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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Eighty-Fifth Session**  
Rome, 6-8 September 2005

**IFAD POLICY ON CRISIS PREVENTION AND RECOVERY**



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**ABBREVIATIONS AND ACRONYMS**

CBO	community-based organization
COSOP	country strategic opportunities paper
IDA	International Development Association (World Bank Group)
LICUS	Low Income Countries Under Stress
PBAS	performance-based allocation system



## I. INTRODUCTION

### A. Purpose and Background of Paper

1. In September 1998, the Executive Board approved the *IFAD Framework for Bridging Post-Crisis Recovery and Long-Term Development*, which provides a framework for case-by-case involvement in post-crisis countries. However, since then, international experience in the field of crisis and development has grown considerably. While the overall objectives and scope of activities that IFAD currently supports in crisis-prone and crisis-affected countries are appropriate, recent operational lessons<sup>1</sup> point to a need to strengthen policy guidelines drawing on the Fund's experience responding to both man-made and natural disasters by: (a) developing policy guidelines that include new analytical, strategic and programme assistance instruments; (b) streamlining and accelerating design and implementation processes and procedures for working in such exceptional circumstances; and (c) mobilizing and leveraging scarce human and financial resources for crisis-prone and crisis-affected countries through harmonization and partnership-building.

2. This paper is intended to elicit comment from Board members with an eye to finalizing the IFAD Policy on Crisis Prevention and Recovery. The paper serves as a platform for further work on the proposed policy framework. In the light of this discussion, a revised policy paper would be presented to the Board for its consideration, after which operational guidelines would be developed. Following previous dialogue with the Board, it has been determined that such a framework should address man-made and natural disasters and crises, while respecting the differences between them and ensuring that a tailor-made approach is used to deal with individual cases.

3. Over the past decade, crises driven by natural and human causes around the world have increased by about 60%, from 500 cases in 1991 to 784 in 2000. During the same period, almost 3 million people lost their lives (two thirds as a result of conflict); a further 2.4 billion were affected in one way or another (millions were displaced or rendered homeless), and trillions of dollars in financial investments and physical assets were forgone or destroyed. In 1999 alone, emergencies (not including acts of terrorism) claimed more than 100 000 lives across the globe and resulted in total losses of around USD 100 billion.<sup>2</sup>

4. Development goes into reverse when an emergency strikes. In the zones of turmoil and transition of the developing world, death, disease, malnutrition and destruction result from human-related crises (e.g. violent conflicts within or between countries, terrorist attacks, etc.), as well as from natural disasters (e.g. cyclones, tidal waves, drought, volcanic eruptions, earthquakes, floods, etc.). Man-made and natural disasters feed on one another. Both types of emergencies are hard to predict, and both have far-reaching economic and social consequences. The devastation caused by warfare increases vulnerability to natural disasters, while unaddressed disasters generate social grievances that may lead to conflict.

5. Recent research shows that intra-state wars and natural hazards occur more frequently in poor countries than in rich countries. Hazard-prone regions are mostly located in the developing world.

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<sup>1</sup> In April 2003, IFAD hosted an international consultation on conflict prevention and post-conflict reconstruction with a view to learning from the knowledge and experience of other international financial institutions and bilateral agencies and sharing IFAD experience. In conjunction with this multidonor consultation, IFAD prepared a draft technical background paper reviewing the Fund's experience in conflict situations and rural development.

<sup>2</sup> Figures are taken from the *World Disasters Report 2001*, International Federation of the Red Cross and Red Crescent Societies, Geneva.

Since the end of World War II, most armed conflicts – 20 of which were under way in 18 locations during 2003<sup>3</sup> – have taken place in poor countries. The complex emergencies caused by these extraordinary natural and man-made events absorb a growing share of aid resources. The poor, especially women and children, suffer disproportionately.

