Investing in Rural People

IFAD
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The importance of the rural sector for sustainable development is well recognized in the debate on the post-2015 agenda, particularly in connection with sustainable agriculture, food security and nutrition, corresponding to the second proposed Sustainable Development Goal (SDG2) drafted by the Open Working Group (OWG) this past summer. Both agriculture and more broadly rural development are, however, important also for many other SDGs related to poverty eradication, reduction of inequalities, inclusive growth, protection of ecosystems, combating of climate change and others.

Implementing an ambitious sustainable development agenda for agriculture and the rural sector will pose significant challenges in the coming years. To begin with, in order to feed a world population expected to exceed 9.3 billion by 2050, agricultural production will have to increase between 50 and 70 per cent globally, and by almost 100 per cent in developing countries. A few years ago, the Food and Agriculture Organization of the United Nations (FAO) estimated that additional annual investments of US$83 billion were needed in agriculture and downstream activities, for developing countries to meet their food needs in 2050. Agriculture will also need to rely on more sustainable management of natural resources, and many new, quality jobs will need to be created in the sector and in rural areas. Smallholder agriculture will have to play a key role in this 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. Smallholder agriculture is also closely linked to many other upstream and downstream rural non-farm activities, through which it can stimulate inclusive growth in rural areas and beyond.

Mobilizing and channelling large volumes of new investments towards the rural sector needs to be a centerpiece of any implementation strategy for SDG2 and more broadly for the SDGs. However, in many countries agriculture and the rural sector have suffered from substantial underinvestment for decades. Moreover, the quality and modalities of investment matter greatly for the success of SDG implementation in this sector. In particular, more and better investment needs to be directed towards rural *people*, notably poor rural women and men who daily invest their time, labour, knowledge and money in agriculture and in rural non-farm activities, typically facing great constraints and in a non-enabling institutional and market environment. What the nearly forty years of experience of the International Fund for Agricultural Development (IFAD) show is that such investment can be a solid business proposition with good returns to both public and private financing.

IFAD'S EXPERIENCE IN INVESTING IN POOR RURAL PEOPLE AND IN AGRICULTURE 'AS A BUSINESS PROPOSITION'

IFAD believes that rural people must receive increased levels of direct and indirect investment, as well as have increased capacity to invest themselves. 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 was established in 1977 as the only United Nations specialized agency and international financial institution to focus exclusively on agricultural and rural development. Since 1977, it has dedicated over US$14 billion in direct investments of grants and low-interest loans to developing countries for projects supporting smallholder agriculture, addressing food security and creating rural employment. Cofinancing has long been an important instrument for IFAD to leverage investments; since 2004, IFAD has mobilized total investment financing of US$15.9 billion, with some US$7 billion (44 per cent) invested by IFAD, US$5.2 billion (33 per cent) contributed through domestic cofinancing by Member States, domestic institutions, the private-sector and beneficiaries, and US$3.6 billion (23 per cent) contributed by international cofinanciers.

IFAD's experience clearly shows the major development impact that investment in rural people can have. Its own work has empowered more than 410 million rural people worldwide to break out of poverty, thereby helping to create vibrant rural communities. A programme portfolio covering over 100 countries is guided by a policy of targeting the rural poor in low-income countries and pockets of rural poverty in middle-income countries. Investment projects cover relatively diverse subsectors, given that poor rural people depend on a variety of sources for their livelihoods (a reality that may well grow significantly in the time frame of the post-2015 agenda). Programmes are regularly monitored to assess the likelihood of delivery of their intended benefits, and impact evaluations are used to assess longer-term trends and results. All this represents a major source of knowledge for the implementation of the post-2015 agenda, as well as a basis for scaling up impacts that will directly contribute to this agenda.

In more general terms, IFAD's 40 years of experience contribute evidence to the debate on post-2015 implementation that investing in rural people is a viable business proposition, and that agriculture in particular can readily absorb investment and generate returns and social benefits in the short as well as long term. In this respect, agriculture – unlike other sectors of primary public concern such as health and education – can deliver direct income, employment and environmental benefits (e.g. mitigation of greenhouse gas emissions) that can be designed to be inclusive. The key questions to be posed in developing investment programmes in this sector are then:

- What if smallholders, both men and women, had access to the services, technology and support that they need to boost their productivity and earn a decent living, within an enabling policy and regulatory framework?
- What if they could be connected to larger, more rewarding markets, and better integrated into dynamic supply chains?

- What if they could be organized so that they reach a critical mass that large marketers could tap into and depend on?

