Statement by

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President
International Fund for Agricultural Development
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Mr. Chairman,

A growing consensus is emerging with regard to the need to focus resources, institutional and policy reforms, and innovative initiatives on agricultural and rural development. This is particularly encouraging, given that three quarters of the world’s extreme poor, 900 million women and men, live in rural areas and depend on agricultural and related activities for their livelihood.

Agricultural development makes a critical contribution to overall economic growth in many developing countries. Estimates of the multiplier effect of agricultural growth in Africa, for example, range from an additional $1.60 in non-agricultural income in Niger for every $1 increase in farm income to a near doubling effect in Burkina Faso of $1.88 additional income outside of agriculture for every $1 increase in agricultural income. Agriculture in Africa, in fact, generates thirty percent of GDP, forty percent of exports and over seventy percent of employment.

Thus, global leaders at the 2005 World Summit last September affirmed the necessity “to increase productive investment in rural and agricultural development to achieve food security.” They went on to commit themselves to “increasing support for agricultural development and trade capacity-building in the agricultural sector in developing countries.”

To realize the potential of agricultural and rural development to translate into sustainable poverty reduction requires a targeted approach that focuses on the constraints and opportunities that confront poor producers in rural areas. In recent years, these producers and their communities have often been overlooked or neglected in national development plans and programs. These producers must be at the center of a revitalized global approach to agricultural and rural development, enabling them to gain greater access to economic and productive assets, services, markets, and policy processes. And, of fundamental importance, their own collective efforts to overcome poverty must be supported and promoted.

IFAD has learned, through its efforts to enable the rural poor to overcome poverty, that inclusive, well-organized communities are an essential component of effective, sustainable development. Organization is the catalyst for strengthening local leadership, enabling poor communities to develop the capacity to articulate and negotiate their needs and interests, and mobilize the community’s own resources for overcoming poverty. As such, organized communities are in a better position to demand government responsiveness, effectiveness, and transparency. As World Bank’s draft anti-corruption framework points out, this kind of local community participation in and oversight of development processes is an important aspect of well-functioning governance.

Challenges in Strengthening Local Governance

Strengthening processes of local governance to achieve greater transparency and accountability on a sustainable basis is extremely challenging, both in scope and complexity. Efforts in this regard must help to build the administrative, financial, and technical capacity of local government institutions and transform local institutions so that they can effectively fulfill their important role in overall efforts to promote development and overcome poverty.

Equally important, strong local governance requires a diversity of well-functioning community organizations -- such as village development councils, farmers’ cooperatives, water users’ groups, and savings and credit associations -- as well as higher level associations of local organizations that can reach development planners and policy makers with the collective voice of rural poor people.

On both the supply and demand side of the equation, an approach to strengthening local governance requires flexibility and a clear focus on enhancing social, human, and financial capital. It needs to involve ongoing policy dialogue at both the national and local levels to ensure that the enabling environment for transforming local institutions and promoting community organizations is in place and functioning and that it reflects the perspectives of the full range of stakeholders. Often, it includes the development of more appropriate, simplified procedures for project administration that is better suited to the capacity of local organizations. And, it is important to recognize, projects that include a major capacity building component can be more costly in the short and medium-term, with payoffs being realized in the long-term, particularly with respect to sustainability.

IFAD’s work in decentralizing environments and in supporting community driven development has yielded a number of important insights. In fostering strong community organizations, for example, it is important to work with traditional institutions in a non-exclusive manner, while still guarding against elite capture of benefits. At the same time, early, concerted efforts need to be made to identify the poor in rural communities to ensure their participation in project design and their inclusion in the benefits of development processes and projects. In this regard, the limited participation of rural stakeholders in the development of Poverty Reduction Strategies (PRSP) is being examined as part of a multi-institutional initiative to determine why most PRSPs lack a rural poverty focus or fail to translate poverty assessments into policy priorities and resource allocations focused on rural development. The study, which will be completed in September 2007, is expected to provide insights regarding ways the PRSP process can be improved to increase its development impact.

IFAD has found that, in many cases, the responsiveness and accountability of decentralized government can be enhanced by supporting the capacity building of elected institutions of local government rather than focusing only on the administrative institutions. In addition, supporting the development of a diversity of community groups and the establishment of working relationships among these groups, other civil society groups, the private sector, and local government contributes to the development of a pluralistic local governance system.
Assessment of Local Governance

National government policies and practices provide the framework for strengthening local governance and accountability. As such, IFAD has incorporated governance indicators as part of the rural development sectoral assessment of its Performance-Based Allocation System (PBAS). The inclusion of these measures reflects the growing emphasis on good governance within IFAD’s programs, based its critical role in the effective and efficient use of development resources. One of the two governance indicators focuses on the allocation and management of public resources while the other assesses accountability, transparency, and corruption in rural areas. While IFAD’s PBAS has been in effect only from the beginning of 2005, initial feedback indicates that the rural sector assessments have provided a platform for dialogue at the programming and operational level.

Corporate Policy

Believing that preventing corruption is inherent to its mandate, IFAD last year put in place a policy for preventing fraud and corruption in its operations. The policy establishes zero tolerance for fraudulent, corrupt, collusive, or coercive actions within its loan and grant activities or for such actions by staff, consultants, or individuals acting as representatives of the Fund. It also commits the Fund, within the bounds of its mandate, to explicitly consider and support measures aimed at the prevention of corruption as its affects the rural poor.

IFAD has already implemented steps to provide confidential channels for communicating allegations of fraud and has strengthened its oversight mechanisms for investigating irregular practices. More broadly, IFAD is currently reviewing and amending its internal procedures and legal instruments to integrate anti-corruption provisions.

Similar to provisions in the Bank’s proposed anti-corruption framework, IFAD’s policy provides for strengthening coordination with development partners as part of its anti-corruption efforts. This is particularly important for IFAD because of its reliance of cooperating institutions for the administration and supervision of its lending activities. As part of this effort, cooperation agreements and letters of appointment for cooperating institutions are being reviewed and, where necessary, amended. Improved arrangements with cooperating institutions for communicating and investigating allegations pertaining to IFAD projects and programs are also being developed.

Heavily Indebted Poor Countries (HIPC) Initiative

IFAD welcomes the report of progress in implementing HIPC and the Multilateral Debt Relief Initiative. IFAD remains deeply committed to HIPC implementation and, as such, looks forward to consideration of its request to access the HIPC Trust Fund during the next HIPC technical meeting. IFAD also looks forward to the finalization of IDA’s Debt Sustainability Framework as a prerequisite to the formulation and adoption of its own framework.