



IFAD
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BRIEFING PAPER ON COOPERATION BETWEEN IFAD AND WFP

COMBINING MICROFINANCE WITH FOOD AID

I. COMPLEMENTARITY OF OPERATIONS

1. IFAD was established in 1977 as a specialized United Nations (UN) agency to help developing countries combat rural poverty by mobilizing financial resources to provide loans on concessional terms for agricultural and rural development projects. Unique among international financial institutions, IFAD has a single mandate: to combat hunger and rural poverty in the low-income food-deficit regions of the world, with the aim of improving the livelihoods of the rural poor on a sustainable basis.
2. WFP was established in 1963 as the food aid agency of the UN system. It provides food aid to save lives in emergency situations, to improve the nutrition and quality of life of the most vulnerable people at critical times, to help develop infrastructural resources and to promote the self-reliance of poor people and communities.
3. IFAD and WFP operations are complementary insofar as they address the needs of the rural poor. WFP is an important cofinancier of IFAD-initiated projects. From 1978 to 1998, WFP cofinancing of IFAD-initiated projects amounted to USD 118.7 million; this represented the fourth largest volume of cofinancing among multilateral institutions in the same period (see attached chart).
4. Through cofinanced projects, IFAD normally supports credit-based activities and finances the costs of skilled labour, while WFP focuses on food-for-work programmes for unskilled labour. Field experience has confirmed that in assisting the most vulnerable populations in remote rural areas, the benefits of support can usually be enhanced when microfinance and food aid are combined, especially if rural infrastructure and earthwork activities are funded. WFP food aid helps develop rural infrastructure as a base on which IFAD funding can build to establish sustainable development. At the household level, food-for-work provides a stimulus for the poorest to generate the initial surplus income needed to break the poverty spiral, thus contributing to a gradual increase of investments in agriculture and off-farm economic activities as part of the sustainable development process supported by development agencies such as IFAD.



II. ASPECTS OF COOPERATION

5. IFAD and WFP cooperate closely in the following sectors:

- (a) Post-crisis assistance,
- (b) Joint programming of development projects,
- (c) Enhanced information sharing.

Post-Crisis Assistance

6. IFAD is a lead agency in helping the rural poor afflicted by crisis. The main objective of IFAD support is to help the rural poor withstand the impact of crisis and enhance their resilience to future crises through development-oriented interventions. IFAD always perceives partnership as the essential prerequisite for ensuring the efficiency and effectiveness of assistance to the rural poor, particularly in post-crisis situations where diversified forms of assistance are required.

7. WFP is IFAD's most important partner in post-crisis assistance operations. WFP has experience in supporting food-for-work activities related to the rural rehabilitation and reconstruction process, including schemes to promote seed protection. IFAD's comparative strength lies in financing activities that provide the resource base for longer-term post-crisis recovery and sustainable economic development. These range from providing funds for agricultural input supply to setting up savings and credit organizations.

8. The Kidal Food and Income Security Programme in Mali is a good example of IFAD/WFP cooperation. In the mid-1980s, severe drought led to the displacement of destitute nomads in the northern part of the country. As a response, IFAD took the initiative of developing a food and income security programme in the Kidal area. IFAD first implemented a small pilot project in 1986-87, in collaboration with WFP to identify the difficulties of the target group. The pilot project combined food supplies with herd restocking, and covered over 350 destitute households. The experience gained was used as a basis for the formulation of the full Kidal programme, which was approved by the Executive Board of IFAD in 1988. The objective was to rehabilitate the local economy and contribute to long-term resolution of the socio-economic problems of the Kidal area. The main programme activities included credit for agricultural inputs, vegetable gardening schemes and income-generating activities. WFP cofinanced the programme with USD 0.34 million in food aid.

9. Other similar examples can be found in countries such as Angola, D.P.R. Korea and Rwanda. Currently, IFAD and WFP are collaborating in developing the IFAD-initiated Burundi Rural Recovery Programme. Areas of collaboration are focused on activities requiring labour-intensive inputs, such as swamp rehabilitation, reforestation, road rehabilitation, erosion control and terracing. Food aid provided by WFP will be used in the form of food-for-work.

Joint Programming of Development Projects

10. Given their operational complementarity, IFAD and WFP cooperate on development-oriented projects targeted at the rural poor, mainly through joint programming and parallel financing of mutually complementary activities. The case of China is a notable example.