6. The rise in natural and human-induced crises, manifested in the disruption of economic activities and basic services, growing political instability, human insecurity and the weakening of social cohesion, has increasingly made them factors that development agencies must reckon with in a systematic manner, rather than on an ad hoc basis. Most international financial institutions have come to recognize these changed conditions in the development landscape.<sup>4</sup>

7. Vulnerability to natural hazards cannot be entirely eliminated. But systems for early warning, disaster preparedness and skilled emergency management<sup>5</sup> can greatly reduce damage and hardship. Adaptive responses are linked to the quality of basic services, the density of infrastructure, the size and openness of the economy and the cohesion of the society. Conflict prevention is linked to good government. Sound governance mediates the numerous conflicts that inevitably arise in a society. Likewise, effective conflict management and recovery hinge on the capacity to deliver basic social services and the willingness to alleviate the hardships suffered by the poor and the weak. Therefore, in strong and resilient states, most natural hazards do not turn into natural disasters and most social conflicts do not result in violence. Conversely, for nations and their institutions, responses to natural disasters constitute a litmus test of viability and capacity; whether a state is crisis-prone is a function of the fragility of the state.

8. This means that responses to human emergencies require urgent actions focused on relief, rehabilitation and the reconstruction of physical assets, but, at the same time, a deliberate focus on capacity-building, sound governance and improved policies. In other words, crisis prevention, management and recovery are development challenges, as well as humanitarian emergencies.

9. Quite clearly, natural disasters and violent conflict have different causes, dynamics and remedies. But the devastation they cause is similar: human casualties, economic loss, social disruption and depletion of physical, natural and social capital. By the same token, the responses that these extraordinary events require share common features in terms of urgency, flexibility and sensitivity to risk. Natural and human-induced crises also have in common the relative importance of risk and vulnerability assessment, early warning, mitigation and preparedness. In all cases, moving development upstream to prevent and mitigate crisis is desirable. In other words, all types of crises share operational aspects, such as a truncated project cycle, quick procurement and disbursement, close monitoring and financial oversight, etc.

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<sup>3</sup> Only two of these wars were fought between states; the other 17 were intra-state conflicts. See Stockholm International Peace Research Institute, *SIPRI Yearbook 2004*. Solna, Sweden. 2004.

<sup>4</sup> For example, the World Bank, the Inter-American Development Bank, the African Development Bank and the Asian Development Bank have all developed specific natural-disaster, emergency and conflict-sensitive policy instruments and dedicated financing mechanisms to guide their operations and provide more readily available financing on concessional terms in crisis-affected countries. The World Bank is currently monitoring a number of crisis-prone and crisis-affected countries through the Low Income Countries Under Stress (LICUS) initiative (34 countries) and the Semi-Annual Report on Conflict Affected Countries (37 countries). More than three quarters of the LICUS countries are affected by conflict.

<sup>5</sup> The loss of life due to the 2004 tsunami was heavy, but it could have been much worse given the severity of the disaster. In most natural disasters, the number of injured is three to five times the number of deaths, and a further multiple of fatalities is caused by malnutrition and disease. In this particular case, the ratios were reversed. Because the focus was on the sanitary disposal of corpses, food relief, clean water distribution, the digging of latrines and the vaccination of children, famine and infectious diseases were kept at bay.



## B. Definitions and Scope

10. The term “crisis” is used in this paper to refer to a disaster or emergency due to natural or human-induced actions that result in a significant change in circumstances over a relatively short time period, e.g. death, displacement, disease/disability, food insecurity, damage to physical and service infrastructure, the depletion of human and social capital, institutional weakening and a general disruption of economic and social activity. *Natural hazards* result from natural phenomena such as earthquakes, hurricanes and tidal waves (tsunami), landslides, drought, floods, storms, cyclones, or any combination thereof. *Violent conflicts* are defined as organized acts of social and political violence pitting one or more groups against one another or the state, or pitting states against each other. Violent conflict is typically manifested in some form of armed conflict.<sup>6</sup> While conflict is a normal part of social and economic transformation, violent conflict is always destructive.

11. Natural and human-induced crises may be generally classified into four basic types: natural disasters, environmental hazards, health emergencies and civil conflict (see Appendix I).

12. *Fragile states* are defined as those states that are unable or unwilling to deliver basic services – ranging from security and justice to health and education – to their people. Poor governance, weak institutional capacity and significant inequality characterize state fragility. Fragile states are often closely associated with the presence or risk of violent conflict.

13. *Vulnerability* to crisis refers to the weakened state of the economic and social asset base which one can use to prepare for, prevent or recover from a crisis. The poor are typically most vulnerable and are subject to the greatest impact from natural and human-driven crises.

