



Investing in rural people

# A new generation of rural transformation

IFAD IN LATIN AMERICA AND THE CARIBBEAN



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The Latin America and the Caribbean region is a different place than it was 25 years ago. Today, every nation except Haiti is categorized as middle income. The region has reduced poverty by half, and the prevalence of hunger has declined by almost two thirds. More than half the adult population has attended secondary school.

Rural areas are changing too. They are no longer narrowly defined by their food production role, and key issues encompass many non-agricultural topics – including non-farm employment opportunities, especially for young people and women; migration and remittances; social protection; and the role of secondary cities.

Yet the region still ranks highest in the world in inequality, and poverty rates in rural areas are twice as high as in cities. The invisible poor people of isolated areas still lack access to the social protection measures and other resources and services available to the expanding urban populations. This is especially true for the most vulnerable groups: women, young people, indigenous people and Afro-descendants.

One encouraging sign is rural women's growing role – the proportion of economically active women in rural parts of the region has doubled or tripled over the past two decades. Today, they benefit from greater social investment. However, gender violence remains a staggering problem.

How climate change will affect rural poor people and food production remains a major question. Vulnerable populations are likely to suffer the most, given the poor quality of their land and their insufficient access to assets and markets. In response, IFAD is integrating climate adaptation and mitigation



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activities into its strategies to help smallholders raise their incomes while using natural resources sustainably. Its Adaptation Programme for Smallholder Agriculture (ASAP) is the largest global climate adaptation programme for smallholder farmers.

The future of agriculture lies in the hands of young people. Strategically planned investments in today's youth are vital to link their needs for economic and social advancement with the mandate to expand food production.

## **IFAD in the region**

IFAD has been a partner to the poor rural people of Latin America and the Caribbean since its founding in the 1970s. As the region has evolved over the past four decades, so too has the type of assistance we provide. Rural financial services and community-based development as pioneered by IFAD are now

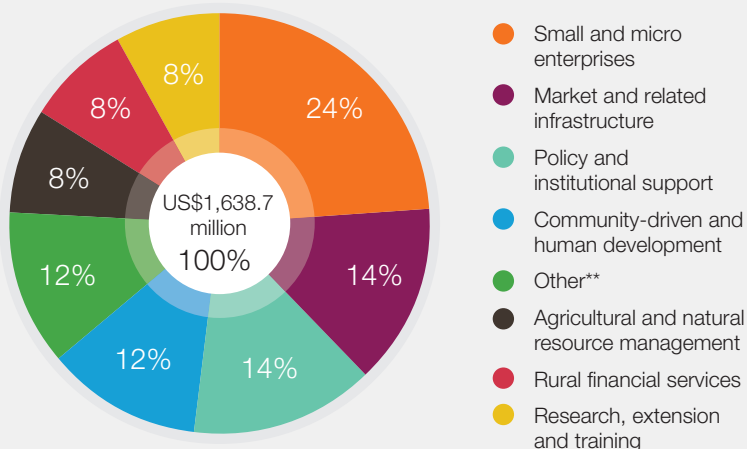
mainstream strategies. New approaches, policies and programmes are being tested to promote rural development.

For smallholder farmers and other rural residents, the key issue is gaining access to services and resources. IFAD promotes inclusion, designing and delivering interventions to underserved territories and populations. Indigenous peoples are at the core of many of IFAD’s interventions in Latin America and the Caribbean, especially in countries such as Bolivia, Ecuador, Guatemala and Peru where they constitute a large percentage of the population.

IFAD also prioritizes the important “software” of rural transformation, such as social cohesion, the organizational capacities of producers and community-driven development.

A growing area of IFAD support is helping subsistence farmers to become business people. One quarter of our portfolio in the region is now dedicated to helping smallholders gain access to markets and start rural microenterprises. Examples include the Dominican Republic’s Rural Economic Development Project in the Central and Eastern Provinces

**IFAD current portfolio in LAC by sector (as at 30 June 2015)\***



\*Including domestic contributions and cofinancing.

\*\*Other includes: communication, culture and heritage, management and coordination, monitoring and evaluation.