11. IFAD and WFP started operations in China in 1979. The combined assistance portfolio now totals about USD 1.1 billion, accounting for almost 50% of the total cost of approximately USD 2.3 billion for rural poverty alleviation operations supported by IFAD and WFP in China. Generally speaking, IFAD and WFP projects have been integrated and area-based, aimed at providing the rural poor with a full package of services that offer maximum impact. In view of the obvious advantage of combining IFAD and WFP efforts, the Government agreed to the development of a



jointly-financed IFAD/WFP project in 1994. Project design and formulation were undertaken by the two agencies, leading to the approval of the first joint IFAD/WFP project in China in 1996. The value added of such an approach was that it permitted targeting a larger number of beneficiaries and larger project area. Moreover, the impetus for sustainable development was strengthened through the combination of WFP food-for-work and food-for-training and IFAD loans for microfinance.

12. In 1997, IFAD supported WFP in its Vulnerability Assessment and Mapping (VAM) exercise, which formed the basis for consultations between IFAD and WFP on joint identification of potential project areas in China. In April 1998, the first preliminary findings of the provincial VAM were agreed, leading to identification of a new pipeline project for joint programming.

13. These IFAD/WFP projects in China have demonstrated their comparative advantage in supporting integrated rural development project activities:

- (a) **Food aid** is useful for upgrading and expanding the natural resource base through irrigation, drainage and terracing. Food aid is also useful for supporting basic literacy and technical skills training — especially for women — which ultimately contribute to enhancing the capacity of beneficiaries, thus helping ensure the efficient use of credit.
- (b) **Microcredit** is essential for supporting investments in productivity, crop development and diversification by providing better access to inputs and working capital. It forms the basis for ensuring the sustainability of operations.

14. IFAD and WFP are also working in tandem to upgrade productive capacity and agricultural practices in the Peruvian Andes. WFP assistance is focused on redressing the serious ecological damage to, and loss of productive capacity in, 65 small watersheds. At the same time, IFAD has initiated a project to improve agricultural practices by providing extension services and training for target communities.

Enhanced Information Sharing

15. In view of their operational complementarity, IFAD and WFP are engaged in various forms of information sharing. The objective is to ensure that potential areas for joint action can be properly identified. There are regular, frequent meetings and consultations between IFAD and WFP, at both policy and operational levels. IFAD and WFP also share their respective planned project activities and mission schedules.

III. PROJECT-LEVEL COOPERATION SOME RECENT EXAMPLES (SINCE 1995)

Niger:

Special Country Programme - Phase II

(approved in September 1995)

Total cost: USD 20.0 million
IFAD loan: USD 14.9 million
WFP food aid: USD 1.4 million

The programme's primary objective is to help achieve food and income security by increasing agricultural and livestock production. **Main components** are: (a) Niger and Komadougou River Valley development (including restructuring of existing irrigation blocks, development of 10 new



ponds, and technical training for beneficiaries); (b) village-based natural resource management in rainfed farming areas (including training of village leaders and resource users, elaboration of a Village Land-Use Plan, and soil and water conservation); (c) community-based natural resource management in pastoral areas; and (d) support for a rural financing system. The programme will directly benefit about 11 000 farm households and 4 000 pastoral households. **WFP** food aid contributes to food-for-work activities under components (a) and (b).

Sri Lanka:

North-Central Province Participatory Rural Development Project

(approved in September 1995)

Total cost: USD 19.56 million
IFAD loan: USD 8.53 million
WFP food aid: USD 1.92 million

The project was designed to help improve the food security and nutrition of target families, and to address the main causes of ill health, which adversely affects agricultural productivity in the project area. **Main components** are: (a) social mobilization and participatory planning; (b) water resources development and management; (c) agricultural development; (d) storage, processing and income generation; (e) rural financial services; and (f) health and nutrition. The project will benefit an estimated 24 000 households. **WFP** food aid contributes to the rehabilitation of microtanks.

China:

Northeast Sichuan and Qinghai/Haidong Integrated Agricultural Development Project

(approved in September 1996)

Total cost: USD 108.11 million
IFAD loan: USD 27.86 million
WFP food aid: USD 32.12 million

The project aims to help ensure food security and improve the living conditions of 370 000 households in the project areas. **Main components** are: (a) agricultural development (including land improvement, institution-strengthening, protective forestry), (b) rural infrastructure (including village roads, drilling wells, and digging ponds for village drinking water supply); (c) social development activities for women (including basic literacy training courses, technical training in business skills and agricultural technology, and special credit lines for women); and (d) project and credit management. **WFP** food aid contributes to financing food-for-work activities, such as land improvement (including irrigation, terracing and increasing soil depth), rural infrastructure (including village roads and drinking-water supply), and training.

