

# Regional Strategy Paper

LATIN AMERICA AND THE CARIBBEAN



**IFAD**  
INTERNATIONAL  
FUND FOR  
AGRICULTURAL  
DEVELOPMENT

# Regional Strategy Paper

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## IFAD STRATEGY FOR RURAL POVERTY REDUCTION IN **LATIN AMERICA AND THE CARIBBEAN**

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## REGIONAL OVERVIEW

Almost 64% of the rural population in Latin America and the Caribbean live below the poverty line and, over the last two decades, the number of poor people in rural areas has increased in both absolute and relative terms. Poverty reduction is therefore one of the major current challenges facing the region. The present document outlines IFAD's strategy for reducing poverty in Latin America and the Caribbean, an overview of the region's main characteristics and trends, and a review of the root causes and nature of rural poverty and of what IFAD has learned from experience.

Agriculture and rural economic activities are major sources of employment in Latin America and the Caribbean – more than 30% of the labour force working in agriculture – and are of critical importance in terms of eradicating poverty. Latin America and the Caribbean account for almost 25% of the world's forests and woodlands, and it is the region with the highest forest coverage. It is also one of the main producers of primary commodities such as coffee, sugar, maize, bananas, etc.

From the 1930s to the early 1970s, and particularly after World War II, the majority of countries in the region followed a growth strategy known as 'import substitution industrialization'. The main idea was that, in order to achieve economic progress, developing countries should shift their focus from agriculture to manufacture. The main tools in this process, which was accompanied by agrarian reforms, were import-licensing, tariffs, direct public investment in key industries, low interest rates and easy access to credit under soft monetary regimes. However, this strategy had a number of weaknesses in that: (a) it encouraged industrial growth at the expense of agriculture; (b) it led to distorted allocations of domestic resources and promoted capital-intensive industries (despite serious unemployment); (c) tax exemptions and subsidies created large budget deficits; and (d) it led to overvalued exchange rates. The unsuitability of the model

became increasingly apparent during the debt crisis of the early 1980s.

The 1980s, usually referred to as the 'lost decade', was a period of acute stagnation in Latin America and the Caribbean. The average annual per capita rate of growth for the region as a whole (including the Caribbean) was  $-1.0\%$ . During that same period, important stabilization and structural adjustment measures were taken, which, coupled with a more propitious international environment, allowed growth to resume in the region during the 1990s. These measures included: (a) price deregulation in goods and factor markets; (b) trade liberalization; and (c) reducing the role of the public sector in the economy.

The stabilization and structural adjustment policies implemented by Latin-American and Caribbean governments in the 1980s and early 1990s had a profound effect on the macroeconomic climate and on the lot of the rural poor. The institutional vacuum created by shrinking government policies has also had a damaging effect on the poor. Rural financial services, as well as extension and rural development programmes, often suffered serious setbacks that further aggravated the situation of marginalized populations. Although the overall economic situation improved somewhat in the 1990s, these gains did not generally reflect on the living conditions of the poor. Since 1997, the losses caused by natural disasters (*El Niño*, Hurricane Mitch, landslides and earthquakes) and several international economic crises, have stunted the region's economic growth, limited its short- and medium-term development prospects and significantly increased rural poverty.

The already difficult situation in the Latin America and the Caribbean region deteriorated drastically in 2001 as a result of the slowdown in world trade that was further aggravated by the tragic events of 11 September in the United States. In view of the region's economic openness and its close economic links with the United States, the downward

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revision in the global outlook that followed these events was felt much more in Latin America and the Caribbean than in any other region of the world.

Urban development, market integration and the opening up of the economy provide an *incomplete* picture of what has happened both within the region and in terms of its agriculture. Changes in trade terms and the growth in output and productivity have been far-reaching, albeit unevenly distributed, and have taken place alongside misplaced economic policies, weak institutional development, a vastly diversified geographic landscape that has withstood technological progress and, above all, a lack of pro-poor economic policies that have survived despite the significant advances made in some countries of the region. The limited possibilities for change in Latin-American and Caribbean agriculture have become apparent through the current process of globalization. The voices of the poor, and their organizations, are still waiting to be heard with regard to the design and implementation of economic policies.