(*PRORURAL Centro y Este*) and Paraguay's Inclusion of Family Farming in Value Chains Project (*Proyecto Paraguay Inclusivo*). With training and funding, these programmes help vulnerable rural groups to enhance their productivity. PROMERCADOS, a regional IFAD-funded programme linked with the Guatemalan Exporters Association, trains rural entrepreneurs in Central America on market strategies.

A number of initiatives help rural residents to both access and protect natural resources. In Mexico, the Community-based Forestry Development Project in Southern States (also known as DECOFOS) is improving the livelihoods of 18,000 residents of extremely poor forest communities by strengthening their capacity to sustainably manage their forests.

IFAD has also shifted much of its focus to "upstream" work, helping governments develop policies that support equitable rural development. This calls for investment in knowledge management, partnerships and innovation. These are essential aspects of transforming rural areas and revitalizing communities, both economically and socially.

Supporting inclusivity is a key objective of FIDA-MERCOSUR, which began in 2000. This regional programme promotes dialogue among organizations representing family farmers and government officials in the countries of the Common Market of the South (MERCOSUR). In 2004, this resulted in the creation of the Commission on Family Farming (REAF) and MERCOSUR's Family Farming Fund (FAF).

## **Learning from each other**

As capacity builds in the region, South-South and Triangular Cooperation is growing in importance as a tool for sharing knowledge within and among countries. The focus is on reciprocal transfer of knowledge on rural development, policies and public investments related to poverty reduction, and transfer of adapted agricultural technology.

Institutional strengthening initiatives and models set up to manage projects and to implement broader pro-family farming policies are now reference points across the region. Examples include the Unit for Rural Change (UCAR) in Argentina and the General Directorate for Rural Development (DGDR) in Uruguay.



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An innovative tool for sharing lessons is “learning routes”. These capacity-building journeys bring together individuals from different countries and continents to learn new skills and approaches from each other. In February 2015, through the IFAD-supported PROCASUR, El Salvador hosted such a route. It engaged 40 rural youth from 10 countries in conceptualizing strategies to ensure their inclusion in the development of their communities and countries.

IFAD is also prioritizing efforts to help smallholder farmers access applied research. In the past five years, the Agricultural Innovation Marketplace has been a forum for engaging scientists to develop technological solutions to problems faced by smallholders. With funding from IFAD, it is led by the Brazilian Agricultural Research Corporation (EMBRAPA) and the Forum for Agricultural Research in Africa (FARA), based in Ghana. The Marketplace has supported 53 projects in Africa and 13 in Latin America and the Caribbean since 2010.

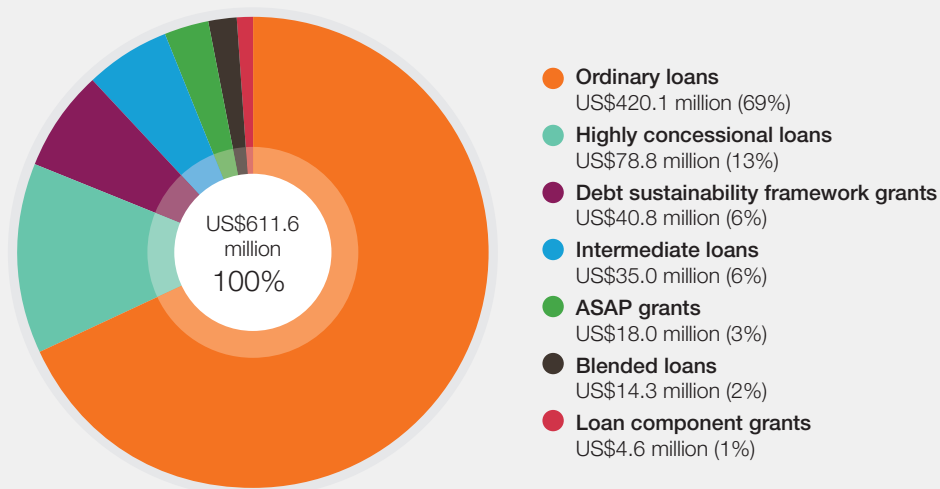
## Looking ahead

IFAD's engagement in Latin America and the Caribbean is changing in response to the region's social and economic dynamics. In this highly urban region with a growing middle class, our on-the-ground role calls for support in strategic areas such as territorial development, institutional efficiency, market access and sustainable development. This new agenda also calls for deeper and broader engagement with member countries on policy issues and knowledge generation for the region's rural transformation.

