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The Critical Role of Inclusive Agricultural Development for Economic Recovery

The protracted crisis that has dominated national and global economies alike for so many years is finally showing signs of abating. The sense of relief is almost palpable. We know that the rebuilding process may take time and that growth may be slower than in the pre-crisis years, but it appears that, for many of the nations that have undergone economic contraction, the worst may now be over.

In recent years, the best rates of economic growth have been in developing countries. Africa has been a particularly bright spot, with six of the ten fastest growing economies in the world. The continent also has the world’s fastest growing population and the highest growth rate of urbanization, along with a rapidly expanding middle class. These signs of global recovery are welcome, but for many developing countries, the situation remains precarious. Export markets that had helped many developing countries post solid growth in recent years may prove less robust in years ahead. Internal structural problems may prove a further impediment to future growth.

While international attention is currently focused on the status of the global recovery, the improving economic outlook means little to the poorest sectors of society – women, children and men who live on US$1.25 or even US$2 a-day. For them, the threat of crisis is a daily and recurrent problem, with little connection to the global economic scene. For a poor farmer, the danger comes not from international markets but from more age-old sources such as the weather -- especially prolonged high temperatures or floods – pest infestations, such as locusts, the death of a goat, or the illness of a spouse or child. Any one of these events is sufficient to test the limits of their ability to cope. For the world’s poorest and hungriest people, the threat of crisis will remain until they are on a sounder productive and financial footing with reliable access to critical resources and nutritious food.

The growing inequality among and within countries points to the increasingly urgent need to address not only the rate but also the quality of economic growth. Growth, whether economic or related to higher food production, does not automatically translate into better livelihoods or food security. India for example, is home to about one-third of the world’s poorest people, despite being an economic powerhouse in recent years. In sub-Saharan Africa, the number of extremely poor people has actually risen from 290 million in 1990 to 408 million in 2010, while the proportion of people living in absolute poverty has declined only slightly, from 56.5 per cent to 48.5 per cent in the same period, despite the improvements in many national economies.

Tackling this inequality – both within developing countries and between developing and advanced economies – must now be a priority for everyone working to reduce global poverty and hunger.
Earlier this year the World Economic Forum identified inequality as the risk most likely to cause damage globally in the coming decade. Separately, a recent report by economists at the International Monetary Fund found that income inequality is not only “ethically undesirable”, but “the resulting growth may be low and unsustainable”.

**Inclusive agriculture as a part of growth**

Redressing income inequality requires addressing the imbalance between the urban and rural areas of developing countries. Agricultural development has always been one of the key vehicles for poor rural people to escape poverty because most of these women and men depend on small farms for their livelihoods. Investing in smallholder agriculture is an efficient way of tackling poverty. Numerous studies have shown that GDP growth generated by agriculture is at least three times as effective in reducing poverty as GDP growth generated by other sectors; and for sub-Saharan Africa, it is estimated to be as much as 11 times higher than investment in other sectors. Developing the agriculture and food sector – the largest employment sector in the world – holds out the greatest potential for reducing inequality through broad-based, job-rich growth.

In this area, IFAD speaks from experience. Our core business has always been to enable poor rural people to overcome poverty and hunger. To do this we invest in smallholder farmers – who themselves are the largest on-farm investors in developing countries. Our efforts create the conditions for them to grow their businesses. They represent the biggest share of the small private sector in developing country agriculture. We also support other small and medium-sized rural businesses that can be powerful engines of growth and job creation.

Developing business opportunities in poor rural communities often demands creativity. For example, in Madagascar, smallholder family farms needed a better way to distribute the little water available. Drip irrigation is an effective way to do this. However, there was no reliable source of inexpensive irrigation parts. Experience with other micro-irrigation projects had shown that after the aid agencies had left. An IFAD-supported micro-irrigation project conceived the idea of recycling old rubber sandals as a source material for the plastic fittings of treadle pumps. Small businesses were developed to import the relevant spare parts and to make the plastic fittings. The local economy benefited from the jobs that were created, including for street workers who collected the old sandals. About 10,000 vulnerable farmer households were able to grow crops for two more months annually, with a better yield because they could get the irrigation equipment they needed at prices they could afford, and the local residents benefitted from a more reliable source of food.

To eliminate income inequality, we must also build capacity at the local level for smallholders to manage a wide range of growing and often climate-related risks. For example, weather index-based insurance – linking pay-outs to measurable indicators, such as rainfall or temperature – is one way to give smallholder farmers in developing countries insurance coverage when traditional agricultural insurance is not available.

Timor-Leste is one of the poorest countries in the world. Two-thirds of the population is considered food insecure. Poor farmers there say that Timor-Leste has three seasons: wet, dry and hungry. There are, in fact, two hungry seasons, which together add up to 7 months of the year. During these months, households go without staple foods such as rice or maize. More than 60 per cent of the children in our target area are chronically undernourished. Low crop productivity has long been a problem in Timor-Leste, but when farmers were first offered higher yield maize seeds, they hesitated. The farmers were losing 30 per cent or more of their stored maize every year to rodent and weevil damage. They were unable to secure what they were already producing. So IFAD joined forces with the Timor-Leste Ministry of Agriculture and Fisheries and the Australian Government to provide better storage as well as
better seeds. The partnership brings together an existing IFAD project providing storage technology with an existing Australian project for seed production and research.

Working together, we expect to increase food availability in Timor-Leste by as much as 70 per cent through a combination of better yields and lower post-harvest losses. The secure storage creates an incentive for farmers to adopt high-yielding varieties, and should allow them to wait for the off-season to sell their surplus, when prices are higher. This example also shows that low production and waste are two parts of a complex dynamic which locks rural people into cycles of hunger and poverty. Higher production and productivity, but also conserving the food that farmers grow, should be our priority. Complex problems demand systematic solutions, and as this example shows, partnerships.

Inclusive agricultural development also has an important role to play in creating stability in fragile states because food and nutrition insecurity is a significant factor in civil conflict. This is the case in Yemen, where IFAD-supported projects have continued to protect and promote rural livelihoods despite the country’s critical security situation. In one the poorest and most insecure governorates in Yemen, about 5,000 women and men have benefitted from community-led advisory services that have introduced new crop varieties, protected horticulture, and drip irrigation. The project’s investments in domestic water supply are saving women up to 300 hours a year that they previously spent collecting water. Evaluations have found a considerable improvement in household food security and reduction in child malnutrition. Not only is the project popular with beneficiaries, who have invested their own money into the domestic water scheme, but it has contributed to improving stability in the area. Project participants reported a significant decline in violent conflict in project areas.

As the world’s urban areas grow, cities will need to be fed by the food grown in rural areas. The sustainability of urban areas will also depend on healthy rural ecosystems, and the environmental services provided by rural people. And urban areas, which are already struggling to create enough jobs to meet demand, will also benefit from more modern, diversified rural economies that offer decent jobs for women and men alike and thus slow the migration to urban areas.

When rural people profit from development, everyone benefits from the resulting improvements in food and nutrition security, natural resource management, reduced inequality and greater social stability. If we want sustainable growth in the post-crisis economy, we will need to narrow the income gap between rural and urban areas by ensuring that small family farms have a central role in development efforts.