing inequalities, enabling inclusive growth and achieving sustainable management of natural resources.

IFAD's 40 years of experience have shown that investing in rural people is a viable business proposition, and that agriculture can readily absorb investment and generate returns and social benefits in the short as well as long term. Agriculture can deliver direct income, employment and environmental benefits that can be made to be inclusive, with the right policies and targeting. While ongoing transformations related to urbanization, increased demand for food and higher private investment in agriculture are already creating new opportunities in agriculture, specific interventions are needed to ensure inclusive outcomes and, particularly, to facilitate opportunities for rural people – including smallholders – to benefit. Key entry points for developing investment programmes include providing services (including rural finance), technology, rural infrastructure and support to enable smallholders to boost their productivity and earn a decent living within an enabling policy and regulatory framework. It will also be essential to connect smallholders to remunerative and rewarding markets, better integrating them into dynamic supply chains, in order to maximize impact on SDGs 1 and 2.

Partnerships – involving government institutions, development partners, the private sector and smallholders and their organizations – are critical to ensuring the inclusivity and efficacy of investments. They must acknowledge – not only conceptually but in practice – the specificity of small-scale producers as private operators distinct from larger private companies and recognize that specific measures are often needed to establish fair and equitable relationships in supply chain arrangements in agriculture to make them inclusive. These measures include supporting smallholder producers to build organizations that can help them both to aggregate produce and gain bargaining power in market relations, and respecting tenure rights of smallholders to land and natural resources.

### **Box 1: Liberia and the Agriculture and Asset Development Company (LAADCO)**

Different experiences show that government support can be put in place through the development of public-private-producer partnerships. This is the case of the partnership that has been instituted in Liberia among the Ministry of Agriculture, IFAD, the Liberia Agriculture and Asset Development Company (LAADCO), a private-sector exporter of cocoa and coffee, and local smallholder cooperatives.

The Smallholder Tree Crop Revitalization Support Project has three components:

(i) construction of rural road networks, (ii) rehabilitation of 1,000 hectares of cocoa and coffee plantations through links between smallholder farmers and the private sector, and (iii) institutional development of three cooperatives. The project runs from 2012 to 2017, with LAADCO providing technical and extension services as well as financing. So far, it has invested more than US\$1 million, with an additional US\$5 million committed for scaling up the project to include another 15,000 hectares of cocoa or coffee.

As a result of this partnership, approximately 1,000 farmers have already benefited from improved commercialization (prices have increased by 50 per cent compared with those previously paid by market intermediaries), larger quantities sold and better productivity and product quality.

### **PROMOTING THE RESILIENCE OF POOR RURAL HOUSEHOLDS**

The vast majority of poor people live in countries that are considered fragile, environmentally vulnerable, or both. Poor rural households are especially vulnerable, being highly exposed to shocks since their livelihoods depend on an increasingly deteriorated natural resource base and on often unpredictable climatic conditions and volatile markets. Their vulnerability to shocks – whether human-induced or natural – relates to their lack of assets to fall back on and limited risk management strategies. The combination of exposure and vulnerability to shocks can prevent rural people from moving out of poverty, or make them fall back into poverty. When shocks occur, rural people employ a range of coping strategies, which often involve incurring debt or selling assets, leaving individuals and households even more exposed to future shocks. Hence there is a need for special efforts to strengthen the resilience of rural households and their livelihoods to shocks. This is also critical for ensuring global food security and nutrition and sustainable natural resource management – key elements of the 2030 Agenda in which rural poor households need to play important roles.

Irrespective of their type of livelihoods, in addition to their vulnerability there is the factor of the range of shocks that poor rural households face. Personal and household-level risks are often substantial. For instance, malnutrition and illness can have major effects on the household economy through a direct and indirect impact on family labour. Other risks relate to the exposure to rising temperatures and an increased number of extreme weather events caused by climate change. Poor governance may also be a source of risk leading to unforeseen expenses, such as bribes to avoid harassment, transport produce and access basic government services, as well as to the unreliable provision or erratic quality of public services. Other sources of risk relate to ill-functioning markets and the volatility of the prices of inputs and food.

Public institutions play an important role in enabling rural people to avoid or effectively manage risk. This includes providing incentive systems and safeguards for responsible investment practices that preserve a healthy natural resource base and enable adaptation to climate change. It is also up to the public sector to provide public goods that directly or indirectly enhance resilience – including inclusive social protection systems and education. In addition, a resilience-oriented research and development agenda for agriculture must be prioritized, in collaboration with relevant private actors. Furthermore, as stated above, it is the responsibility of the public sector to establish institutions and policies that enable transparent, well-functioning markets and fair transactions. Finally, public institutions should provide inclusive and fair tenure rights systems regulating access



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to land, water, forests and other productive assets, protecting the entitlements of poor rural people, and facilitating fair and transparent transactions around these assets.