The Latin America and the Caribbean region has six unique features that must be borne in mind when designing and implementing rural development strategies aimed at poverty eradication:

- Despite the economic progress that has been made to date, there is still a marked inequality in the distribution of wealth and income in the region. The poorest 20% of the population receive only 3% of all income; the wealthiest 20% receive 60%.
- Indigenous people constitute the largest group (about one third) of all rural poor people in countries of Latin America and the Caribbean. There are more than 200 indigenous ethnic populations in the region, including ethnic minorities of African descent.
- The region as a whole (particularly the rural areas) is *highly vulnerable* to exogenous factors, as illustrated by the effects of the downturn in the global economy and the devastating effects of recent natural disasters.
- There is a serious policy and institutional weakness throughout the region, especially in terms of providing rural people with (direct and indirect) access to assets and the services they require. This situation is exacerbated by the inability of governments to bring together the significant, but dispersed, efforts of the private (producer

organizations and non-governmental organizations [NGOs]) and public sectors (at the national and local levels) in this regard.

- Access to and use of land constitutes a serious problem throughout the region. The majority of agricultural producers work small plots, usually located in marginal, low-productivity areas, and this contributes to the deterioration of natural resources. As a result, off-farm activities, as well as remittances from workers who have migrated to other areas of their home countries or abroad, have become important sources of income for the rural poor.
- As a general rule, the Latin-American and Caribbean countries have been receptive to innovation and novel approaches to rural development. Moreover, a variety of policies and development models have been experimented in the region, at both the macro and micro levels.

The vulnerability of the different economies of the region, coupled with natural disasters, fragile democracies and slow social and economic change, has meant that the level of rural poverty, including extreme rural poverty, has remained unchanged over recent decades (although trends vary considerably across countries).

## RURAL POVERTY IN THE REGION

Poverty, especially rural poverty, continues to be one of the major problems assailing the region, with approximately 44% of its entire population and 64% of the rural population, living below the poverty line. The rural poor are thus generally worse off than those in the urban areas.

In the rural areas of Latin America and the Caribbean, poverty and extreme poverty represent multidimensional phenomena that are influenced by cultural, social and economic factors. Poverty is characterized by:

- social and economic exclusion and discrimination linked to ethnicity and gender;
- lack of, or limited access to, services that meet the basic needs of rural families (health, education, housing, etc.). Social values and poorly developed rural organizations make it difficult for the rural poor to gain equitable access to political and economic resources; and
- income levels that are below the minimum needed to obtain basic goods and services, including food, for the family.

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In view of the above, it would not be appropriate to base any definition of rural poverty in the region solely on income levels to describe the nature and causes of the problem and provide feasible solutions thereto. Poverty in general, and rural poverty in particular, should be seen as a process within which human beings develop and exhibit social and behavioural patterns that shape their actions and relationships within and outside their homes and communities. Poverty is also a mindset: it is the perception that the rural poor have of themselves vis-à-vis the local community, rural society and country as a whole that accounts for the lack of self-worth and low self-esteem common among poor rural men, women and youth.

Rural poverty in Latin America and the Caribbean is frequently associated with geographical isolation, poor communities often being located in remote areas with insufficient and/or unreliable means of communication. In such circumstances, the rural poor create social safety nets based on family relationships, community associations, religious groups or affiliations with indigenous organizations.

#### Types of Rural Poverty

There are two main types of poverty in the region: structural and transitory. Structural (or 'hard' poverty) is found mainly among indigenous communities, rural women and ethnic minorities. People affected by this type of poverty generally have little or no schooling, few or no productive assets, limited knowledge about production, few work skills and lack of access to basic services. Transitory poverty applies to farming families and rural households that have little or no access to land, and are especially vulnerable to changes brought about by structural reform, cyclical economic change, and social and political instability. Any sudden changes in economic policies or the occurrence of crises affect both farm and non-farm incomes, causing periodic drops in earnings and deteriorating living conditions.

#### Magnitude of, and Recent Trends in, Rural Poverty

According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the number of poor in the region amounted to 211.4 million in 1999 (7.6 million more than in 1997), of which more than 89 million lived in conditions of extreme poverty. Poverty rates

continue to be far higher in the rural areas of the region than in the towns and cities.