In some cases our strategies have been mainstreamed as the governments' modus operandi. Our approach to partnerships is also expanding to incorporate states, regions and other institutions, as well as the private sector. For that, IFAD will increasingly focus on innovations in its financing and cofinancing modalities to better serve the needs of our borrowers.

With our long presence in the region, relevant thematic emphasis and more diversified financing modalities, IFAD is well placed to face the challenges and opportunities that will drive the next wave of innovations in support of the inclusive rural transformation of Latin America and the Caribbean.

IFAD current portfolio in LAC by financing terms (as at 30 June 2015)







## IN FOCUS

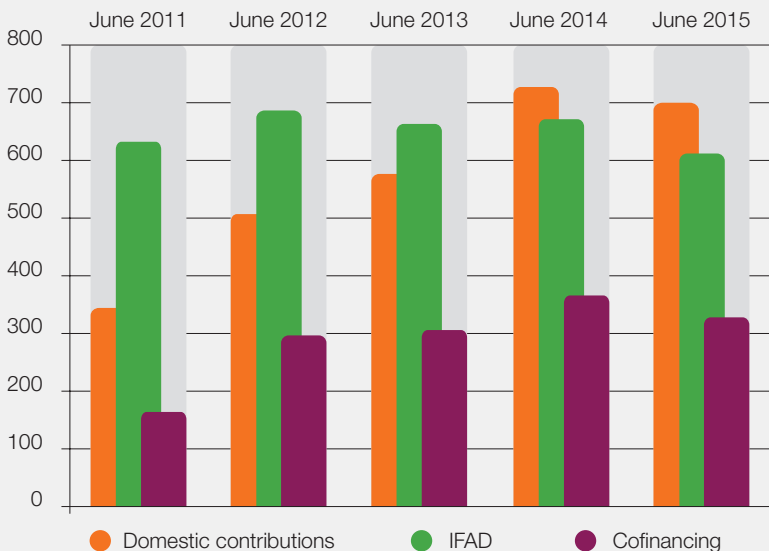
### Colombia: Nurturing rural entrepreneurs

Nurturing creativity, initiative and persistence in young people to help them find work was a major objective of the IFAD-supported Rural Microenterprise Assets Programme in Colombia, completed in 2014. Known locally as *Oportunidades Rurales*, the project targeted indigenous people, Afro-Colombians and young people. It helped the rural entrepreneurs of tomorrow access technical assistance and business and financial services to help them develop profitable businesses that will also serve their communities.

Through the initiative, more than 4,000 young people received training in business administration, marketing and investment. Funding for technical assistance was available, and would-be beneficiaries had to demonstrate creative thinking to get it: they had to win the assistance in a competition. Each competitor prepared a proposal and budget, which were judged by experienced microentrepreneurs.

*Oportunidades Rurales* also funded peace programmes and sustainable development by providing financial assistance to young people displaced by violence or natural disasters.

#### IFAD portfolio in LAC by financier type in past five years



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## Peru: Staying the course pays off

For 20 years IFAD has been helping the Government of Peru in scaling up agricultural and rural development investments in poor areas of the Andes. The programme, which began in the 1980s, is now in its fifth phase. The original driver was the idea – novel at that time – that rural development should be led by local people. IFAD provided a vision, an external catalyst and funding, and additional funding came from the government.

Starting in 1993, the programme encouraged rural residents to organize themselves and propose investment projects to benefit their communities. People came up with small-business ideas linked to agriculture and tourism. Communities formed project selection committees that evaluated the proposals. The project provided technical assistance, and communities shared in the costs.

IFAD's goal was to have impact at scale, and it has worked. An example is the Market Strengthening and Livelihood Diversification in the Southern Highlands Project (Sierra Sur). More than 42,000 families developed business plans and natural resource management plans, raising their income by 8 per cent to 37 per cent. Around 10,000 women opened saving accounts, and half of them funded or enhanced a start-up business.

