Statement by

Mr. Lennart Bage
President
International Fund for Agricultural Development
Mr. Chairman,

The adoption of the Millennium Development Goals, and the growing alignment of efforts that they have generated, has created unprecedented possibilities for improving the lives of the world’s 900 million extremely poor people who live in rural areas of developing countries.

The MDGs have helped to focus world attention on the persistence of mass poverty. Efforts are underway, as never before, to understand much more precisely who is poor, why they are poor, and what is needed for them to overcome their poverty. Based on its more than quarter of a century experience in rural poverty reduction, IFAD has much to contribute on this score.

The Monterrey Consensus of the International Conference on Financing for Development establishes the need for dramatic increases in the level and reliability of development resources. It notes, however, that increased and more secure resource flows are not adequate unless policies are reformed and the effectiveness of aid programs are improved. This meeting of the Development Committee provides an important opportunity to share insights and highlight progress that is being made on aid effectiveness.

While a thorough understanding of the institutional reforms needed to make aid programs both more efficient and more effective, the commitments undertaken as part of the Monterrey Consensus provide important guidance. Among the efforts to be intensified by multilateral and bilateral financial and development institutions, are the harmonization of operational procedures – highlighted in the background note for this meeting -- and the enhancement of country ownership of development frameworks and program design.

Greater alignment and rationalization of the operational procedures of bilateral and multilateral development institutions is needed to achieve greater impact, improved efficiency, and reduce the administrative burden on developing country partners. To this end, IFAD recently has deepened its partnership with a number of institutions. Last month our organization acceded to the Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations. In June we concluded a Memo of Understanding with the New Partnership for Africa’s Development (NEPAD).

These agreements aim to strengthen the efforts of each party, laying the groundwork for increased collaboration. Taken together, they allow for streamlining of administrative
and reporting procedures, exchange of technical information and assistance, and provide
for better, more systematic communication.

As part of increased harmonization, IFAD is also working to increase its participation in
PRSP processes, to ensure integration of its operations into broader poverty reduction
programs. Drawing on its Country Strategic Opportunities Strategies (COSOP\textsuperscript{1}),
IFAD’s participation can create synergies that ensure that rural poverty reduction and
enabling conditions are integral to a country’s poverty reduction strategy.

Improved aid effectiveness can also be achieved through the new model for partnership
and collaboration, which is at the heart of the Millennium Development Goals. This
partnership is based on the recognition that developing country governments and their
people must be the authors of their own strategies to reduce poverty. Country ownership
needs to extend beyond national governments to the poor themselves, if poverty
reduction is to be effective and sustainable. Such ownership -- at both the national and
the local levels – grows out of having control over decisions. Just as new partnerships
are according greater decision making power to developing country governments, so
those countries will similarly need to devolve decision making power to communities and
community organizations.

This represents a demand-drive approach, in which organized rural communities
effectively articulate their needs and aspirations. In IFAD’s experience, this approach is
more likely to meet real needs and provide real support to poor households -- both
essential to sustainable poverty reduction. Engagement of these communities in strategy
development and program design and implementation fosters entrepreneurship and
creates momentum for further initiative and innovation. IFAD has also found that
involvement of the poor helps to reduce the cost of project implementation and
development, builds on traditional practices and appropriate indigenous technologies, and
strengthens community cohesion.

In addition to improving aid effectiveness, the Monterrey Consensus also calls on
multilateral and bilateral development agencies to mobilize additional development
resources, through a variety of approaches. IFAD hopes that the discussion at this
meeting on innovative new mechanisms for mobilizing additional resources will
contribute to broader consensus toward adoption and implementation of such
innovations.

IFAD is turning its attention to the challenge raised by the Monterrey Consensus, of
increasing investment by the private sector in development efforts that reduce poverty.
The Consensus tasks multilateral and bilateral development organizations with
supporting such investment. To this end, IFAD recently adopted a private-sector
development and partnership strategy. As part of that strategy, IFAD will work to attract

\textsuperscript{1} The COSOPs describe rural poverty and its context, identify rural poverty-reduction needs, opportunities,
and constraints; identify what others are doing and have learned in rural development, incorporating
IFAD’s own lessons learned from previous investments
investments from agribusiness firms to develop commodity markets, which are of great importance to small rural producers. In Uganda, for example, an IFAD financing of a palm oil production project has helped to leverage a major private sector investment for the development of a crude oil processing and refining plant. The plan will ensure that the producers have a market for their output, while also generating employment in the surrounding rural community.

Another important financial flow that is just beginning to draw attention within the larger development finance debate is remittances by nationals working outside their home countries. The exact amount of the resource flow is unknown, but estimates range from USD 100 to 176 billion per year. These hard earned resources belong to the workers and their families. Supportive policies and institutions could enable these workers and their families not only to meet their immediate consumption needs, but also to save and invest in a way that can benefit their families and their communities. IFAD is working with the Inter-American Development Bank to develop a pilot program in which microfinance institutions are creating opportunities for rural recipients of remittances to invest in productive activities and raise their incomes in sustainable ways.

Recent initiatives aimed at a definitive resolution of the unsustainable debt burden of heavily indebted poor countries are singularly important for creating the conditions for achievement of the MDGs. Without more robust measures, debt servicing will continue to claim essential resources needed for poverty reduction and sustainable development. IFAD shares concerns expressed recently that debt relief or cancellation not be achieved by shifting resources from development assistance. This is, in fact, the trade-off that IFAD’s participation in HIPC is generating, unless IFAD is granted access to the World Bank Trust Fund, as loan resources will necessarily be diverted for debt forgiveness.

Mr. Chairman, IFAD is firmly committed to operationalizing the provisions of the Monterrey Consensus and looks forward to working with its partners to step up efforts toward this end.