14. *Community resilience* refers to the informational and organizational capacity of communities to assess, prepare and mitigate crisis. Community resilience, social capital and cohesion (networks of trust, solidarity and the capacity for collective action) are one and the same. When community vulnerability is high and resilience is low, progress in poverty reduction and improvement in social equity and sustainable economic growth may be seriously jeopardized by crisis.

## II. IFAD’S ROLE IN CRISIS PREVENTION AND RECOVERY

### A. Linkages between Poverty, Gender and Crisis

15. Poverty and the increased vulnerability resulting from crisis are inextricably linked. The gains in the fight against poverty over the past three decades are being eroded by the mounting incidence of natural and human-induced crises. Among the 20 poorest countries in the world, 15 have experienced some form of crisis, either from civil conflict or natural disaster. Poverty, disease, environmental degradation, state failure and conflict feed into one another in a deadly cycle. It is estimated that, while fragile and failing states contain only 14% of the world’s population, they account for nearly a third of the world’s poor people and 41% of all child deaths.<sup>7</sup> The poorest segments of society are often the most exposed. They are forced by economic necessity to settle on marginal lands; their

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<sup>6</sup> According to the Peace Research Institute in Oslo, an armed conflict is a contested incompatibility that concerns government or territory or both where the use of armed force between two parties, of which at least one is the government of a state, results in a minimum of 25 battle-related deaths per year and per incompatibility. The Stockholm International Peace Research Institute uses a combat-related parameter as a basis for establishing the definition and intensity of armed conflict; 1 000 deaths over the course of a conflict is utilized to determine an armed conflict, in areas where the government previously controlled the same territory (see [www.prio.no/cwp/ArmedConflict/](http://www.prio.no/cwp/ArmedConflict/)).

<sup>7</sup> See “Why We Need to Work More Effectively in Fragile States”, Department for International Development, London, 2005.

housing is of poorer quality, and their lack of assets makes them dependent on handouts when disaster strikes.

16. Given the strong link between poverty and crisis, achieving the overarching goal of poverty reduction depends heavily on preventing, mitigating and addressing the risk, vulnerability and impact of crisis. In resilient societies, crisis often provokes a united reaction from households, communities, volunteer organizations, governments and international agencies. Building the institutions and capacities needed to achieve disaster preparedness and the social capital that elicits such a civic response is a central objective of development and also helps to ensure political stability and human security. Crisis assistance is therefore consistent with IFAD's core areas of intervention in support of rural poverty reduction.

17. Women and children are disproportionately affected by crisis. It is estimated that 80% of those displaced by conflict are women and children. Conflict-driven crisis usually leads to a dramatic rise in the number of woman- (and child-) headed households, thereby causing gender role changes and increases in workload. The breakdown of the social fabric and the disintegration of families often leave women and young girls especially vulnerable to abuse, violence and sexual exploitation. Gender-sensitive analysis and programmes that protect women's rights (particularly personal and property rights) and ensure that they are included in decision-making processes are especially important in crisis-affected areas. Women's involvement in the design, as well as implementation, of all phases of crisis management, peace-building and recovery needs to be ensured.

### **B. IFAD Involvement in Crisis Prevention and Recovery and the Lessons Learned**

18. Since the early 1980s, IFAD has been actively involved in assisting countries facing post-crisis situations, which are defined, as set forth in paragraph 10, to include both natural and human-induced crises. Early examples are the agricultural reconstruction programme in Uganda following the civil strife in 1980, a rehabilitation programme for drought-affected areas of Ethiopia in response to consecutive droughts in the early 1980s, a livelihoods rehabilitation programme for cyclone-affected rural households in Bangladesh, and a rehabilitation and development project for war-torn areas in El Salvador. A special programme for Africa was also launched that covered 25 countries through 48 loans from 1986 to 1995 to rehabilitate and re-establish the agricultural sector in the wake of severe drought during the early and mid-1980s. These were followed by similar projects in Angola, the Democratic People's Republic of Korea, Gaza and the West Bank, Rwanda, and others. IFAD, therefore, already has considerable experience in targeting assistance on poverty-stricken areas and conflict-affected countries, promoting productive rural employment, investing in rural infrastructure, improving the delivery of basic inputs and credit, empowering local communities in rural areas and opening access to health, education and other basic services.