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## Cuba: Helping to modernize the agricultural sector

IFAD recently restarted operations in Cuba after more than 20 years, with the October 2014 launch of the Cooperative Rural Development Project in the Oriental Region. The renewed partnership takes place against the backdrop of Cuba's 2011-2015 Guidelines for Economic and Social Policy, which aim at updating the country's economic model, reducing government expenditures and increasing people's productivity and income.

Economic reforms under way have already had an impact on agriculture. The traditional centrally planned agricultural sector is giving way to support for non-governmental forms of management, prioritization of cooperatives and gradual reduction of subsidies.

IFAD has the potential to play a decisive role in modernizing the Cuban agricultural sector. We are supporting a project that will help to strengthen smallholder cooperative organizations and agricultural service providers. Covering four provinces at the eastern end of the island, the project will have about 52,000 direct beneficiaries.

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## Haiti: Reducing women's burden with irrigation

IFAD has been a major partner in rural development in Haiti since 1978, emphasizing irrigation. The Small-scale Irrigation Project, due to be completed at the end of 2015, aims to increase agricultural production sustainably through efficient water management. One objective has been to reduce women's workload by increasing access to irrigated land.

With rehabilitation of watersheds, a stable year-round water supply has been maintained. It has helped 650 households to cultivate gardens, enabling them to improve their food security and substantially increase their income. With better access to water, women's workloads have declined.

The project also established quotas for representation, ensuring women's participation in local decision-making bodies. Women head almost 40 per cent of households in rural areas of Haiti, but Haitian law does not promote their land ownership or possession of land in irrigated areas. This measure thus represents a real step forward for women's involvement in decision-making and more equitable resource use.

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## Honduras: Expanding a women's cashew nut cooperative

In Choluteca, Honduras, near the border with Nicaragua, IFAD is supporting a women's cashew nut processing cooperative that has been operating for 30 years. The *Cooperativa Regional de Producción Agropecuaria La Sureñita Limitada* is part of a value chain involving producers, processors and sellers of cashews in national and international markets, mainly Germany. It has 98 members, including 59 women, 11 of whom are under 30 years old.

Through the *Emprende Sur* programme, IFAD has helped the group increase cashew nut production by 50 per cent through rehabilitation and establishment of acreage and technical assistance on production, rehabilitation of the processing plant, and hygiene and environmental safeguards. Improvements in financial accountability have opened the door to support from lenders.

In 2012, *La Sureñita* entered into a commercial relationship with Pure Ground Ingredients, a worldwide organic and fair trade products wholesaler based in the United States. Thanks to improved negotiations with buyers, producers now receive financing in advance of the crop cycle, allowing them to grow corn and beans for their families. The cooperative also invests in community services, infrastructure and scholarships.



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## Nicaragua: Diversifying for climate resilience

Coffee production is the backbone of the rural economy in large parts of Nicaragua, and smallholders grow 80 per cent of high-quality beans. But climate change has ominous implications for the country's coffee sector. The result could be a decline in the quantity and quality of coffee grown.

Cocoa, another crop commonly grown in Nicaragua, is more adaptable. It also offers high-value potential on international markets. IFAD, through the ASAP programme, is helping the country expand the role of cocoa in the economy while introducing techniques to improve coffee productivity.

The initiative is introducing water efficiency and crop diversification measures, such as coffee-cocoa intercropping to buffer the effects of rising temperatures. The project is also improving access to weather information. New policies and incentives are strengthening the production and distribution of coffee and cocoa, and encouraging investment by the private sector.

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## Brazil: Stimulating sustainable development in the northeast

In Brazil's northeast, IFAD has helped the government in efforts to improve economic and social conditions in poor rural communities. One initiative, *Gente de Valor* (People of Value), also worked on improving gender equity and increasing participation of young people.

Some 282 communities from 34 municipalities in the poorest areas of the semi-arid zones of the State of Bahia participated in the project. It began with emergency investments in cisterns to ensure access to water. It then worked to build confidence and capacity to ensure broad community participation in the initiatives.

Food gardens improved food security, allowed a more diverse diet and generated income through sales of excess produce. Chosen by the community, sustainable development agents, who are local residents, mostly young people, were trained to coordinate the project beneficiaries and link communities with regional and state project management structures. Altogether the project had 35,000 direct and 55,000 indirect beneficiaries.





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ISBN-978-92-9072-592-3



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August 2015