



INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Statement

by

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President,

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to

The Group of 77 & China
SECOND SOUTH SUMMIT

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Doha, Qatar
15-16 June 2005

Your Highness,
Your Excellencies,
Chairman of the G77 and China,
Honorable Delegates and Guests,
Ladies and Gentlemen,

It is a great honour to participate in this Second G-77 South Summit. I would like to join previous speakers in expressing my profound gratitude to the Qatari authorities for their generous hospitality in hosting this meeting and for the wonderful arrangements. We are also inspired by the pledge made by His Highness Sheikh Hamad Bin Khalifa Al-Thani to commit 0.7% of GDP for development assistance and the announcement of USD 20 million for the South Fund.

IFAD is pleased to be invited to share its views on the important issues related to the Havana Programme of Action and participate in the debate regarding the impact of globalization on agriculture and rural poverty as well as to provide our support for further South-South Cooperation.

We were very happy to participate at the G77 High-Level Forum on Trade and Investment held in Doha in December 2004, and pleased of the importance given to rural and agricultural development as well as enhanced market access for small-holders and farmers.

As you are aware, G-77 and China play a central role in IFAD and are both contributors and beneficiaries. The value of our partnership, I believe, is great and it is particularly important that it be further strengthened. There could be no better place than Doha to reinforce this solidarity and the South-South dialogue. Together with the G-77, we share a common vision and conviction: to move forcefully and urgently in addressing the scourge of poverty as individual economies pursue sustainable growth and development.

This meeting is taking place at a decisive moment, as the world community focuses attention of our mutual efforts to achieve the Millennium Development Goals. Adopted in 2000, the MDGs reflect a global consensus to foster development and eradicate suffering. This unity was further strengthened in 2002 with the Monterrey Consensus, which combines strong domestic policies with increased external assistance.

The upcoming meetings to assess the progress towards achieving the MDGs by the Group of Eight in Scotland and by world leaders at the General Assembly's High-Level Event Millennium Summit +5 in New York remind us of the dual role these goals play. On the one hand, the MDGs provide quantitative, time bound goals for improving the quality of life in developing countries. Equally significant, the MDGs provide an agreed framework for development. They rightfully place ownership with developing nations and challenge developed countries to provide the necessary resources and policy support, especially in international trade. The Millennium Goals are achievable, but we must also recognize they offer a major financial, political and policy challenge.

The poorest countries are those with predominantly agricultural economies and societies, and the poorest people live predominantly in rural areas. Of the 1.1 billion people living on less than USD 1 per day, 800 million, or three-fourth, live in rural areas depending on agriculture for their livelihoods. Poor rural people –e.g. smallholder farmers, herders and pastoralists, landless, indigenous people, and ethnic minorities– are the majority of those who are being left behind by globalization, and dominant among this group are women. The rural poor bear a large part of the burden of the distortions in the global system of agricultural production and trade. The problem for the rural poor is not that they are

outside of globalization but that they are inside it on unequal and unfair terms, and deeply and profoundly affected by global trade and subsidy regimes. Therefore, fighting poverty today means addressing both global issues as well as transforming rural lives and livelihoods, to give hope and opportunity to the often forgotten, marginalized and excluded rural poor.

Evidence suggests there is a method for achieving poverty reduction and sustainable development. For the past 20 years, greater levels of government expenditure for agriculture in developing countries show a clear correlation with progress towards reaching the MDGs not least to reduce poverty and hunger. Rapid progress in reducing poverty in Asia is correlated with high and increasing levels of government expenditure on agriculture. In sub-Saharan Africa, where the level of public expenditure for agriculture is extremely low and further declined during the 1990s, limited and no progress has been made. If our commitment to meeting the MDGs is serious, we must give priority to rural development and help other developing countries make a similar breakthrough. Countries and regions can learn from successes and at IFAD we are committed to organize and facilitate cross-fertilization on a South-South basis.