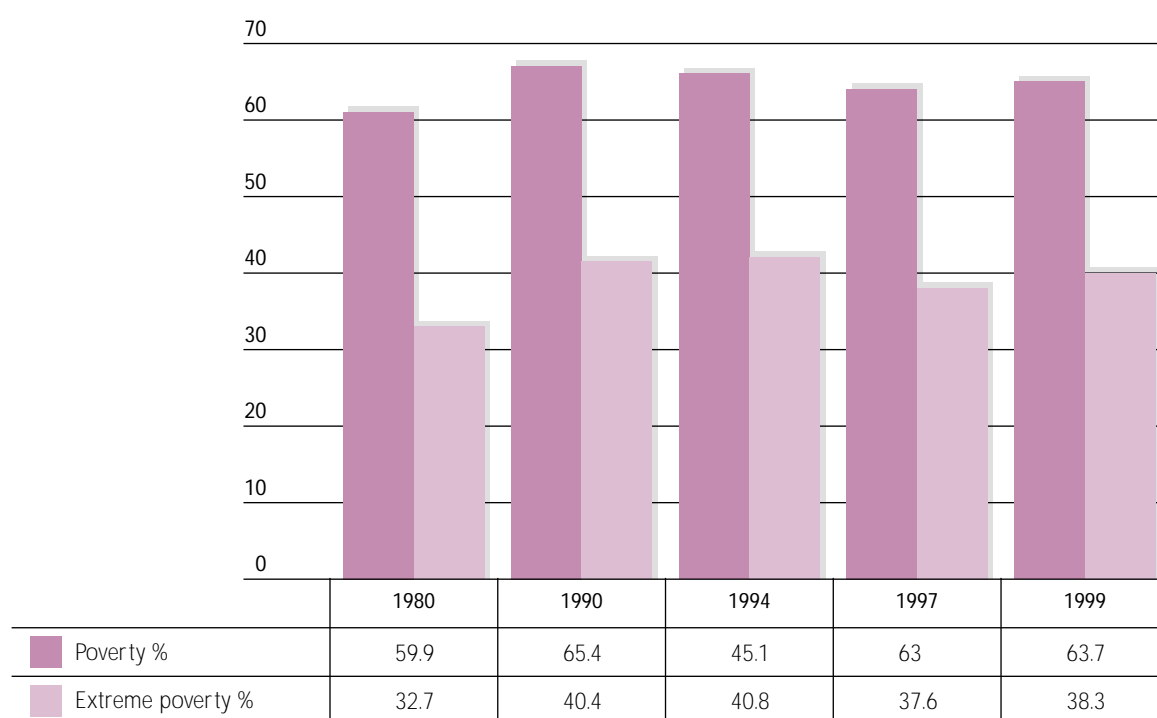
In 1999, there were more than 77 million poor people in the region's rural areas (out of a total rural population of 121 million) of which almost 47 million were living in extreme poverty. Comparison with figures for 1980 show that, overall, the proportion of rural poor increased from 59.9% in 1980 to 63.7% in 1999 (see figure on page 5). In absolute terms, the number of people living in poverty in the rural areas rose from 73 million in 1980, and the number of rural people living in extreme poverty has increased from 39.9 million to 46.4 million over the last two decades. In this context, the poverty-alleviation achievements of the 1990s were not sufficient to reverse the increasing poverty of the 1980s.

Some 8-10 million rural households are headed by women; 2-3 million women are employed in seasonal agriculture or agro-industry; and 30-40 million women with a male partner are partially or totally responsible for agricultural production and small rural enterprises. Rural women have become one of the poorest population groups as a result of internal conflicts, male migration both within and outside the country, natural disasters, and the consequences of structural adjustment.

Halving, by the year 2015, the proportion of people living in conditions of poverty and extreme poverty – one of the main objectives of the United Nations Millennium Declaration – calls for significant efforts on the part of most countries of Latin America and the Caribbean. Economic growth would play a key role in reaching this goal. ECLA has estimated that, during the 1990s, each percentage point of growth lowered the rate of extreme poverty by 1.21%. However, there was a wide dispersion around this mean value and the effect was *much weaker* in the rural areas. This is consistent with IFAD's firm belief regarding the need for explicit and pro-poor development policies, particularly in the rural areas.

Estimations of poverty figures have not been unanimous because different calculating methods have been used. However, while estimates of the number of poor people in the region differ markedly, trend figures on total poverty levels are similar. ECLA's regional poverty estimations were based on weighted aggregate information from household surveys conducted by governments of the region. This included data from 19 countries

Poverty and extreme poverty in rural areas (Percentage of total rural population)



Source: ECLA: *Social Panorama of Latin America, 2000-2001*.

that account for 87.8% of the region's total population. In all cases, the poverty and extreme poverty lines were calculated according to the cost of a 'basic basket' of goods and services that took account of prevailing wage and price structures.