19. In recent years, IFAD's involvement in assisting countries in preventing and recovering from crisis has deepened. Based on the International Development Association (IDA) definition of LICUS countries, the annual volume of IFAD lending commitments in LICUS and conflict-affected countries rose from about 25% to 42% between 2000 to 2004. Close to one third of IFAD portfolio commitments over the past five years were in crisis-affected countries (e.g. LICUS and conflict-affected countries). Given the recent approval of the four post-tsunami projects and other projects in conflict-affected countries (such as Burundi), the trend would be even more significant if 2005 commitments were included. The net number of LICUS countries benefiting from IFAD projects during this time period fluctuated from two to six per year. Over the same period, the majority of operations were in Western and Central Africa (14), followed by North Africa and the Middle East (3), Asia (3, excluding the tsunami area), Eastern and Southern Africa (2) and Latin America and the Caribbean (1) (see Appendix II).

20. Quite clearly, as a proportion of its total programme outlays, IFAD spends more resources than most, if not all, other multilateral financial institutions in LICUS and conflict-affected countries.

21. An internal review of sample projects approved in recent years to respond to conflict and stress situations reveals a number of features (see Appendix III, Attachment 1 for details).<sup>8</sup> Practically all project designs in crisis-related situations envisage the institutional development of grass-roots organizations as a key feature of the IFAD approach to empowering the rural poor. A participatory community planning exercise has been identified as a corollary to the development of grass-roots institutions. These exercises begin with participatory needs assessments, which help make the assistance relevant to the needs of the local people and enhance their ownership.<sup>9</sup> IFAD's current approach, building on these experiences, recognizes that grass-roots institutional development for growth with equity is commonly viewed as a powerful factor of crisis risk moderation and/or post-crisis reconstruction.

22. About half of the sample projects have had a focus on local governance issues. In addition, most projects envisage support for an enhanced role for NGOs and civil society organizations. An effort to support capacity-building among community-based organizations (CBOs) and service providers engaged in training CBOs has likewise been identified as one of the most common characteristics. The lessons learned include the lesson that the risk of spreading social disruption in rural areas can be moderated through investment in: (a) enhancing the local economy at the community level; (b) spreading awareness on human rights and women's rights, for example by using legal defence funds; and (c) improving the organizational culture of government agencies. Finally, the reconstruction of infrastructure, the establishment of linkages with markets and the enhancement of production potential has been part of most projects designed to address a post-crisis situation.

### III. RATIONALE, GOALS AND PROPOSED PROGRAMME AND PROCESS INTERVENTIONS

#### A. Rationale

23. IFAD's core mandate remains its commitment to enabling the rural poor to overcome poverty by strengthening their own capacities and assets. In crisis-prone and crisis-affected countries, IFAD needs to respond to the challenges through an increased effort to bring to bear its rich experience in addressing the problems of rural poor communities and in mobilizing collective action on an inclusive basis to build community resilience. Addressing vulnerabilities by strengthening early warning, preparedness, mitigation and recovery measures is central to reconstructing and strengthening community resilience in the face of crisis. IFAD would provide value added in these areas through the experience it has gained over the years in building the capacity of households and communities in coping with crisis, developing their resilience in facing conflict and disaster, enhancing their self-reliance and, where applicable, reintegrating them into the national fabric.<sup>10</sup> Appendix III gives details of this experience, and Attachment 1 to that appendix lists specific project experiences. A selective list of IFAD projects approved to date includes:

- Bosnia and Herzegovina: Small Farm Reconstruction and Development Project (1997)

<sup>8</sup> The review will be expanded in conjunction with the drafting of the policy paper.

<sup>9</sup> In Bangladesh, the IFAD design mission encountered a situation where the cyclone shelters built earlier were not being used by the communities even during cyclone-related emergencies. Further deliberation during a participatory needs assessment exercise showed that people would not use the shelters for fear of losing their animals, which would remain at home. The design of the shelters was therefore modified to include yards for animals. This helped ensure that people would use the shelters during cyclones.

<sup>10</sup> As the tsunami disaster has shown, the communities that have recovered the most rapidly and suffered the fewest losses have been the ones that were more well organized and more cohesive beforehand.