Over the past 20 years we have witnessed a steep decline in ODA for agriculture and rural development. Between 1983-1987, the average ODA per year to agriculture in the least-developed and other low-income countries was USD 5.14 billion (2002 prices). For 1998-2002, ODA to agriculture averaged USD 2.22 billion; a drop of 57 percent. Lending from international financial institutions followed a similar pattern. In 2002, World Bank lending in the agricultural sector was only about 8 per cent of its total, compared to 30 percent in the early 1980s.

However, we are hopeful that a consensus, among developing and developed countries, is finally emerging; one that recognizes the primacy of rural development in order to achieve many of the MDGs.

In 2003, the Evian summit of the Group of Eight strongly reaffirmed the importance of agricultural in poverty reduction and support to agriculture as a crucial instrument in official development assistance. In Maputo, Mozambique, the heads of State and Government of the African Union committed to allocating at least 10 per cent of their budgetary resources to agricultural and rural development. And significantly, the World Bank, in its report *Reaching the Rural Poor* stated: "We must renew our focus on agricultural and rural development."

In 2005, the UN Millennium Project Report concluded that *"the global epicenter of extreme poverty is the smallholder farmer."* The Commission for Africa emphasized this point, stating: *"Agricultural is key to Africa."* It further noted that in sub-Saharan Africa, agriculture contributes to 30 percent of GDP and 70 to 80 per cent of employment. In South Asia, agriculture contributes to 27% of GDP and 60% of employment.

We hope that this shift in policy focus will also be reflected in resource allocation and we are encouraged by the European Union's new collective ODA/GNI target of 0.56% by 2010 and 0.7% by 2015.

But to succeed, these increased levels of investment must be geared to approaches and policies that address the challenges faced by small-scale farmers and rural poor producers. Significantly enhanced resources as well as policy and institutional solutions must target the need for access to land, water, technology and other productive resources and support for non-farm enterprise and employment.

Efforts must also reflect the importance of rural access to markets and financial services. The MDGs and the Monterrey Consensus call for a more open, less arbitrary international trading and financial system. The Doha Agenda, if successfully concluded, offers developing economies an opportunity to trade their way out of abject poverty.

For more than twenty five years, IFAD has worked to better the lives of the rural poor in G77 member states and to encourage South-South cooperation. And at the project level, IFAD has long supported country leadership and ownership through its development initiatives. IFAD is working with many partner institutions to identify innovative approaches to investment in the agricultural sector so that poor are able to control their resources and realize the full benefits of their farmland. There is scope for further South-South cooperation to share successes and IFAD is pleased to be facilitating this.

In this regard, we are promoting South-South cooperation by linking our 200 supported programs and projects, reaching an estimated 100 million poor people, into a real time electronic network to enhance collaboration, lesson learning, and information sharing. And among the many other Group of 77-related projects, IFAD has established a network of fifteen international research centers promoting sustainable agriculture for food security operating within a South-South collaboration framework.

We are currently discussing with the "Perez-Guerrero Trust Fund of the G-77" the possibility of providing a grant that will contribute to further enhancing South-South solidarity and we hope to conclude an arrangement in the not too distant future.

On an organizational basis, and unlike other IFIs, a substantial proportion of our resources, about 20 per cent, come from developing countries. IFAD is financed on the basis of a three-year Replenishment cycle. We are currently negotiating the Fund's Seventh Replenishment. I would like to highlight the importance of the contribution of every IFAD Member State. The contributions from developing countries underline the value they place on IFAD operations and their commitment to achieving our common goals. Furthermore, support from G77 Member States greatly enhances IFAD's efforts to mobilize larger contributions from other nations, and thus leverages our capacity to fight global poverty.

We look forward to further strengthening our partnership with G77 and China to fight poverty and promote development and human dignity in an era of enormous resources that are so sadly skewed in their distribution. It is my firm belief that the question before us is not if poverty will be eradicated but how soon. IFAD will be a partner with your governments in speeding up this process and making progress achieved in some countries a source of learning and inspiration to others.

Thank you.