The World Bank estimated poverty levels by using an income of less than USD 1.08 per day as a poverty threshold or universal poverty line. As estimated by the Bank, the total number of poor people in Latin America and the Caribbean in 1998 amounted to 78.2 million (*World Development Report 2000/2001: Attacking Poverty*, Table 1.1). The income figure was estimated on the basis of country income and consumption data derived from studies conducted in 1985-98. That methodology did not, however, take sufficient account of differences among regions or among countries in a given region. Furthermore, it did not take account of the fact that poverty is a relative concept, depending on the social and economic development of a country.

#### Who Are The Poor?

Poor rural people in the region include indigenous peasant communities, shepherds, smallholder farm-

ers, subsistence and landless farmers, rural wage workers, native Amazonian and rainforest Indians, and artisanal fishermen.

In absolute terms, the largest group within the poor rural population of the region is made up of rural indigenous people that encompass indigenous groups in the Andean region, the numerous indigenous communities and *ejidos* of Mexico, the Mayan populations of Guatemala, and the Mapuche of southern Chile. The majority of families in this group live in extreme poverty and constitute the structural poor, or the 'hardcore' segment of the region's poor population. An estimated 24 million people – one third of the rural poor of the region – fall into this category.

The second group is made up of small farmers, who account for 27% of the poor rural population in Latin America and the Caribbean and include roughly 4.6 million small livestock farmers, 8.5 million crop farmers and 11.3 million farmers producing both crops and livestock. The main distinguishing feature of this group is their ownership of small plots of land in arid or semi-arid regions, on hillsides or on the sides of irrigated valleys. Agricultural production takes place on eco-

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logically fragile lands and is subject to the vagaries of the climate.

The third group consists of subsistence and landless farmers (numbering 19.3 million and 9.4 million, respectively). The former are smallholders, whereas the latter have only seasonal or yearly access to leased land. The families of both sets of farmers are among the poorest of the rural population, with incomes that place them below the extreme poverty line owing to the severely limited agricultural production base and their dependence on seasonal demand on rural and urban labour markets.

More than 90% of the rural poor population in Latin America and the Caribbean is concentrated in four major ecological areas: (a) mountain slopes in subtropical zones and arid and semi-arid plateaux; (b) humid and semi-humid tropics; (c) subtropical valleys; and (d) coastal plains. Thirty-two per cent of the entire rural poor population of the region live in arid and semi-arid subtropical areas, which account for more than 9 million km<sup>2</sup>.

Poverty trends in Latin America and the Caribbean have been affected by the lack of improvement in income distribution. The latest estimates indicate that, in most countries, this situation did not improve during the 1990s and that it worsened in some countries. In countries such as Bolivia, Brazil and Nicaragua, the per capita income of the richest quintile (20% of all households) is more than 30 times higher than that of the poorest quintile. Although several countries have managed to expand their economies and social expenditure, and despite increasing concern about inequality issues, income disparity is still one of the main features of, and challenges to, government policies.

### IFAD EXPERIENCE IN THE REGION

IFAD has an effective portfolio of 40 projects in 24 countries of the region, for a total value of USD 636 million in IFAD loans and USD 510 million financed by other donors, borrower governments and beneficiaries. Principal cofinancing partners in the region include the European Union, Inter-American Development Bank, OPEC Fund, the World Bank group, Central American Bank for Economic Integration and Caribbean Development Bank.

IFAD activities in the region include a network of regional and subregional programmes that cur-

rently involve 14 IFAD-financed technical assistance (TA) grants. Such grants play a critical role in IFAD's strategy in that they support projects, promote synergies and facilitate links with civil society. They also provide an innovative way of dealing with the development constraints facing the region, and serve as a tool to enable poor people to rise out of poverty.

The main constraints facing the region in terms of achieving rural development and eradicating rural poverty are: (a) adverse macroeconomic policies; global and regional financial crises and pervasive barriers to trade applied by developed countries; (b) institutional weaknesses; (c) lack of access to assets such as land, water and finance, etc.; (d) limited investments in human and social capital, poor infrastructure and insufficiently developed support services; and (e) difficulties in dealing with issues related to heterogeneity, gender and ethnicity in rural areas.

