Statement by Mr. Lennart Båge
President
IFAD
Mr. Chairman,
Your Excellencies,
Distinguished colleagues.

I am honoured to make this statement to the members of the Development Committee of the World Bank and International Monetary Fund.

The terrible events of September 11th and their aftermath have cast a deep shadow over global economic prospects. These events threaten to aggravate further the vulnerability of poor countries and poor peoples and intensify poverty in many parts of the world. In the face of recessionary conditions, industrialised countries are responding by a combination of lower interest rates and a more expansionary fiscal policy in the hope of stimulating recovery and maintaining demand and employment.

These steps are welcome and indeed essential to avoid a global recession. On the other hand, in the current global circumstances developing countries face the prospect of lower commodity prices and exports, falling revenues and economic growth leading to severe pressure on government budgets. In consequence they are being forced to undertake fiscal tightening which will aggravate recessionary pressures within their economies.

If poor countries are forced to tighten their belts further while rich ones adopt expansionary fiscal and monetary policies to sustain employment and demand, this will reflect badly both on the strength and character of international development cooperation. Working together, we must undertake effective measures to ensure that the brunt of global economic adjustment does not have to be carried by poor countries. A sustained effort including improved market access and increased debt relief is warranted. A renewed commitment to the ODA target of 0.7% of GDP to development cooperation and a timetable to achieve it would be a strong signal of global solidarity in the face of economic downturn and hardship.
Mr. Chairman,

We should not forget that just over a year ago, world leaders at the Millennium Summit declared their commitment to the goal of reducing by half the proportion of humanity that lives in extreme poverty, on less than one dollar per day by the year 2015.

Achieving these goals will require not only significantly greater resources but also channelling those resources to reach the poor, where they live, to support their own efforts to earn a viable livelihood. The Financing for Development Conference has the challenging task to promote a consensus on mobilising the resources required to achieve the Millennium Summit goals and target these resources effectively so that they make a real difference in the daily lives of the poor.

Earlier this year IFAD brought out the Rural Poverty Report 2001. After reviewing carefully the present trend and distribution of poverty, the Report highlighted that three-quarters of the world's 1.2 billion extreme poor, some nine hundred million people, live in rural areas depending on agriculture and related rural crafts, trade and services for their livelihood. The Poverty Report also highlighted that the rate of poverty reduction declined in the 1990’s and that the present rate is far below the rate required to achieve the Millennium Summit poverty goal. In Africa, it is barely one sixth the rate required and in some African countries, social and poverty indicators are actually getting worse under the assault of civil strife and the AIDS pandemic.

Paradoxically, even as the focus on poverty has sharpened, ODA to agriculture and the rural sector, where the bulk of the poor live, has declined by an estimated forty percent over the past decade. At the same time, domestic resources for agriculture and other productive activities of the rural poor have dropped in most developing countries. It is hardly surprising that the 1990’s saw a substantial fall in the rate of poverty reduction compared to the previous two decades. One example of this erosion of support is the reduction of public financing for agricultural research, which we can all agree, is a crucial global public good. This reduction is
especially damaging at a time when growth in agricultural yields, particularly for staple crops, has slowed.

Achieving the Millennium Summit poverty and hunger goals requires a sharp increase in economic growth. An estimated rate of growth of seven percent a year is needed in the case of Africa. Since agricultural and rural activities provide the bulk of employment as well as a large share of the exports in poor countries, the best - and perhaps the only – sustainable way to increase overall growth for them is to help accelerate the pace of rural development and agricultural production. This will require higher investment for productive activities, rural finance, research and extension as well as in rural health, education, infrastructure and institution-building. Creating new opportunities in the countryside will also reduce migration into urban areas, thus slowing the growth of urban slums.

Mr Chairman,

The Mexico Conference Agenda focuses on a number of key themes - domestic resources, international private resources, trade and development assistance as well as the systemic issues of the international financial architecture and global governance. All of these have a critical part in accelerating development, especially rural development.

We recognise that domestic resources must play the pre-dominant role in the efforts of developing countries to accelerate their pace of poverty reduction and development. At the same time we need also to recognise that ODA plays a crucial role to support investment directly, as well as in building institutions, including microfinance institutions, that can mobilise substantial volumes of domestic resources to support the productive activities of the poor. Such institutions can also serve as cost-effective mechanisms through which to channel external resources to the poor. Development assistance through public-private partnerships can also help create the physical and social infrastructure necessary to attract direct private investment into rural areas.

Trade issues are equally important. Many estimates show that the USD 324 billion annual OECD agricultural subsidies and the trade barriers against agricultural products and textiles from
developing countries severely affect their overall export earnings and growth possibilities. This is accentuated by export subsidies for developed country agricultural products that render local production in developing countries unprofitable and jeopardises agricultural development efforts that are often supported by development assistance from the same countries.

Strengthening global governance and the international financial architecture to foster greater financial stability and an open trading system as well as enhancing the supply of global public goods will facilitate the efforts that developing countries themselves are making to reform their economic policy and institutional structures.

Mr Chairman,

The member states of IFAD have agreed that its next Governing Council, in February 2002, will focus on the theme of *Financing Development – The Rural Dimension*. IFAD with its resources provided by OECD countries and OPEC countries, together with a large number of other developing countries, represents an unusually strong North-South partnership for the common goal of eradicating poverty. Such collaboration is all the more important in today’s world where global collaboration and partnership need to be nurtured and strengthened and polarisation and devisiveness urgently counteracted.

The Governing Council theme has been selected in the light of the fact that three-quarters of the poor live in rural areas, and for achieving the Millennium Summit poverty goal, it is imperative to give greater priority and resources to the rural sector. Higher agricultural growth, especially in the smallholder farm economy, will directly help reduce rural poverty and improve nutrition. It will also create employment for landless workers and raise non-farm incomes for rural artisans and traders.

At the same time, more rapid agricultural growth will generate resources for better primary health and education services. AIDS in Africa is now affecting rural populations more profoundly than urban ones and has become a major economic, social and development issue.
We must recognise that dealing with the poverty of rural peoples is a prerequisite for an effective long-term approach for dealing with the AIDS pandemic.

A higher rate of agricultural and rural development thus holds the key to achieving a wide range of the Millennium Summit targets. Rural development is not just another sector. It is at the heart of the Poverty Problematique.

Mr Chairman,

The tragic events of September have underlined in a clear way the linkages in our global society. But at the same time, they should lead us to a better and clearer understanding of our common heritage of values and our shared respect for human beings. Today, for far too many people, life continues to be in the same state as that described by a seventeenth century philosopher, “Poor, nasty, brutish and short”. Yet we now have the resources and knowledge to open opportunities by which even the poorest groups can build secure and productive lives for themselves and their families. We must not fail them.

The quest for realising this noble goal will be long and complex. The Development Committee and its member states can help ensure that a decisive step towards this goal will be taken at the Mexico Financing for Development Conference. In that spirit may I express to you my best wishes for fruitful and productive discussions.

Thank you