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on the
Transfer of Real Resources to Developing Countries)

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Statement by

**Alvaro Lario
President**

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106th Meeting of the Development Committee

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We need urgently to invest in resilience across the development spectrum, and investing in climate and investing in development can no longer be separated. This is especially true of investment in the resilience of the hundreds of millions of small-scale food producers who produce one third of food consumed worldwide.¹ Whether we are considering agriculture and climate, or food insecurity and severe climate events, or humanitarian relief and longer-term investments in resilience and adaptation, we can no longer separate food security, climate, and a just energy transition if we are to reach our development goals.

First, we must recognize that “weathering the storm” is necessary but not sufficient; we also need to fundamentally shift our focus to building resilience – of food systems, communities, and individuals – against the broad spectrum of shocks facing the globe. The underpinnings of the food insecurity crisis were well established far before the impacts of the war in Ukraine, before the COVID pandemic, before the onslaught of increasingly devastating and frequent climate disasters.

The last several years have laid bare the fragilities and inequities of food systems around the globe. Price spikes, supply shortages, droughts, floods, locust invasions, pandemic restrictions, reactionary hoarding and export restrictions – all of these affect small-scale farmers and food producers, and all call for far broader and deeper investments in resilience building interventions and more robust and equitable food systems. We ignore this call at our peril – beyond the devastating human toll, the costs of repeated humanitarian interventions will continue to skyrocket. Moreover, the ripple effects of food system shocks extend well beyond food systems, into social unrest, distress-driven migration or displacement. We cannot simply lurch from crisis to crisis; instead, we need to prepare for the many current and future storms so that they do not trigger crises when they occur.

Finance is an essential part of this shift. Focusing on and financing small-scale food producers’ long-term resilience is at the core of the response to both themes – however, there are imbalances we must address to make this successful. We must:

- ***Increase our focus on and funding for smallholder farmers and food producers.*** Some hear “smallholder farmers” and think we are speaking of subsistence farming at the margins – but our smallholder farming systems make major contributions to food security in the developing world, and are a key to spreading climate-smart approaches in agriculture. And they are actually more efficient: farms of up to 2 hectares are producing 31 percent of the world’s calories on under 11 percent of the world’s farmland². IFAD focuses on supporting small scale producers’ transformation to more profitable, sustainable and resilient business models and therefore improved livelihoods for farmers and producers and their communities.

¹ <https://www.fao.org/news/story/en/item/1395127/icode/>

² IFAD Rural Development Report 2021.

Despite the critical roles that these individuals, entrepreneurs, and communities play in sustaining our food systems and in acting as stewards of our shared natural environment, they are often most exposed or vulnerable to natural and market shocks and the impact of environmental degradation. On the ground, we are seeing deeply worrying signals from rural areas in developing countries – *local* food production is in danger as producers find themselves unable to afford inputs or having to sell their assets. This is why IFAD focuses so acutely on developing resilient local production and value chains. This is also why, for example, we will continue to work with our partners to increase the focus on more efficient fertilizer use, incorporating more nature-based elements and producing fertilizers that make sense for a given area’s needs, and increasing the focus on soil health. Local production can and must be strengthened for greater resilience to diminish the fragilities and increase the sustainability and inclusivity of the food system.

- ***Increase funding for climate adaptation, especially in agriculture and food systems.*** While climate mitigation is critical, we need to bring funding for adaptation interventions to the needed level. In 2017/18, only about US\$ 10 billion or 1.7 per cent invested globally in climate finance was targeted to small-scale producers³; since then that share is likely to have fallen to about 1 per cent⁴. But climate change is here, and hitting the poorest rural communities hardest – funding for adaptation cannot be put off and must rise to meet current and future needs.