While the root causes of poverty in Latin America and the Caribbean are based on historical and political factors, macroeconomic policies (fiscal, monetary, exchange rate and price policies) have had a detrimental effect on the rural areas. Moreover, some countries of the region are still recovering from past civil wars and natural disasters, which have deteriorated their social and physical capital, and delayed effective national and local-level institution-building, a precondition for sustainable and equitable growth. Abrupt withdrawals of state institutions from the agricultural sector have not been offset by influxes of private suppliers of support services previously offered by governments in the fields of research and extension, marketing, financial services, construction and maintenance of irrigation systems, etc.

The persistence of poverty in Latin America and the Caribbean is often related to the gradual loss of productive land that affects a large proportion of the rural poor. In many cases, indigenous groups have lost access to land due to their lack of knowledge about property rights and the abuse and discrimination they have suffered. Geographically isolated regions of large countries have also been plagued by guerrilla warfare, drug trafficking and political patronage.

Public investment in social capital (such as education and health) is lower in the rural areas than in the towns and cities, and the poor level of rural

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education prevents emigrant seasonal workers from finding employment as unskilled labourers on the demanding urban job market. Since schooling in rural areas has an opportunity cost for households – namely, the loss of any income that might be earned by children – families send their children to school only in the event the benefits likely to be derived from education are sufficient to offset the loss of that income. Therefore, in order to increase investments in social capital in the rural areas it will be necessary to act on both the supply and the demand side of the labour market.

Another obstacle to overcoming rural poverty in the region is the lack of investment in interpersonal and community relationships, which facilitate communication, knowledge and control of material assets. This lack of investment deepens rural poverty because it increases the transaction costs associated with gaining access to markets. Collective action is therefore essential in order to overcome the economic and social exclusion caused by the absence of social mechanisms that support the most vulnerable members of rural communities.

Yet another problem concerns the management of issues relating to heterogeneity, gender, and ethnicity in rural areas. The region is characterized by growing heterogeneity in the income-generating strategies of rural poor households. Currently, the vast majority of rural families practise mixed farming and earn additional income from non-farm activities. Economic viability does not depend only on agricultural activities but also on the managerial capacity of microenterprises, off-farm work and, ultimately, all activities in which rural families and their members of both sexes participate for the purpose of earning income.

One serious error made by international financial institutions (IFIs) during the 1970s was to believe that the rural poor consisted mainly of farmers with small plots of land and that the best way to reduce their poverty was to help them increase the productivity of that land. However, this approach failed to recognize that the rural poor also include people who have very little or no land, and that this was the segment of the population that was growing the most rapidly and suffering the most serious forms of poverty. One important implication here is that, for a large proportion of the rural poor, assistance should not be limited to development projects ori-

ented towards land and farming. What is needed is a broader concept of rural development that takes account of these trends.

As an organization with a clear and well-focused mandate – the eradication of rural poverty – and long-standing experience of working with the rural poor, IFAD is in a unique position to tackle such constraints. Another distinguishing feature of IFAD in its approach to the poverty problem is its strong emphasis on income-generating activities and focus on enabling the poor to overcome the constraints they face.

### Lessons Learned

For almost an entire decade – while most IFIs reduced their involvement in, or withdrew from, the financing of agricultural and rural development – IFAD has continued to invest, together with the governments of the region, in projects clearly oriented towards rural development and poverty alleviation. Several lessons can be identified from the evaluation of projects financed by IFAD over the last 20 years:

- The reduction of rural poverty calls for policies and programmes clearly targeted in terms of both beneficiaries and geographic area.
- Efforts to improve incomes should focus both on increasing agricultural production and productivity and on developing small agricultural and non-agricultural industries.
- Services provided through rural development projects and programmes must be designed and implemented in such a way as to effectively respond to the target population's needs, based on the principles of demand-driven services and participatory monitoring and evaluation.
- Even when the rural poor are not properly organized, they know better than anyone else what their needs are, and they must therefore be involved in the design and planning of rural development and poverty-alleviation programmes.
- The development of small towns and medium-sized cities, and the promotion of economic corridors, create an environment that is conducive to the reduction of poverty by stimulating the demand for goods and services on local markets and creating job opportunities.
- Improving the well-being of the rural population calls for the strengthening of local institutions,



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both private and public, so as to give the rural poor a greater voice in decisions that affect them. While substantial institutional capacity exists in many rural areas, it needs greater focus and support.