- Burundi: Rural Recovery and Development Programme (1999)
- El Salvador: Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango (1993)
- Philippines: Western Mindanao Community Initiatives Project (1999)
- Rwanda: Rwanda Returnees Rehabilitation Programme (1998)
- Sierra Leone: Rehabilitation and Community-Based Poverty Reduction Project (2004)

24. An additional area where IFAD's involvement would make a difference is targeting. The Fund's long association with the poor and the vulnerable has helped it to generate and internalize knowledge that can be used to reach out to those poor and vulnerable who suffer more in a crisis situation. IFAD can therefore add value by designing and implementing effective targeting measures in situations where the characteristics of poverty and vulnerability change rapidly and social cohesion has broken down. It can also use its experience in microfinance to adapt these instruments in order to assist crisis-affected households to cope with crisis, smooth consumption and, in the longer term, build safety nets by using micro-insurance or similar financial instruments.

25. Conflict is often sustained by vested interests that capture scarce natural resources at the expense of rural people, thus feeding into grievances among deprived groups and contributing to the cycle of violence. In peace settlements, power-sharing arrangements that favour narrow interests ought to be discouraged, and, as soon as possible during the reconstruction phase, broad-based rural strategies should be put in place.<sup>11</sup> IFAD's role in helping its Member States improve their rural policies would therefore be of significant value during and immediately following a crisis. In this light, crises could offer an opportunity for IFAD to enable the poor and the vulnerable not only to restore pre-existing conditions but to improve the sources of their livelihood in a sustainable manner.

26. To the above end, IFAD needs to recognize its responsibility to maintain, to the extent possible, an active presence in crisis-prone and crisis-affected countries as long as it can effectively contribute to moderate or reverse the risks and negative impacts of crisis through rural development.

27. In addition to its ongoing role in helping countries to recover from civil conflict and natural disasters, IFAD has a proactive and preventive role to play in building local rural early warning capacity and incorporating mitigation measures into normal development activities. It could do this by effectively identifying (assessing) and addressing the risks of natural disaster and "state failure". IFAD, working in tandem with national governments and other donors, could also contribute towards preventing the emergence of conflict through "conflict sensitive" development programmes. Conflict prevention or the mitigation of social tensions before the tensions become violent is a critical element in the sustainable development equation. Development can contribute to conflict prevention by supporting strategies and activities that aim at making countries more resilient in the face of the eruption and escalation of violent conflict, as well as programmes that address the structural sources of conflict.

28. Building resilience to violent conflict involves the strengthening of local governance through participatory and inclusive social processes and community institutions that help manage conflicts in a non-violent manner. Such inclusive grass-roots mobilization for rural development has long been a particular focus of IFAD operations. Sources of conflict differ from country to country, and the

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<sup>11</sup> Tony Addison (ed.), *From Conflict to Recovery in Africa*. 'Wider Studies in Development Economics'. Oxford University Press. United Nations University-World Institute for Development Economics Research. Helsinki. 2003.

appropriate response includes addressing the underlying causes of state fragility, that is, economic decline and shocks, inequality in access to social and economic opportunities, poor governance, inadequate management of natural resources, and injustice and indignity (exclusion). Such sources of crisis can be addressed through well-targeted rural poverty reduction and other, related development assistance. The proposed crisis policy would add a structural and analytical framework so as to help identify the characteristics of a pre-crisis situation. This would allow IFAD to build a more systematic approach and effective interventions into its programmes and their financing.

### **B. Goals**

29. In the above light, IFAD's *goals* in crisis-prone and crisis-affected countries are to achieve the following by working closely with local communities, local governments, national governments and other donors:

- (a) in *rural areas*, mitigation of the impact and management of the risks of natural disasters, violent conflict and state fragility;
- (b) moderation of the impact of crisis on the social, human and physical capital of the rural poor; and
- (c) enhancement of the rule of law, good governance and institutional capacity, especially in rural areas.

### **C. Proposed Programme and Process Interventions**

30. The above goals will be achieved by performing a number of actions:

- (a) addressing the underlying structural causes of crisis through risk management (assessment, early warning, preparedness and preventive development);
- (b) carrying out reconstruction and development interventions that build community resilience by helping to protect and restore people's livelihoods and dignity and de-escalate violence; and
- (c) establishing community development groups or committees and rights-based initiatives where appropriate.