The opportunities for promoting resilience of rural households are diverse. In the domain of agriculture, for instance, there are multiple approaches to sustainable and resilient agriculture intensification. Globally, there is a need to scale up sustainable agriculture practices that balance crop, livestock, fisheries and agroforestry systems; avoid the excessive use of inputs; and do not compromise soil fertility and ecosystem services, while also increasing productivity and incomes. Critical for the uptake of such approaches is building the capacity of farmers and community organizations – through accessible, inclusive and relevant extension systems – in order to enable them to shift to new practices. In the context of protracted crises, specifically designed and targeted mechanisms that address immediate humanitarian needs while also boosting assets and capacities to prevent future humanitarian disasters and long-term livelihood stress drivers are needed.

Another issue that has been drawing attention in recent years concerns market-based risk management tools for poor rural households. These include a range of approaches for the delivery of financial services in rural areas and contractual arrangements within agricultural value chains. There is much innovation in the area of rural finance today. IFAD is also highly active in this area through a variety of rural finance institutions working on rural savings, credit, equity financing, value chain financing, remittance transfer and remittance-based investment products, and insurance. For example, the Weather Risk Management Facility is a joint IFAD and World Food Programme initiative to support the development of weather risk management instruments in developing countries – notably through weather index-based insurance, an insurance product correlated to weather patterns for local crops.<sup>2</sup> The Platform for Agricultural Risk Management is a multi-donor initiative hosted by IFAD aiming to promote risk management capacity for the agriculture sector in developing countries, with a holistic perspective to risk assessment, capacity-building and product development.<sup>3</sup>

<sup>2</sup> See: <https://www.ifad.org/topic/wrmf/overview>

<sup>3</sup> See: <https://www.ifad.org/topic/overview/tags/parm>



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### PROMOTING INCLUSIVE PROSPERITY BY ADDRESSING EXCLUSION

Poverty is often characterized by lack of participation in decision-making processes and in civil, social and cultural life. The implementation of the 2030 Agenda must tackle all of these dimensions of poverty to ensure that no one is left behind in the development process. Progress on reaching the SDG targets will be held back unless key dimensions of empowerment are addressed, in particular the structural causes of poverty that relate to disempowerment, exclusion and inequality. Indeed, unequal access to opportunities holds back marginalized groups from contributing to inclusive growth and sustainable development, and thus these groups remain a major untapped resource for their communities and societies. Specifically, focus should be on promoting policies and investments that enhance the capabilities and livelihoods of people living in poverty, especially those who belong to socially disadvantaged groups or live in hard-to-reach areas, which are often bypassed by growth.

Poor rural people face multiple deprivations because of the marginalization of rural areas and rural sectors in policy and public investments, the deterioration of the natural resource base, and poor coverage of services and infrastructure, particularly in remote areas. Different forms of exclusion also exist within rural societies, creating formal or informal barriers to access productive resources, markets and services – with groups such as women, youth and indigenous peoples often among those most likely to be adversely affected. For women and indigenous peoples especially, precarious entitlements to land and natural resources can lead to disempowerment as mining, land-use conversion, deforestation and rising prices of agricultural commodities place new demands on the natural resource base.

In addition to gender and ethnicity, marginalization within rural societies can also be associated with remote locations, agroecological context, and crop or product specialization. For example, technological progress has bypassed millions of poor people in specific regions (including most of Africa), agroecologies (drylands, uplands) and products (coarse grains, root and tuber crops, small livestock), partly due to the relative neglect of the livelihood concerns of these areas and groups in public and private research, development institutions and extension services. Poor infrastructure often combines with these factors to marginalize these



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groups from thriving markets. Other factors of exclusion besides gender, ethnicity, location, or crop specialization (e.g. on high value vs. staple crops) include illiteracy, limited access to information, weak organizational capabilities and poor access to financial products and services. Moreover, non-inclusive institutions that poorly represent the voices and concerns of rural citizens – combined with rural citizens’ (in particular, rural women’s) scant knowledge about their entitlements and limited confidence to claim them, as well as generally participate in public life – are also major factors of exclusion. Weak or poorly representative rural people’s organizations are often a factor limiting access to opportunities and assets on many fronts – from markets to policy processes.

In addition to being an ethical imperative, supporting the empowerment of poor rural women and men can unleash enormous productivity potential, making it a smart strategy to boost economic growth and contribute to sustainable poverty reduction. To achieve this, economic and social empowerment should go hand in hand, since they mutually reinforce each other. Poor rural people need access to productive assets, inputs, technology and finance. They also need to be socially empowered so that they can enhance their status and bargaining power. This in turn affects their ability to securely access assets, knowledge and opportunities – for example, women who hold recognized land rights are often found to be more active citizens.<sup>4</sup>

Enhancing access to skills and strengthening grass roots organizations have also proved effective in reaching the poorest and the marginalized, promoting their participation and contribution to development processes. In particular, through organization both at the local level and on larger scales, connecting marginalized groups to country-level and regional processes, poor rural people are able to improve their skills, knowledge and self-confidence by benefiting from collective action. Through producer organizations, even marginalized farmers can in some cases increase their ability to take advantage of economic opportunities, access assets, information, technologies and markets. Through collective action, moreover, marginalized groups can in principle benefit from economies of scale in production and marketing, which

<sup>4</sup> World Bank, FAO, IFAD (2008). *Gender in Agriculture Sourcebook*. Module 4. Washington D.C., World Bank.