#### Opportunities

As a result of its work in Latin America and Caribbean, IFAD has identified an important set of opportunities to reduce rural poverty in the region, as follows:

- **Supporting native and minority ethnic communities.** As the majority of the 'structurally poor' in the rural areas live in indigenous communities, IFAD's main opportunities are in: (a) supporting indigenous groups to achieve legal recognition of the territories where they live and work; (b) provision of technical and financial support to enable these groups to participate in a fair way in existing markets; (c) supporting the mobilization of public investments to reduce shortages in education, health, housing and local physical infrastructure; and (d) strengthening indigenous organizations to enable them to effectively participate in managing natural resource protection programmes.
- **Eliminating gender inequalities in rural areas** is a concern area for IFAD because women are particularly affected by poverty in rural communities and households. At least three key factors are needed to improve the living conditions of rural women: (a) land ownership; (b) access to formal financial and technical assistance services; and (c) a good level of education and training.
- **Developing and strengthening social capital.** IFAD has learned that strengthening local social capital ensures the sustainability of rural development initiatives by reducing transaction costs in the factor and product markets. The development of social capital is particularly important for unemployed landless farmers and rural workers.
- **Competitiveness and globalization of markets.** Globalization has led to the creation of new income-generation opportunities through increased exports and import substitution (particularly in the agro-industrial and food processing sectors). To take advantage of these new opportunities, small farmers and rural poor entrepreneurs will need to modernize and diversify their production systems, and to identify specific markets for non-traditional export crops, including organically grown products.
- **Development of technology for small farmers and small rural businesses.** Such development contributes to reducing rural poverty in two ways: (a) it enhances the productivity of land and labour, increases household incomes and reduces the pressure on natural resources; and (b) it helps to generate non-farm employment for the rural poor.
- **Supplying effective technical assistance services.** An important lesson drawn from IFAD projects relates to the importance of establishing a suitable institutional framework for providing sustainable non-financial support services in poor rural areas. The development of local markets for extension and technical assistance services should be considered a priority.
- **Innovative rural financial services.** Lack of short-term liquidity and of access to capital for long-term investment are two of the greatest obstacles facing the rural poor. The sustainability of financial systems depends on whether the organizations involved have set up suitable credit policies and technology and on the application of sound economic criteria in financing project portfolios. IFAD's experience in rural finance shows that, by itself, microcredit is not enough to empower the poor to improve their own lives. Access to safe and flexible savings mechanisms and better control systems are also essential.<sup>1</sup>
- **Development of microenterprises and regulation of rural labour markets.** The non-agricultural sector plays a key role in generating employment and in the food security of rural households. The main constraints facing the rural poor are: lack of education, training and practical experience; insufficient physical and social infrastructure; and the need for a political commitment to provide small rural businesses with support that will enable them to benefit from the multiplier effects of agro-industrial development.

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1/ The strategy on rural finance is summarized in the document *Expanding Access to Microfinance in Rural Areas as a Tool for Poverty Reduction: A Strategic Challenge for Latin America and the Caribbean*, presented to the Microcredit Summit, Puebla, October 2001.

- **Access to land and property rights.** If the production base of the rural poor in Latin America and the Caribbean is to be improved, problems concerning access to land will need to be solved. Although agrarian reform based on the expropriation of land is no longer viable, the establishment of markets for land leasing, new types of sharecropping arrangements and contractual agreements for the use of communal forests or indigenous territories provide new opportunities for gaining access to land.

## IFAD STRATEGY FOR POVERTY REDUCTION<sup>2</sup>

The aim of IFAD in Latin America and the Caribbean is to enable the rural poor to overcome their poverty. IFAD strategy derives from four fundamental sources: (a) the unique characteristics of rural poverty in the region; (b) recent financial crises and emergency situations in several countries; (c) IFAD's strategic framework; and (d) its experience in the region.

The rural poor in the region constitute a highly diverse and heterogeneous group. Some countries, including Bolivia, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras and Nicaragua, fall squarely within IFAD's mandate in terms of the degree and extent of rural poverty that they face. Several middle-income countries (such as Brazil, Colombia, Mexico and Peru) have significant pockets of rural poverty. IFAD's operations are targeted directly to such areas, promoting new initiatives to reduce poverty, analysing the results of such initiatives and making the lessons thus learned available to other countries. In all cases, care is taken to adjust the Fund's strategy and projects to the specific circumstances of the country concerned. In this way, IFAD is expected to contribute indirectly to the alleviation of poverty in all regions through a continuous process of cross-fertilization.