Viet Nam:

Agricultural Resources Conservation and Development Project in Quang Binh Province

(approved in December 1996)

Total cost: USD 17.8 million
IFAD loan: USD 14.4 million
WFP food aid: USD 0.7 million

The project's primary objective is to increase household incomes and food security for about 65 000 households. **Main components** are: (a) irrigation rehabilitation; (b) livestock development (including pigs, cattle and goats); (c) aquaculture development (including floating cage fish culture,



brackish water shrimp culture); (d) sand dune fixation; and (e) rural road rehabilitation. **WFP** food aid contributes to food-for-work operations in forestry, irrigation and village road construction.

Bangladesh:
Agricultural Diversification and Intensification Project
(approved in April 1997)

Total cost: USD 32.36 million
IFAD loan: USD 18.92 million
WFP food aid: USD 5.13 million

The project's primary objective is to increase the incomes and improve the nutrition of landless and marginal families, and to help small farmers achieve higher productivity and diversify into higher value crops. **Main components** are: (a) community development (including group activities facilitated by NGOs); (b) agricultural development (including research and extension, embankment and drainage schemes); (c) community infrastructure; and (d) rural savings and credit. The project is located in four districts north of Dhaka and has a target group of 1.09 million people. **WFP** food aid contributes to carrying out the earthwork related to rehabilitation of embankment and drainage schemes under component (a) and rural roads under component (c).

China:
Southwest Anhui Integrated Agricultural Development Project
(approved in September 1997)

Total cost: USD 55.7 million
IFAD loan: USD 26.5 million
WFP food aid: USD 2.8 million

The objective of the project is to reduce the persistent food deficit of about 123 000 households, thereby raising their standard of living. **Main components** are: (a) rural infrastructure (including irrigation facilities, rural access roads, water management); (b) agricultural production (including intensification and diversification of agricultural crops, livestock, fisheries and agro-forestry); and (c) support for women and social services. **WFP** food aid contributes to the training of women and children. The poorest families are expected to receive a greater share of food aid because of the targeting of child-bearing women and children's education.

Bangladesh:
Aquaculture Development Project
(approved in April 1998)

Total cost: USD 23.7 million
IFAD loan: USD 20.0 million
WFP food aid: USD 1.2 million

Building on the experience gained and lessons learned from the **IFAD**-funded Oxbow Lakes Small-Scale Fishermen Project, the project focuses on two disadvantaged groups of rural poor — landless, near-landless and women; and marginal and small-scale farmers. **Main components** are: (a) community development (to ensure access to water bodies and services); (b) women's participation in pond aquaculture and income-generating activities; (c) rehabilitation of suitable large water bodies and fish ponds; and (d) upgrading of rural roads. The project will benefit 24 220



households. **WFP** food aid contributes to the rehabilitation of water bodies/ponds and the upgrading of rural roads.

China:

Wulin Mountains Minority-Areas Development Project

(approved in September 1998)

Total cost: USD 107.2 million
IFAD loan: USD 28.0 million
WFP food aid: USD 18.6 million

The project's primary objective is to reduce the prevailing chronic level of poverty in 92 poor townships through increased food and cash crop production. **Main components** are: (a) seasonal and medium-term credit; (b) rural infrastructure (including drinking water, health and education facilities); (c) intensification and diversification of agricultural production, through land development, seed multiplication and training/extension; and (d) social support services (including literacy and technical skills training, basic health care and nutrition training, a group savings scheme). The project will benefit about 390 000 households. **WFP** food aid will contribute to infrastructure development and training (especially for women's activities) under components (b) and (d).

