



Enabling the rural poor  
to overcome poverty

Preparations for the Follow-up International Conference on Financing for  
Development to Review the Implementation of the Monterrey Consensus

Informal Review session of the General Assembly on Chapter III of the  
Monterrey Consensus

“International trade as an engine for development”

**Trade, Agricultural Markets, and Poor Farmers**

Statement of the International Fund for Agricultural Development (IFAD)

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Distinguished Co-Chairs,

It is an honour for me to address this assembly today on behalf of the International Fund for Agricultural Development (IFAD).

The challenge of meeting the Millennium Development Goals has not eased since the signature of either the Millennium Declaration in 2000 or the Monterrey Consensus in 2002. On the contrary, new developments have created new challenges. There is today, for example, greater evidence of the impact of climate change on the lives and livelihoods of poor people. And more recently, the twin phenomena of rising food and energy prices are prompting political and social fall out and threatening to reverse many of the development gains of the past seven years.

Trade can promote major development benefits. International markets for agricultural products are both directly and indirectly important for a very large number of the world's 900 million rural people living in poverty. A successful outcome to the Doha Trade round that improves the access of poor farmers to developed country markets could help many of the rural poor obtain better prices for their products and strengthen their basis for improving their long-term livelihood.

Improved market access is important to virtually all rural households, and assisting rural poor people in improving their access to markets must be a critical element of any strategy to enable them to enhance their food security and increase their incomes.

Local, national, and regional markets and improved market access are a prerequisite for enhancing agriculture-based economic growth and increasing rural incomes in the medium term. Rural incomes will not be substantially increased by exclusive emphasis on subsistence food crop production; rather, more market-oriented production systems are needed. These require the intensification of agricultural production systems, increased commercialization and specialization in higher-value crops. And these must be built upon the establishment of efficient and well-functioning markets and trade systems – ones that keep transaction costs low, minimize risk and extend information to all players, and that do not either exclude, or

work contrary to the interests of, the poor – particularly those living in areas of marginal productivity and weak infrastructure.

Agriculture has a proven record as an engine for economic growth and poverty reduction. According to the World Bank's 2008 World Development Report, GDP growth generated by agriculture is up to four times more effective in reducing poverty than growth in other sectors. Investment in agricultural development is therefore essential. Indeed, the Monterrey Consensus made clear that Official Development Assistance (ODA) is a crucial instrument for supporting agriculture and rural development, and to enhance food security. Yet ODA for agriculture has fallen from 18 per cent of all aid in 1979, down to 3.5 per cent in 2004, and 2.9 per cent in 2006.

While much progress has been made towards reducing poverty and hunger in many parts of the world, the World Bank has estimated that up to 100 million people could slip back into poverty as a result of today's rapidly rising food and energy prices. The poorest countries are those with predominantly agricultural economies and societies. Seventy-five per cent of the nearly one billion people living on less than US\$1 a day live in rural areas.

The agriculture of many developing countries, including large economies like India, China, Indonesia or Nigeria, is built on the foundation of small, household-based farm holdings. There are 450 million small family farms worldwide, which provide livelihoods for close to two billion people, or one third of humanity. Helping them to obtain access to natural resources, technology, seeds, fertiliser, finance and markets can enable them to boost their production and productivity. This in turn will help them to provide a sustainable livelihood for themselves and their families and to play their part in increasing food supplies, and hence feeding the world..

The Monterrey Consensus rightly underlined the importance of using development frameworks that are owned and driven by the developing countries themselves. Genuine country ownership of agricultural development and rural poverty reduction strategies also depends on collaboration with the poor rural people themselves, their community institutions and farmers' organizations, in order for investment in agricultural development to be effective. IFAD believes that such collaboration can

better tap knowledge, experience, and aspirations; mobilize resources, and ensure sustainability of development initiatives and thus advocates that such collaboration become more systematic and meaningful.

Since its establishment in 1978, IFAD has invested over US\$10 billion in rural and agricultural development to enable poor rural people to overcome poverty. Our programmes are growing, and we are implementing a far-reaching reform programme to increase our development effectiveness. We are committed to working with all of you to ensure that agricultural production, rural development and food security are brought back to the centre of the development agenda, and to playing our own part by scaling up our support for poor rural people. We look forward to continuing engaging in the Financing for Development process, a process we have been actively involved in since its inception in 2001.

Thank you.