A decade ago, IFAD created the ground-breaking Adaptation for Smallholder Agriculture Programme, or ASAP. More recently we launched ASAP+ to be the largest fund dedicated to channelling climate finance to smallholder farmers. IFAD is increasingly mobilizing supplementary resources from the global climate and environmental funds. This allows us to direct financing to programmes that enable smallholder farmers to cope with impacts of climate change through, for example, improved land, soil and water management, use of drought tolerant seeds and innovative insurance services.

- ***Increase the funding for resilience-building interventions.*** Understandably, as crises occur, humanitarian assistance must rise. But funding for longer-term resilience-building interventions is a small fraction of humanitarian assistance and food aid – we must do everything we can to increase this funding to mitigate further skyrocketing humanitarian costs in the future.

Agriculture is directly impacted by climate change, conflict, supply chain disruptions and shortages, and myriad other shocks. Those who depend on rain-fed agricultural systems are being hit particularly hard – with more unpredictable and severe weather patterns, including droughts and floods, worsening soil salinization, land degradation and low soil fertility. For many farmers, the inaccessibility of fertilizer and seeds that has followed the conflict in Ukraine has come at a time of increasing uncertainty in crop planning due to changing weather patterns. IFAD’s programs often simultaneously address multiple risk factors – like climate shocks and market shortages – by increasing resilience and strengthening local systems.

Rebalancing along these three dimensions is especially important within agriculture – we know that GDP generated by agriculture is 2 to 3 times more effective in reducing poverty than growth in any other sector. Rural micro, small and medium enterprises are key partners in local food systems – involved in processing, transport, and market access, diversifying incomes for women and youth.

And small holder farmers and their communities also hold tremendous promise as a potent channel to expand and scale up climate-smart solutions – and crucially, small farms have a key role to play in

³ <https://www.climatepolicyinitiative.org/publication/climate-finance-small-scale-agriculture/>

⁴ IFAD estimate.

sustainable, resilient and healthy global food systems. They are more efficient than large farms – growing 30 percent of the world’s food on only 11 percent of its farmland, with less energy intensity and less use of fertilizers and herbicides. They support greater biodiversity than large farms. Successful small farms lead to more cash in rural areas, and this spurs growth and transformation. Vibrant rural economies lead to higher demand for locally produced goods and services, and result in higher employment on and off the farm, including services, agro-processing and small-scale manufacturing, particularly for youth. We must bring more investment to food systems and focus it on small-scale farming, and ensure it results in fairer outcomes.

The stakes are high – we must realize that food security is national (and global) security. There is nothing inevitable about hunger in Africa, or anywhere. During the 1960s and 70s, many African countries were net exporters of major food and cash crops. Today, Africa imports around US\$50⁵ billion of food a year, and rising – affecting both food security and sovereignty. The more we can build individual, community, and regional resilience, and strengthen local systems, the greater the food sovereignty will be in the countries in which we work. With strengthened local systems, and more cultivated and equitable paths to market, we can diminish the fragility of the global food system.

IFAD has proven solutions at the country and community levels to support small scale producers and their communities – and our recent decentralization efforts strengthened our delivery capacity. This will continue under my leadership. IFAD focuses not on one-off projects; instead, country strategies help ensure sustained impact at scale with governments, private sector and development partners. And we know that the pay-off from investing in rural resilience is huge. In Sierra Leone, for example, more than 1.4 million people are benefitting from a programme that delivers financial services – including access to credit. Farmers were able to invest in cash crops such as cocoa and cashew, and young people started their own businesses. During the Ebola and COVID crises, that rural finance programme stayed the course, ensuring that poor rural people could continue activities and build vibrant communities, despite external shocks. This is what resilience looks like.

Similarly, in Tonga, livelihoods were wiped out when a volcano and a tsunami destroyed crops and contaminated drinking water. A project cofinanced by IFAD and the Australian government established nurseries managed by women’s groups. The gardens provide much-needed fresh produce for the community – family nutrition has improved, and women’s businesses are back on their feet.