31. **Introduction of crisis-sensitive processes and procedures.** As crisis situations are identified and begin to develop, a variety of internal operational responses *may* be utilized to identify the nature of the crisis and the possible IFAD response. These could include:

- (a) a rural crisis information note informing senior management of the situation and involving continued monitoring of the crisis or recommending action for the consideration of senior management;
- (b) a rural-crisis risk and vulnerability assessment report, e.g. to coordinate with other major donors in undertaking a joint study of the emerging or enduring crisis situation and needs; and
- (c) a revised or transitional country strategic opportunities paper (COSOP) to adapt existing strategies and programmes of intervention, realign priorities and resource requirements and recommend actions over the short to medium term.

32. These crisis policy processes and procedures could be utilized to augment, as appropriate, existing processes. Their potential use is further described in Appendix IV, Attachment 1.

33. The actions required, the policy instruments applicable and the financing mechanism needed would vary depending on the phase of a crisis, e.g. prevention, transition or recovery. The corresponding actions and instruments required for natural disasters would be significantly different from those needed in conflict emergencies. The actions in a recovery situation would include medium-term rehabilitation and could be financed through the regular programme, while conflict prevention may require risk and vulnerability analyses funded by technical assistance through supplementary funds. These potential actions and financial mechanisms are further described in Appendix IV, Attachment 2.

34. As speed and flexibility are of the essence in crisis response, new programme formulation and review procedures are required for crisis-prone and crisis-affected countries. Flexibility in revising the project cycle (e.g. combining project formulation with appraisal in the field) would be authorized where necessary and feasible. The need to ensure quality control and accountability, however, will be recognized in all phases. A description of the procedures to be applied in crisis situations is presented in Appendix V.

35. **Project impact monitoring.** As conventional project impact monitoring systems do not adequately capture crisis indicators (e.g. susceptibility to natural hazards, weak governance, changes in security and social cohesion), the new performance indicators in the recently approved Results and Impact Management System would be elaborated for crisis-prone and crisis-affected countries. Such indicators must adequately reflect the degree to which projects implement effective measures of risk and vulnerability management and mitigation and of post-crisis recovery.

36. **Financing modalities.** In all cases, portfolio restructuring and the reallocation of existing loan proceeds, supplemental financing and the retroactive financing of loans under preparation would be considered as the initial financing options in response to a crisis situation. Ongoing project loans would continue on the basis of the terms and conditions of the original loan agreement, irrespective of the reorientation or restructuring arrangements. Considering the exceptional circumstances of post-conflict and crisis-affected countries, IFAD would use its guidelines for the performance-based allocation system (PBAS) as proposed in terms of document EB 2005/85/R.3, which is being presented to the September session of the Board. In the case of new projects, resource mobilization or cofinancing would be considered. A description of the financing modalities and resource mobilization is presented in Appendix VI.

#### IV. FRAMEWORK FOR AN IFAD POLICY

37. The Executive Board needs to adopt an enabling policy for IFAD's crisis-related assistance. This policy would:

- (a) clarify the legal framework for IFAD engagement in crisis-prone and crisis-affected countries;
- (b) establish criteria for identifying a crisis-prone or crisis-affected country;
- (c) regulate cooperation with transitional authorities or de facto governments and cases where a recognized government does not exist;<sup>12</sup>

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<sup>12</sup> In exceptional cases (such as Somalia), where there was no internationally recognized government, IFAD and other multilateral donors have been able to address the needs of war-affected populations by working directly with community-based civil society organizations and through NGOs utilizing grant-financed development assistance.

- (d) ensure coordination with other United Nations agencies, other official and private donors, and NGOs;
- (e) offer new instruments for analysing risk and strategically sequencing IFAD decisions in conflict-prone and conflict-affected countries;
- (f) review, on an exceptional basis, programme design, implementation procedures and the processes required to work effectively in crisis-prone and crisis-affected countries; and
- (g) establish flexible financing mechanisms to support programme activities.

### Criteria for Engagement

38. The criteria for IFAD engagement in crisis-prone and crisis-affected countries would be as follows:

- (a) in view of its mandate, IFAD does not engage in humanitarian relief, peacemaking or peacekeeping; however, IFAD can help bridge the gap between emergency relief and long-term development through efficient and effective transitional recovery (rehabilitation and reconstruction) and development planning;
- (b) consistent with the parameters of the Strategic Framework, it should emphasize improving the livelihoods of the rural poor;
- (c) consistent with its current policy on arrears clearance, IFAD would continue to be part of the package for crisis-affected countries agreed among multilateral development banks and other lenders;<sup>13</sup>
- (d) IFAD engagement shall take place only at the request of, or where there is no objection by, the Member State concerned; in the case where a legally established government is not in place, a government or transitional authority recognized by the United Nations should be in place, and IFAD assistance should be formally sanctioned by this recognized authority;<sup>14</sup>
- (e) the security of IFAD staff and consultants when undertaking operations in crisis-prone and crisis-affected areas should be guided by UN security norms and clearances; and
- (f) risk and burden-sharing with other key donor partners would be encouraged.