Sri Lanka:

Matale Regional Economic Advancement Project

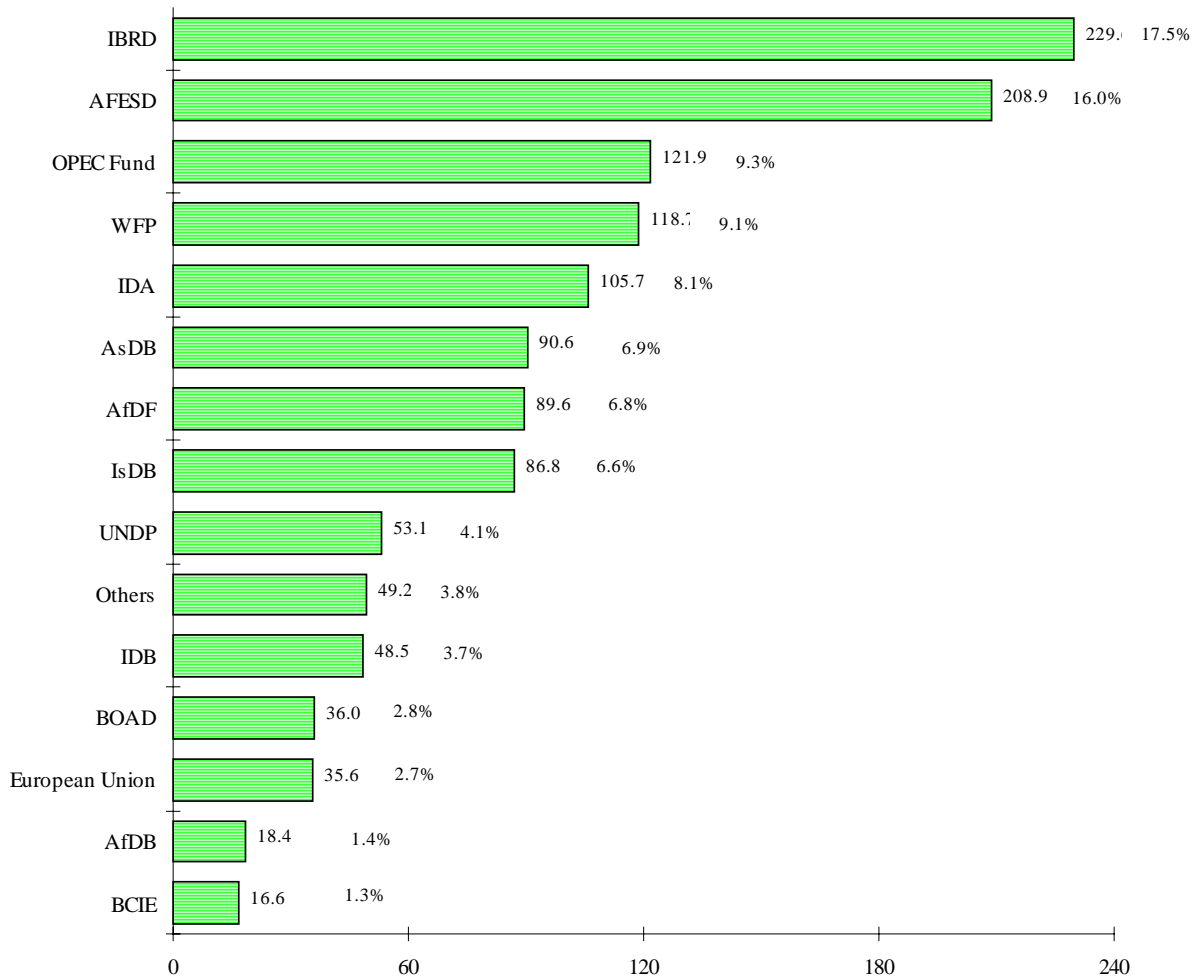
(approved in December 1998)

Total cost: USD 14.47 million
IFAD loan: USD 11.71 million
WFP food aid: USD 0.24 million

The objective of the project is to help enhance the access of rural poor (especially women and youth) to profitable economic activities in agriculture, non-farm employment and non-farm enterprises. **Main components** are: (a) agricultural commercial development (including seed production and quality improvement, land and water management, marketing and technology development); (b) enterprise development and employment (including micro/small enterprise promotion, rural income-generation, and vocational training); (c) rural financing (including enterprise development credit, and discretionary funds); and (d) project and company management. The primary target group comprises an estimated 30 000 households (half of them headed by women). **WFP** food aid contributes to irrigation rehabilitation (tanks and anicuts) under component (a).



Cofinancing of IFAD-Initiated Projects by Multilateral Donors under the Regular Programme and the Special Programme for Africa, 1978-98



The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing for IFAD-initiated projects. Amounts in USD million.