Interview with Bettina Prato, Regional Director a.i. of the Latin America and Caribbean Division of the International Fund for Agricultural Development (IFAD)

IFAD invests in the development of the most disadvantaged rural communities. Its objective is to empower the rural population to reduce poverty, increase food security, improve nutrition and strengthen resilience. Its interim Regional Director, who participated in 55th ALIDE General Assembly, reflects on the fundamental role of public development banks and innovation as drivers of sustainable development in Latin America and the Caribbean.

1. WHAT IS IFAD'S MANDATE AND WHAT IS ITS PRESENCE IN LATIN AMERICA?

IFAD is an international financial institution and a specialized agency of the United Nations, whose working model is based on investment with concessional loans and grants in rural development programs and projects, in close collaboration with governments, other financial institutions, rural communities and the private sector. We operate in more than 80 countries worldwide and have invested more than US$25 billion since our inception in 1977.

In Latin America, we have a portfolio of projects for around US$2.5 billion. Most of our investments are focused on connecting family farmers and rural communities to markets, and providing access to financial services, technology, and knowledge to improve their livelihoods. We also invest in strengthening rural and agricultural productivity, promote climate adaptation and sustainable management of ecosystems in harmony with nature, and work to improve nutrition and strengthen local institutions. Our focus concentrates exclusively on the rural world, especially women, youngsters, indigenous peoples, and vulnerable communities and households.



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Rural populations are fundamental to boosting economies and making food systems more sustainable, both in terms of their environmental footprint and the impact on livelihoods and nutrition. By investing in them, enormous benefits can



be achieved in terms of the economy and impact on development.

2. IFAD WORKS IN THE SECTOR OF INVESTMENT FOR DEVELOPMENT. WHERE DO YOU SEE THE GREATEST CHALLENGES AND OPPORTUNITIES IN THE REGION?

Many challenges related to rural and food systems can also be addressed as opportunities from a perspective of financing for development. Let us take as an example extreme weather events, which are having an increasingly disruptive impact on rural economies, from Mexico, Central America, and the Caribbean to South America. In 2024, we suffered the passage of Hurricane Beryl through the Caribbean. The Amazon basin suffered one of the most severe droughts in its history, and serious forest fires were declared in Brazil, Mexico, Belize, and Chile, to cite a few examples. These natural disasters have a strong negative impact on the economy in general and on agriculture: they cause the loss of crops and livestock, damage productive infrastructures and interrupt supply chains. In short, they put at risk the progress that we have made in the fight against food insecurity and malnutrition in recent years.

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The new climate reality represents a major challenge, but it also offers an opportunity to invest in more sustainable and efficient models of agricultural production, processing, transport and even energy production and distribution. This vision of adaptation to climate change is at the heart of our work. For example, in Brazil, in the Amazon region of the state of Maranhão, we work with rural organizations to develop business plans aimed at preventing deforestation and promoting the restoration of degraded lands. In the state of Bahia, also in Brazil, an IFAD-supported project recognizes the value of the work of farmers in preserving the environment. Through payments for environmental services to producers, the benefits in terms of reforestation, water and carbon capture of sustainable cacao cultivation are promoted.

Other major challenges have to do with the limited institutional capacity –especially in the local institutions and in the agricultural sector– and territorial, economic and gender inequality. The latter is evidenced, among other indicators, by the greater prevalence of food insecurity among women than among men. Moreover, the rural areas in many countries where we work suffer from problems of violence and insecurity.

3. HOW CAN INVESTMENT BE ARTICULATED TO ADDRESS THESE CHALLENGES?

These challenges can be addressed, at least in part, through inclusive investment models and smart, strategic partnerships, that incorporate the public and private sectors. We must also take advantage of technological advances to reduce the risk and cost of connecting the most remote rural areas to services, finance and markets. Today we have new technological solutions, with a population increasingly familiar with digital media –including rural areas, particularly among youngsters– and with a growing interest in sustainable investments on the part of governments and the private sector.

There are investment models on which to build in order to move from small pilot projects to high-impact programs, such as structured funds and facilities. There is also an appetite for innovative mechanisms allowing to generate large-scale financing for rural investments. We need to continue to focus on this agenda and ensure that all actors work in alignment in order to take advantage of the potential of the instruments and knowledge that we have, and channel it toward effective and scalable investments in the region.

4. WHAT KIND OF FINANCIAL INSTRUMENTS CAN HELP

INCREASE INVESTMENTS IN RURAL COMMUNITIES?

It is important to distinguish between the instruments needed to mobilize more financing and those that serve to channel that financing in the form of products and services adapted to rural communities.