39. In addition to the above, IFAD also endeavours at all times to design and implement development operations that help to prevent conflict or, at the very least, “do no harm”, are equitable in the distribution of their benefits, are sensitive to their potential impact on social conditions and are supportive of the welfare of women, children and other vulnerable groups.

<sup>13</sup> Please refer to IFAD’s Policy Framework for Managing Partnerships with Countries in Arrears, document GC 21/L.7.

<sup>14</sup> In view of the provision that only Member States or international organizations in which Member States participate are eligible for IFAD financing (Article 7, Section 1(b), Agreement Establishing IFAD), in the case of unrecognized transitional authorities, any proposal for providing financing would require that the Governing Council waive the application of Article 7, Section 1(b) of the Agreement Establishing IFAD. Financing under the regular grant programme would be sanctioned following the prescribed normal procedure. An additional option might involve a specific fund approved by the Governing Council, such as the IFAD Fund for Gaza and the West Bank (GC 21/L.9), so as to allow IFAD to provide loans and grants to unrecognized transitional authorities. Procedures and eligibility criteria for the operation of such a fund would need to be developed.

## Strategy and Objectives

40. As stated, the Agreement Establishing IFAD, like the establishing agreements of other international financial institutions, stipulates that the Fund is not mandated to provide humanitarian relief. It has no role in finding political resolutions to conflicts, and it does not interfere with the domestic affairs of its Member States. Accordingly, IFAD is neutral in its delivery of assistance to conflict-prone and conflict-affected countries. However, there is a strategic role that IFAD, like other international financial institutions, might play (in addition to recovery) in moving upstream from post-crisis recovery (e.g. rehabilitation and reconstruction) to address the transitional requirements of relief and development, as well as the role of development cooperation as an instrument of crisis prevention, preparedness and mitigation.

41. IFAD also recognizes that any aid intervention can render a crisis more likely or less likely, depending on the design of the intervention and the local circumstances. Accordingly, the Fund aims to create a *culture of prevention* and to equip itself with the instruments, processes and modalities needed to understand how its actions interact with the dynamics of the local society; how the projects it finances impact on poverty, unemployment, horizontal inequalities, primary resource dependence, social tensions and environmental stress; and how it can best assist the international community in the promotion of peace and prosperity.

42. Given this context, IFAD's strategy in crisis prevention and preparedness, mitigation and recovery would embrace actions before, during and after a crisis, i.e. prevention, transition and recovery.

43. The objectives of the IFAD crisis prevention and recovery policy are to: (i) increase the timeliness and effectiveness of IFAD's response to crisis; (ii) establish boundaries and set standards for IFAD's response; (iii) enable IFAD's involvement upstream to prevent and mitigate crisis; (iv) maintain IFAD engagement with countries in crisis; and (v) provide partner agencies with a predictable view of IFAD's potential role in crisis management.

## Prevention and Preparedness

44. Prevention and preparedness activities entail planning and programming that enhance the capacity of countries to identify and cope with the areas of their greatest vulnerability. The types of prevention and preparedness measures necessary so that natural disasters could be included are: (a) the development of regional, national and subnational strategies; (b) the establishment of an adequate institutional and regulatory framework; (c) the carrying out of studies on vulnerability and risk assessment; (d) the creation of information and early warning systems; (e) the equipping and training of specialized human resources; and (f) the promotion of funding for national trust funds and other mechanisms for the sustainable financing of disaster preparedness actions in cooperation with the public, private and civil society sectors. In undertaking such activities, IFAD would endeavour to build strong partnerships with communities, local and national governments and other donor partners.

