

# **RURAL INNOVATION AND SUPPORT TO SMEs FACILITATION UNIT**

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## **Introduction**

The Global Forum on Agricultural Research (GFAR) is a stakeholder led initiative aiming at promoting cost-effective partnerships and strategic alliances among the various institutional actors involved in agricultural research and development (R&D). The GFAR is made up of several stakeholder constituencies including the national agricultural research systems of developing countries (NARS), regional and sub-regional organizations (NGOs), farmers organizations, the private sector, the international agricultural research centers (CGIAR) and the Donors.

IFAD supports GFAR and Chairs the GFAR Donor Support Group.

The GFAR Secretariat is mandated to mobilize the various stakeholders that constitute the global agricultural research community in order to:

- Facilitate the exchange of information and knowledge,
- Foster cost effective collaborative research and development partnerships among the various stakeholders related to agricultural research and sustainable development,
- Promote the integration of NARS (including NGOs, Universities and Farmers' Organizations, inter alia) and the enhancement of their capacity to generate and transfer technology that responds to the needs of end-users,

- Facilitate the participation of all stakeholders in the priority setting process, in order to achieve a truly global framework for development oriented research, and
- Enhance awareness among policy makers and donors of the need to secure long-term commitment and investment in agricultural research

## **1. Main features.**

The need for an increased facilitation role played by the GFAR Secretariat, in order to involve the various stakeholders in discussions proposing programs and addressing issues of global vision, has led to the proposal of the creation of a “Rural Innovation and support for the SMEs Facilitation Unit”. In some contexts Small and Medium Enterprises are a powerful force for poverty reduction. A dynamic SME sector can galvanize an entire economy, creating jobs and spurring growth.

This proposal addresses the issues outlined during the regional priority exercise that GFAR has supported in the last year. All the regional and sub Regional Fora have identified the importance of creating programs to support innovative projects of agroindustrial development. Also there is a full recognition that knowledge, competence and expertise has to be shared among stakeholders both in developed and developing countries, and pledge to increase co-operation between the North and the South. Partnership is the basis of scientific co-operation in ARD, and underlines the importance of involving all stakeholders in setting ARD priorities, designing and implementing programmes, monitoring them and evaluating their impacts, as well as in developing new approaches and methods for greater efficiency.

Such issues are coherently carried out by GFAR under the framework of Rural Innovation which comprises a broad range of initiatives and activities, including off farming employment and off farm income, and post-harvest and processing aspects on a commodity-chain (“filiera”) approach.

Recent activities at GFAR have particularly concentrated on projects comprising the above mentioned aspects, namely:

1. *Global Initiative on Post-harvest Technology (GIPhT)*. A FAO/AGSI initiative geared towards facilitating development within the post-harvest sector of developing countries.
2. *Linking Farmers to the Market*, a CGIAR initiative. The project is focused on food security and sustainable development, to be achieved through dynamic post-harvest interventions that equitably link small holder farmers to the market.
3. *Program on Innovation and Agroindustrial Development: Poverty reduction and Sustainable Development (PISA)*, promoted by Regione Toscana, IAO, IFAD. An

International program, whose general objective is to support innovative projects of agroindustrial development, aimed at generating value added and employment in the rural sector.

## **2 GFAR and the UN Agencies**

Considering the dialogue between GFAR and the United Nations agencies, in particular with FAO/AGSI, which has led to the implementation of the Phase I of the GIPhT Project, but also with IFAD (which is the chair of the donors to GFAR), an increasing central role played by GFAR can be envisaged for the future. Concerning the AGS (Agricultural Support System) division in FAO, this will in fact be going under a major restructuring that will result in the creation of two separate units, by:

1) Merging the *Farm Management and Production Economics Service* (AGSP) with the *Marketing and Rural Finance Service* (AGSM) into one service called: Agricultural Management, Marketing and Finance Service (AGSF), and

2) Merging the *Agro-Industries and Post-harvest Management Service* (AGSI) with the *Agricultural Engineering Branch* (AGSE) into a second service called Agricultural and Food Engineering Technologies Service (AGST).

The restructuring of the AGS division<sup>1</sup> provides a hint on how such issues (post-harvest, marketing, management, rural finance, etc.) are becoming increasingly crucial in the context of agricultural development, and how the all related activities (for example research, project formation and implementation) need to be more integrated and share a global vision, to better address the problems of sustainable development and poverty reduction.

### **2.1 Objectives**

By providing a focal point, a central knowledge database, where to refer for the issues on rural innovation, the establishment of the Facilitation Unit, will allow GFAR to create the basis for a more effective collaboration with the AGS division, and in general will help the Secretariat to strengthen its position as a facilitator to the debate on agricultural research for development.

Within this context the unit will promote and foster the discussion on issues of relevant concern to the development of SMEs in the rural poor regions. These relate, for example, to Rural Finance and Microfinance in particular. The latter has evolved as an economic development approach intended to benefit low-income population. The term refers to the provision of financial services to low income clients, and has followed the path of a market

oriented approach. The definition of Microfinance includes both financial and social intermediation and is not simply banking, it's a development tool<sup>2</sup>. When considering such thematics, the relation between GFAR and IFAD can provide an extra value added to the discussion, by giving access to all stakeholders to the vast knowledge provided by IFAD's gained experience in this specific sector.

SMEs development, though, is also dependant on support from strong intermediary organizations, such as chambers of commerce, business associations and trade organizations, which can facilitate access to international markets, disseminate global industry knowledge, and provide SMEs with increased learning and investment opportunities. This can provide an extra reason to create a facilitation unit, in order to supply the private sector an extra voice in the discussion, and also to facilitate the formation of partnerships between the various stakeholders (eg Universities), with the goal of strengthening the research on agroindustrial development.

### **3. Conclusions**

The importance of facilitating agricultural research in such fields is central to achieve the goal of sustainable development and the reduction of poverty.

When considering Rural Innovation, SMEs and agroindustrial development, a vast range of needs and cross-cutting issues have to be taken into account, hence the importance of a common discussion platform. There is a growing need of a more effective interaction between Academic Institutions, Government bodies, industries and all possible stakeholders in order to promote sound entrepreneurial activities in the rural poor regions.

The facilitation unit will function as a focal point, providing a common meeting place where all the Global Forum stakeholders can meet, identify and bring together their comparative advantages in the research and development process, a bottom-up approach will be privileged.

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<sup>1</sup> The restructuring has been approved by the Human Resources Committee with effect from 1 August 2002.

<sup>2</sup> Microfinance activities usually involve: 1) small loans, typically for working capital; 2) informal appraisal of borrowers and investments; 3) collateral substitutes, such as group guarantees or compulsory savings; 4) access to repeat and larger loans, based on repayment performance; 5) streamlined loan disbursement and monitoring; 6) secure saving products.