As for mobilization, concessional public financing continues to play an important role, especially from the perspective of reducing risks and as a catalyst for private investment. When I talk about risk reduction, I don't just mean doing it from a financial standpoint, for example, by taking on first-loss positions or providing collateral. We also reduce risks and transaction costs through investments in quality infrastructure, increasing the productivity and economic capacities of rural communities, strengthening the market and regulatory environment, as well as improving the quality of products. All of this is fundamental to improving the return on investment in rural areas and agri-food systems.

Besides, there is scope to develop more innovative instruments to mobilize capital, such as development bonds, green bonds, impact bonds, debt-for-nature swaps, and portfolio securitization, among others. These are areas where the financial institutions in the region are already active or can play a very important role. In particular, public development banks can be at the forefront of innovation in the financial ecosystem.

A different question is what financial tools we need to increase the productive capacity of small-scale farmers, facilitate their access to markets and strengthen their resilience. Innovation and technology have expanded the offer of new products and services that can help us in this objective. For example, blockchain technology allows for better registration and traceability of the information on producers, thus facilitating their access to credit and markets. This is the basis of the Agroweb3 project, a platform that was born as a result of a collaboration between IFAD and the Inter-American Development Bank and which, among other things, will support the financial inclusion of the producers with whom we work in the region.

5. WHAT KIND OF INNOVATIONS IS IFAD IMPLEMENTING IN THE REGION?

At IFAD, innovation is part of our DNA. As a specialized international financial institution, we have often taken on the role of 'innovative investor'. We have put in place innovative practices and approaches that we were subsequently able to expand into national or regional programs of a larger scale, led by governments, private investors and other international financial institutions.

Innovation, for us, is not just about technology, but about finding new solutions to the challenges and opportunities related to our mandate. This may include promoting institutional innovations. For example, in the local governance of natural resources, innovative methods of agri-food production, supporting financial institutions in the design of new specialized products for small-scale family farmers, working with governments to develop the digital infrastructure or digital services and markets, and much more.

In the region, one of IFAD's priorities is to use its financial resources and partnerships to foster a dynamic ecosystem in which innovative business models are developed to improve access to products and services for the rural population. One example is our Innovatech project, which connects tech startups with small producers. The program encourages startups to develop digital applications that producers may easily adopt to improve the management of their businesses, have access to machinery and tools, find new marketing channels, educate themselves financially and access financial services, among other benefits.

6. WHAT ROLE CAN PUBLIC DEVELOPMENT BANKS PLAY IN RESPONDING TO CHALLENGES AS IMPORTANT AS FOOD INSECURITY?

Although there were advances in two consecutive years, still 41 million people suffered from hunger in the region in 2023, and close to 188 million suffered from food insecurity. Rural areas, where paradoxically much of the



food is produced, suffer to a greater extent. One of the main challenges to rural development is the lack of access to financial services by smallholders. In this context, public development banks have a strategic role to play in driving rural development, given that they provide almost two-thirds of formal agricultural credit at a global level. Thanks to their financial capacity and their mandate to correct market failures, they can mobilize private capital and invest in sectors underserved by the traditional market, but which are important from an impact perspective.

The region's national development banks have pioneered innovative solutions, such as green financing, partial credit guarantees and partnerships with rural communities. However, the solution to a challenge of this magnitude requires the collaboration of multiple actors, including the private sector, governments and international organizations. At IFAD, we reaffirm the commitment to continue developing innovative financing models for rural development, in partnership with other institutions. These models include mechanisms such as loans with favorable conditions, interest rate subsidies, and guarantees to reduce risk, thus attracting more investments toward smallholder farmers.

7. IS IFAD WORKING WITH PUBLIC DEVELOPMENT BANKS IN THE REGION?

Yes. We work with the public development banks of the region in different ambits. In Brazil, IFAD is financing a project with the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Green Climate Fund and the governments of the northeastern states of the country, representing a joint investment of US$252 million. The project promotes sustainable land management and climate resilience, and is expected to have a positive impact for one million people. This is the first financial operation that IFAD has managed directly with a national development bank. This is a successful example of collaboration among various institutional and financial actors, an avenue that we want to continue exploring in other countries in the region.

We are also working on strengthening public development banks. In May, during the ALIDE Assembly, we launched the project "Inclusive Financial Ecosystem for the Transformation of Food Systems", with Rabo Partnerships. This initiative, which will be developed in the region in Bolivia, Colombia, Ecuador and Mexico, seeks to strengthen the institutional capacity of national development banks; facilitate dialogue and partnerships between governments, financial institutions, the private sector and producer organizations; develop innovative financial solutions; and exchange knowledge.

Moreover, IFAD sponsors, in partnership with the French Development Agency, the Platform of Public Banks for Agricultural Development, which gathers some 140 public development banks and 8 regional organizations or networks from 96 countries. The platform promotes investment in sustainable agricultural development and does so by promoting knowledge sharing and strengthening the capabilities of public development banks. For example, it offers training on how to integrate agroecology into the operations of public development banks, so that they can support the transition of producers toward more sustainable practices.