SOME EXAMPLES FROM COUNTRY-LEVEL EXPERIENCE IN INVESTING IN RURAL PEOPLE AND IN AGRICULTURE

Investing in rural people generates high returns because it unleashes their potential by opening new opportunities in farm and non-farm sectors. There are many successful examples of this across the regions and the themes that IFAD invests in. Many of these examples come from Africa, where agriculture accounts for one third of the continent's gross domestic product (GDP), and two thirds of its citizens rely on the sector for their incomes. Moreover, over 90 per cent of sub-Saharan Africa's extreme poor work in agriculture. Investments in agriculture will hence not only improve productivity and the continent's ability to feed a growing population, but also lift large numbers of households out of poverty.

In Kenya, the IFAD Cereal Enhancement Programme focuses on 20,000 maize producers, 15,000 sorghum producers and 5,000 millet producers. These smallholders are food insecure, net buyers of staple crops, and do not use fertilizers or soil fertility management practices. Apart from direct investment at farm level, the programme provides investment support to agro-dealers, public extension services, buyers and processors providing support services to smallholders. Through the programme, maize, millet and sorghum subsistence farmers have been able to greatly improve their productivity and reach income levels above the poverty line (KES 87,630 per household per year, equivalent to 0.52 US$/individual/day).

Elsewhere in Kenya, the Mount Kenya East Pilot Project for Natural Resources Management has invested in more than half a million people by promoting a more productive, equitable and sustainable use of natural resources in the upper catchment of the Tana River – a key source of biodiversity in Kenya. By encouraging ministries and the local community to better manage natural resources, there have been improvements in water management. This has resulted in an almost 60 per cent reduction in the time women spend to fetch water. Almost 40 per cent of households have reported improvement in water quality and one third a decline in water-related diseases. There has also been a 70 per cent increase in household incomes from crop sales, a 55 per cent increase in income from sale of livestock products, and a 65 per cent increase in food production for farmers who adopted soil and water conservation practices.

In Zambia, the Smallholder Livestock Investment Programme – where women- and youth-headed households form at least 50 per cent and 20 per cent of beneficiaries – has focused on goat-rearing, poultry, pigs and cattle production, along with sustainable forage production and utilization, and disease control. Returns to family labour now range from US$10 to US$41 per day, and the eradication of the main cattle diseases has greatly benefited cattle owners. The improvement of animal health conditions, the development of livestock production, and improved productivity have also increased demand for skilled labour, creating long-term job opportunities for women, men and young people.

In Angola, the Artisanal Fisheries and Aquaculture Project has transformed family fishponds into commercial activities. With a national average of 15 kilograms per capita fish consumption per year, the ponds are able to cover about 40 per cent of household fish consumption. Other benefits from these investments include saving women's time usually dedicated to buying fish; having a living food stock close to home; and the potential to sell if and when the household decides not to consume. A traditional fish processor is almost always a woman and, in many cases, the wife of a fisherman who buys from her husband and other fishermen, selling a small portion fresh to the trader, and processing the majority into dried and smoked fish. The project has introduced better ways of processing and conservation, contributing to income growth, and to a 15 per cent reduction in losses and a 25 per cent reduction in firewood consumption. Its experience shows in particular the importance of investing in rural women's access to economic resources and opportunities. This is borne out by the experience of many other IFAD-supported programmes in all regions, which show

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how the economic empowerment of rural women can bring major development returns, and also lead to broader social empowerment. The establishment of women's groups is often a key element of the process, boosting women's capacity to earn, as well as their knowledge, confidence and ability to renegotiate positive and collaborative gender relations within the household and the community.

IFAD's experience shows that ensuring access to finance is also a key element of the strategy of investing in poor rural people. In Egypt, for instance, through the Sustainable Agriculture Investments and Livelihood Project, 10,000 households are benefiting from the investment of loans for off-farm microenterprises, and small and medium-sized businesses, coupled with vocational and enterprise development trainings for young graduates. Targeted households investing in livestock and off-farm enterprise development have successfully integrated into the local economic base. Additionally, off-farm labour opportunities and complementary income sources have been created along the value chains, both upstream (transportation, packaging, processing, etc.) and downstream with services related to agricultural and livestock production (inputs shops, repairing of irrigation technologies, private livestock extension services, etc.). In this way, investing in rural people is not only increasing agricultural productivity, but also creating employment opportunities for inclusive growth.

CONCLUSIONS

Implementing the SDGs will require new investments in agriculture and the rural sector. The experience of IFAD, as the only United Nations agency and IFI with an ongoing investment programme in rural areas throughout the world, 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. This experience should encourage a broad set of partners to work together to mobilize and invest in rural women and men as key agents of sustainable development in the context of the SDG implementation strategies that will be set up in the wake of September 2015.

IFAD

International Fund for
Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy
Tel: +39 06 54591
Fax: +39 06 5043463
E-mail: ifad@ifad.org
www.ifad.org
www.ruralpovertyportal.org
ifad-un.blogspot.com
www.facebook.com/ifad
instagram.com/ifadnews
www.twitter.com/ifadnews
www.youtube.com/user/ifadTV