## Box 2: Self-help groups empower women in India

IFAD supports women's empowerment through many self-help groups in South Asia. These groups are usually made up of about 10 to 20 mostly poor rural women from the same village who join together to save money and provide group loans to their members. The informal, homogeneous groups are a good way to reach and empower women and offer them the opportunity to have their voices heard. In much of South Asia, women are more comfortable meeting on their own, believing that men will impose their own opinions and priorities if they are present. Empowerment results not only from the financial opportunities provided by self-help groups, but also from the collective power of the group, which gives greater social status to members and supports joint action. The groups encourage members to assume a decision-making role in financial matters, which is new to most women. For example, the Production Credit for Rural Women Project in Nepal helped women learn to deal directly with banks and bank staff, which increased their self-reliance and confidence.

Self-help groups often undertake joint planning and action and assume leadership roles in community issues. Under the Maharashtra Rural Credit Project in western India, women's groups in the village of Garade played an important role in banning the local sale and consumption of costly alcohol and chewing tobacco among village men and young people. The Tejaswini Rural Women's Empowerment Programme – covering six rural districts of Madhya Pradesh – conducted gender sensitization for the husbands of members of self-help groups, discussing topics such as violence against women and the sharing of household responsibilities. In places where self-help groups have federated into apex organizations, they are able to develop their own products and services. These federations are often a training ground for women who aspire to become local leaders and politicians.

Source: IFAD (2013). Gender and rural development brief. *South Asia*.

can enhance their bargaining power with respect to other market actors. Economic empowerment often leads to increased social status, decision-making power, and the ability to exercise one's citizenship rights and to benefit from public services.

The empowerment of marginalized rural groups often entails renegotiation of power relations within societies and markets, especially at a time when market transformations often result in greater concentration of economic power in few hands. Key entry points for promoting poor rural people's social and economic empowerment include access to and management of natural resources, access to financial services, and inclusive local governance approaches such as community-driven development. Support to organizations of poor rural people is a cross-cutting entry point.

## LEVERAGING INTEGRATED AND INCLUSIVE RURAL-URBAN DYNAMICS FOR SUSTAINABLE DEVELOPMENT

The continued concentration of poverty in rural areas means that specific attention to the needs and potential contribution of rural communities must be integral to the implementation of the SDGs. In this context, it is significant that the regions projected to experience the greatest increase in working-age populations are generally those with the lowest levels of urbanization and structural transformation, with agriculture still accounting for a large share of employment and GDP. The need for inclusive, sustainable agriculture in these contexts to improve food security and nutrition, reduce poverty and provide employment is obvious.

### Box 3: Linking rural and urban businesses through youth entrepreneurs

In the Niger Delta, the IFAD-supported Community Based Natural Resource Management Programme is fostering a new category of entrepreneur-cum-mentor called the N-Agripreneur. The programme targets disenfranchised young people, providing them with training, financial services and facilitated linkages with actors across agrifood systems. These N-Agripreneurs, as a result of ongoing services provided within the programme, start up and operate medium-scale enterprises at different stages of food value chains. Their role is to promote rural-urban linkages by acting as intermediaries between small-scale market-oriented farmers, and large-scale agro-industries and wholesalers. The N-Agripreneurs deliver business development services to producers, especially young people who are interested in agro-based activities, such as farming as a business, small-scale processing, input supply and marketing. The result has been more interconnected, stable and prosperous communities and local food systems, as well as jobs for the (mostly young) entrepreneurs (IFAD 2015).






Source: IFAD (2016). *Inclusive rural transformation and urbanization implementation*.

The concentration of poverty in rural areas and the lack of economic opportunity and social enrichment for rural youth is brought about partly by underinvestment in rural infrastructure and services and the lack of inclusive institutional and physical linkages between rural hinterlands, larger towns, peri-urban areas and urban areas. As a consequence, development gaps between rural and urban areas are alarming, encompassing education, health, and access to water, sanitation and markets. These disparities drive inequitable patterns of development and constrain the potential of the next generation of rural producers and entrepreneurs to contribute to, and benefit from, the creation of inclusive and sustainable urban and territorial systems.

Broad-based inclusive territorial governance and development can be achieved only through ensuring meaningful economic and political participation by people – rural and urban alike – particularly the young people, upon whom prospects for innovation, transformation and a sustainable future depend. Tailored and targeted approaches – especially in ensuring access to land, services, productive resources and political processes – will be essential to enable young rural people to take advantage of opportunities arising from greater rural-urban connectivity, such as accessing remunerative markets, employment and training opportunities. Given their key role in providing food for cities, towns and villages, young farmers must be included in producer organizations and have the opportunity to be involved in all phases of planning and policy processes. Strengthened and equitable tenure rights of smallholders – including youth, women, indigenous peoples, pastoralists, fishers – will be fundamental.



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