Climate and development goals cannot be achieved without increased financing through proven multilateral channels. IFAD has been a leader among development finance agencies over the last two decades focusing on scaling up development impact. Our impact assessments show that our climate adaptation measures are building resilience; we have the experience from our emergency measures taken in the wake of COVID shocks; and we are actively building resilience on the ground to the fuel, fertilizer, and food price increases from the war in Ukraine. But the funds we and other institutions have to expand and scale these efforts are insufficient to the increasingly challenging task at hand.

We need to work together using multiple approaches to address finance gaps and imbalances, given the importance of smallholder farmers, the role of agriculture in development, and the vulnerability of smallholders and agriculture to the impacts of a litany of shocks. We see three key ways to do so: (1) working with our traditional sources of finance – our Member States – to increase replenishment contributions; (2) using innovation and creativity to expand our financing sources; and (3) becoming better advocates globally, at all levels, for the importance of resilience and adaptation.

⁵ <https://www.scidev.net/sub-saharan-africa/news/africas-food-imports-bill-could-double-by-2030/>

- ***Working with our traditional partners (Member States):*** IFAD’s work is centrally focused on increasing resilience of our target population to improve livelihoods – investing in rural people. As the need and demand grows, we do not have the luxury of shifting resources from other sectors, or benefitting from net income from an income-earning arm. We at IFAD are kept awake at night wanting to scale up our work to reach additional communities; ultimately, without a significant increase in our upcoming replenishment (IFAD-13), it will be impossible to achieve the desired scale up of IFAD’s activities. We need our membership in order to deliver on what is an essential ambition of rural transformation for resiliency.
- ***Innovative finance and expanding to non-traditional partners:*** Traditional sources of IFAD financing (donor contributions to IFAD replenishments) and climate financing sources (e.g. the Green Climate Fund, the Adaptation Fund) are integral parts of the singular objective of supporting the rural poor in a climate-smart manner. We have begun to expand our sources of finance – both in terms of new sources of capital, borrowing, and expanding our work with traditional and non-traditional partners.

IFAD is the first UN body and specialized agency other than the World Bank Group to obtain a credit rating and enter capital markets, enabling IFAD to expand resource mobilization efforts to the private sector. In June, we issued our first Sustainable Development Bonds, raising US\$150 million. We are exploring other balance- and non-balance sheet related approaches as well – such as possible first-loss guarantees, blended financing approaches to attract more private capital, and using returnable capital invested in funds or special vehicles to support IFAD’s mandate. IFAD’s ability to not just maintain but increase concessionality grows more critical when we take into account another key complexity – the rapid escalation of public debt in developing countries.

- ***Better advocacy for resilience efforts:*** Investments in resilience, risk preparedness, or prevention are seldom as popularly understood as crisis response. Those who work in these areas – on earthquake readiness, terrorism prevention, pandemic preparedness, or social safety net design – know well that victory means few, if any, are aware of your success. Ex-post action (humanitarian aid, military response, rescues) is better understood, and for good reason: it is absolutely necessary. But ex-ante action (resilience-building interventions, readiness, prevention, and preparedness) can prevent or mitigate the worst crisis impacts, keeping future humanitarian costs lower. We in the development community must do better in helping those outside this field to understand the stakes – lest we see continued spiralling of humanitarian assistance needs.

Following last year’s Food Systems Summit, IFAD and the World Bank are leading an effort to transform the way food systems are financed to be more sustainable and inclusive – we must work to make sure these goals are understood well beyond the halls of the international financial institutions, UN agencies, and government ministries.

Healthy food systems are inclusive and provide decent livelihoods to those who participate in them. And investment in resilience building now will facilitate both preventing and more easily resolving future crises. If we collectively sound the alarm, cultivate across all political and social spectra an increase in the priority placed on scaling and intensifying resilience-building interventions, and use all tools at our disposal to increase the effectiveness and reach of our resources, we can finally achieve robust, equitable food systems and eliminate food insecurity.