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of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



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Statement by

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President

International Fund for Agricultural Development

Dubai, UAE
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President, International Fund for Agricultural Development
The Development Committee
Dubai, 22 September 2003**

Mr. Chairman,

It is an honour to address the Development Committee, held for the first time in this important region of the world that has played a lead role in the founding of IFAD. This session is taking place at an important time. The Millennium Summit commitment to reduce poverty by half by 2015, and the pledge for increased assistance made at the Financing for Development Conference together with the renewed emphasis on sustainable development made in Johannesburg, creates the basis for a rapid attack on poverty and hunger.

Events of the last year have underlined the importance of promoting sustained and sustainable development to create conditions in which people have hope and turn their energy into constructive rather than destructive channels. This Committee has a critical responsibility to help the international community achieve these goals.

Sound policies and adequate financing are key in this regard. The starting point to achieve the Millennium poverty goal must be the recognition that three quarters of the world's poor, about 900 million people, live in rural areas depending on agriculture and related activities for their livelihood. Yet, development assistance for agriculture in the last ten years has fallen by nearly half and now represents only about 8% of bilateral ODA. This must be reversed and fortunately over the last year, there have been clear indications that developing countries as well as donor countries are recognizing the centrality of rural development.

African countries for example in the New Partnership for Africa's Development (NEPAD) have given a central role to accelerating agricultural and rural development. At the same time there is growing recognition that HIV/AIDS in Africa now has more victims in rural areas where chronic poverty, food insecurity and vulnerability created the conditions for the rapid transmission of the disease.

Industrialized countries for their part have also raised the priority for agricultural and rural development. At their summit in Evian last year, the G8 recognized the need to put rural development in the mainstream of the development agenda, deeming it "necessary to increase productive investment in rural and agricultural development to achieve lasting food security." They further pledged "to work towards reversing the decline of official development assistance to agriculture and increasing trade opportunities for developing countries".

Individual G8 countries are increasing ODA funding. Canada, for example, has announced a programme to enhance ODA for agriculture by five times within the next few years. Another reflection of this new priority for rural development was a selection by the High-Level Segment of the United Nations Economic and Social Council last summer of the theme

“Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development”. In his Report to the session, the United Nations Secretary-General called for an integrated approach, including an enabling macroeconomic policy environment, reversing the decline of domestic investment and ODA in rural development and empowering rural poor to overcome poverty.

Enhancing the voice and participation of developing and transition countries, the second item on the Committee’s agenda, is one to which we in IFAD attaches great importance. But I would take it one step further and emphasize enhancing the voice of poor people in decision-making at local and regional levels. Central to achieving poverty reduction and accelerating rural development is engaging the skills and talents of poor producers to raise productivity, incomes and output so that they can work their way out of poverty.

IFAD for over a quarter of a century has been working with rural poor groups and their organizations with the aim of enabling the poor to overcome poverty. In its experience in 114 countries, supporting poverty programmes with a total investment of about USD 22 billion, we have learned that the poor, especially women, have strong entrepreneurial and other skills and deep knowledge of their local conditions. The poor must be allowed to be the subjects of development rather than be seen as the objects of charity.

Markets and exchange play a key role in the lives of the poor both as producers and consumers. Unfortunately, the markets they face are often asymmetric and inefficient, where they have to pay high prices for inputs and receive low prices for their output.

Leveling the market playing field –locally, nationally, regionally and globally- is among the most important things that we can do to establish the conditions in which the rural poor can overcome poverty. Even for small remote farmers, what happens in international markets often affects the prices they face. Critical in this regards is reducing tariffs on agriculture commodities and eliminating trade-distorting subsidies that now total some some USD 300 billion a year, nearly six times annual ODA. Unfortunately the Cancun Ministerial Meeting earlier this month ended without any agreement. Yet it demonstrated, I believe, that progress is feasible and we need to do everything we can to ensure that the Doha Round lives up to its promise of being a true Development Round.

Agricultural trade reforms will open up important new opportunities for smallholder farmers in many poor countries, especially in several Least Developed countries in West Africa. But to take full advantage, there has to be higher investment and policy priority for rural development, applied consistently in national strategy frameworks such as PRSPs. Yet many PRSPs still do not give sufficient attention to agriculture and to the needs of the rural sector. Moreover, despite greater recognition of the importance of mainstreaming the use of poverty and social impact analysis (PSIA) in policy choice and design, implementation has been so far somewhat limited.

Mr. Chairman,

My final comment is on the HIPC Debt Initiative. IFAD is fully committed to participating in the Enhanced HIPC Debt Initiative. The cost of this participation is currently estimated at about USD 469 million, with a present value of USD 308 million. IFAD so far has not had access to the core resources of the World Bank HIPC Trust Fund. Bilateral contributions to IFAD for HIPC total about USD 45 million. Thus IFAD is internalizing 90% of its HIPC burden which will affect its capacity to provide new assistance significantly, especially in the coming five years. IFAD has substantial exposure to heavily indebted poor countries covered by the Initiative. Taking this into account, IFAD should receive treatment on its HIPC participation comparable to that accorded, for example, to the African Development Bank. I hope the Development Committee which has a major responsibility for the HIPC Debt Initiative will respond in an appropriate way.

Thank you.