IFAD's work in the region aims at stabilizing and increasing the incomes of its target group. Projects concentrate on diversifying household income-generating activities and on creating links with

high-value-added activities such as small-scale agro-processing and markets outside the target group community. IFAD's strategy in the Latin America and the Caribbean region includes the following elements:

- **Empowerment of the rural poor.** In response to the institutional vacuum created by structural adjustment programmes in the region, IFAD works increasingly with grass-roots organizations and NGOs. Unlike other organizations operating in the region, IFAD works exclusively with the most vulnerable rural groups and achieves its strategic goals through the targeting and strengthening of institutions of the rural poor.
- **Taking advantage of market opportunities.** Global markets have created both challenges and opportunities for the rural poor. To take advantage thereof, IFAD projects seek to strengthen links between target populations and the suppliers of innovative technologies, and to help small producers gain access to local, regional and international markets. Project ownership by beneficiaries is promoted through the implementation of demand-driven participatory methodologies.
- **Engaging in policy dialogue.** IFAD has learned that, by itself, project implementation is not sufficient to overcome rural poverty if national policies work against the poor. The Latin America and Caribbean Division (PL) engages in policy discussions with Member States for the purpose of setting up a favourable macroeconomic and institutional environment that both stimulates the rural poor to mobilize their productive capacities and enables them to defend their own interests. It is also essential to explore, together with governments and other international financial organizations, ways of reducing the burden of external debts through financial instruments, such as debt swaps and preferential trade agreements, that either free internal resources for reducing poverty or create new market opportunities.
- **Partnerships.** IFAD continuously seeks new modalities for dealing with rural poverty. Its invest-

2/ One source for the present document (particularly the sections on Rural Poverty in the Region and IFAD Experience in the Region) is the regional poverty assessment prepared by the Latin America and the Caribbean Division, *Hacia una Región sin Pobres Rurales*, Santiago, Chile, November 2000. The task was led by Benjamin Quijandria, Anibal Monares and Raquel Peña-Montenegro. The analysis was updated and further developed by Raquel Peña-Montenegro, Director, and Raul Hopkins, Regional Economist, PL.

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ments in more effective strategic tools, including improved Country Strategic Opportunities Papers and other strategies, have been complemented by increased efforts in networking and better links with IFIs, donors, NGOs, the rural poor, civil-society organizations and the private sector. Extensive partnerships and global engagement are regarded as key factors in strengthening IFAD's catalytic role in rural poverty eradication.

- **Learning across regions and the development of new products.** Interaction and comparisons within and across regions are key elements and guiding principles for the Fund. As a result of its work, PL expects both to contribute to the reduction of poverty in the region and to enhance (and benefit from) work in other regions of the world. It is also necessary that IFAD as a whole, and PL in particular, design 'new products' within projects and regional technical programmes to respond more effectively to the variety of poverty situations existing in Latin America and the Caribbean. Poverty reduction in the region also requires new non-project interventions such as those presently used in sectors other than agriculture.

Two cross-cutting themes in PL's work are:

- **Gender issues.** Women's key role in rural households is usually underestimated. IFAD believes that a lasting impact on poverty will only be achieved once women are able to take advantage of their socio-economic potential. PL's pioneering work in mainstreaming gender through training activities, publications and project implementation is now being promoted through the Regional Programme to Consolidate Gender Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean (PROGENDER).
- **Sustainable agricultural production and use of natural resources.** Countries in Latin America and the Caribbean have a rich natural resource base that IFAD aims to protect and develop by means of its project interventions. Given the close link between poverty eradication and environmental protection, ecological sustainability is a necessary condition for long-term agricultural and rural development in the region.

Flexibility in applying its strategy is one of the salient features of the Fund's experience in Latin America and the Caribbean, and care has been

taken to adjust project design and implementation to the constantly changing macroeconomic and institutional situation in the countries involved. IFAD has demonstrated its ability to learn from past experiences and to incorporate lessons learned into the design and implementation of new projects.

TA grants play a critical role in IFAD's strategy in that they support projects, promote synergies and facilitate links with civil society. Grants have been provided for four regional thematic networks (working on monitoring and evaluation and impact assessment, gender mainstreaming, rural microenterprise development and an Internet-based knowledge management network); nine implementation support programmes working at the subregional level; and one policy dialogue support programme.

These grants assist in overcoming the constraints described earlier in this document. Several of the programmes supported by grants have an important scaling-up and catalytic effect on poverty reduction and interact, in an innovative manner, with other agencies and civil-society institutions working in the region. The Regional Unit for Technical Assistance (RUTA), the Programme for Improving the Technical Capacity of Local Organizations to Support Rural Investment Projects in Central America, Mexico and Panama (SETEDER), the Foundation for Training and Applied Research in Agrarian Reform (CIARA), the Regional Rural Development Training Programme and the Caribbean Regional Unit for Technical Assistance (CARUTA) all provide important technical assistance to projects (see box on page 11), while the TA grant to the Southern Cone Common Market (MERCOSUR) supports policy dialogue. Access to financial assets is supported by the Foundation for International Community Assistance (FINCA International) and the Rural Financial Services Support Programme (SERFIRURAL). Problems in the management of heterogeneity, gender and ethnic issues are the main focus of the Regional Programme in Support of the Indigenous Peoples of the Amazon Basin, PROGENDER and, to some extent, the Regional Support Programme for the Development of South-American Camelids. The Rural Microenterprise Support Programme in Latin America and the Caribbean (PROMER) promotes market access and microenterprise development, whereas FIDAMERICA and the Programme

#### Regional Thematic Networks

- Internet-based networking and knowledge management: FIDAMERICA
- Monitoring and evaluation/impact and learning: PREVAL
- Gender mainstreaming: PROGENDER
- Rural microenterprise development: PROMER

#### Subregional Programmes and Networks

- Training/technical assistance and institutional strengthening: RUTA, CIARA, PROCASUR and CARUTA
- Rural financial services: FINCA International and SERFIRURAL
- Indigenous populations: Regional Programme in Support of the Indigenous Peoples of the Amazon Basin
- Support to South American camelids: TAG Camelids
- Strengthening of local providers of TA: SETEDER/CATIE
- Policy dialogue: MERCOSUR

for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL) provide general support in the key areas of Internet-based networking, knowledge management and impact assessment.

In its lending and TA grant programme, the Fund focuses on the following strategic objectives in the region.

- **Enhanced impact assessment and implementation support.** IFAD accords priority to developing innovative tools for measuring the impact of its projects in terms of more sustainable poverty reduction, and to feeding the results back into the design and implementation of new and ongoing projects. Special attention is accorded to: (a) greater beneficiary participation as a way of increasing project effectiveness and accountability; and (b) exploring innovative and cost-effective methods for monitoring and impact assessment.
- **Improved policy dialogue.** In many countries where IFAD is active, there is an urgent need to develop a more proactive agricultural and rural development policy coordinated with macroeconomic policies. IFAD's experience in demand-driven approaches to rural development programmes, where the poor both identify and

own the solutions, is shared with governments in the process of project design and implementation. This ensures better links between poverty reduction initiatives and rural development programmes.

- **Improved knowledge management and partnership.** The process of learning and innovation is at the core of IFAD's activities in the Latin America and Caribbean region. Five thematic areas of knowledge management have been defined in 2001, taking account of the Fund's previous experience and comparative advantage in the region. These are:
  - (i) rural financial services;
  - (ii) decentralization and empowerment;
  - (iii) development of markets for services relevant to the rural poor;
  - (iv) indigenous people; and
  - (v) access to dynamic regional and international markets.

#### Impact Indicators of Success

The foregoing strategy provides an overview of the main characteristics of poverty in the region, a synthesis of IFAD's experience and a set of guiding principles and tools to overcome the problem. Achievements will be measured on a periodic basis and updated and revised on the basis of lessons

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learned during implementation of the strategy. Such revision will concentrate on changes in the lives of the rural poor; to what extent, and how, IFAD's strategy contributes to enabling the poor to overcome poverty; and, more specifically, on assessing IFAD's contribution to achieving the Millennium development goals. Indicators to measure success in implementing this strategy include:

- Rural poor households increase and stabilize their incomes as a result of project activities. Members of poor households, particularly women, increase their access to productive assets and related required services.
- Small rural producers, grass-roots organizations, NGOs and institutions working with the poor in IFAD project areas participate in designing, implementing and monitoring IFAD projects.
- The rural poor have greater access to local, regional and international markets.
- IFAD projects and TA grants influence government policies that benefit the poor, and create a favourable and enabling environment for overcoming poverty.
- Extensive and effective partnerships for poverty alleviation are developed among IFAD and other organizations working at the regional and national levels.
- Interaction and comparisons within and across regions lead to the development of new tools, methods and policies for poverty alleviation. The new methods strengthen women's position within their communities.
- New methods are developed to handle the management of natural resources in a cost-effective and sustainable manner.



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