45. For LICUS and conflict-affected countries, this would entail strengthening the analysis of countries at risk and the design of portfolio interventions to address and mitigate risks and vulnerabilities. The design and implementation of good governance and inclusive food security and rural development programmes and policies to prevent social exclusion and civil strife are especially important for LICUS countries.<sup>15</sup>

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<sup>15</sup> The principle of non-interference in the political affairs of Member States will be applied as required under Article 6, Section 8(g) of the Agreement Establishing IFAD.



**Mitigation**

46. Such activities could include: (a) reinforcing vulnerable structures and adjusting building, land-use and zoning codes; (b) constructing dams or dikes to prevent flooding, and building breakwaters in ports and low-lying coastal areas; and (c) acquiring hazard-reduction technology. It is recommended that mitigation measures, while identified in emergency planning, be financed through regular investment projects. Prevention and preparedness should be mainstreamed into normal country strategic planning and lending.

**Transition**

47. During transition, there would be a special emphasis on partnering with humanitarian relief agencies during the critical transition phase from relief to development. This could take the form of the provision of seeds and tools, support for capacity-building and the short-term rehabilitation of social infrastructure, revitalizing basic services, and the provision of livelihoods training and employment schemes in the context of reintegration programmes.<sup>16</sup>

**Recovery**

48. In the recovery stage, IFAD assistance would begin, where applicable, with a joint damage and needs assessment with other partners in order to identify priorities, provide short-term transitional assistance especially related to the protection and rebuilding of rural livelihoods and related institutions, and begin to design comprehensive medium-term rehabilitation and reconstruction programmes for subsequent resource mobilization and implementation.

**Resource Requirements**

49. Since the normal PBAS reduces the scope of concessional lending to most crisis-affected countries due to their low performance on standard PBAS policy and institutional indicators, IDA's Thirteenth and Fourteenth Replenishments have been modified to take into account the exceptional circumstances of post-conflict and crisis-affected countries. In this light, IFAD would be using its revised PBAS guidelines.<sup>17</sup>

50. IFAD recognizes that, in crisis-affected countries, especially LICUS-type countries affected by chronic instability, where normal financing instruments and budget provisions do not apply, the enhancement of the speed and flexible access to grant resources becomes important. Such grant resources would be leveraged through cofinancing and would be linked with regular core lending over the medium to long term by IFAD.

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<sup>16</sup> This could take the form of integrated planning with the provision of food by the World Food Programme or training and employment schemes conducted by the International Labour Organization.

<sup>17</sup> Please see the review of implementation of the PBAS in IFAD, document EB 2005//85/R.3.



## DEFINITION, SCOPE AND TYPOLOGY OF CRISIS

1. The term “crisis” as used in this paper refers to a disaster or emergency due to natural or human-induced actions that result in a significant change in circumstances over a relatively short time period, e.g. death, displacement, disease/disability, food insecurity, damage to physical and service infrastructure, depletion of human and social capital, institutional weakening and a general disruption of economic and social activity. Natural and human-induced crises may be further classified into four basic types: natural disasters, environmental hazards, health emergencies and civil conflict (see table below for a detailed typology of crisis).

## Typology of Crisis

Natural Disasters	Environmental Hazards	Health Emergencies	Civil Conflict
<ul style="list-style-type: none"> <li>• Earthquakes</li> <li>• Floods, riverbank erosion</li> <li>• Landslides</li> <li>• Cyclones, typhoons, hurricanes, tidal waves</li> <li>• Tsunami</li> <li>• Volcanic eruption</li> <li>• Drought</li> <li>• Fires: forest, other</li> <li>• Unusually cold weather, winter emergency</li> </ul>	<ul style="list-style-type: none"> <li>• Air pollution</li> <li>• Water scarcity, poor water quality</li> <li>• Arsenic, fluoride poisoning</li> <li>• Radioactive hazards, nuclear contamination</li> <li>• Poisoning: chlorine, cyanide, mercury, lead, pollution</li> <li>• Other (dam breaks, sea rise, biological warfare waste, anthrax)</li> <li>• Landmines and unexploded ordinances</li> </ul>	<ul style="list-style-type: none"> <li>• Health system crisis</li> <li>• Acute malnutrition</li> <li>• Food distress</li> <li>• Diarrhoea, cholera, measles, polio, meningitis</li> <li>• Acute respiratory diseases</li> <li>• Tuberculosis</li> <li>• Malaria</li> <li>• HIV, sexually transmitted diseases</li> <li>-----</li> <li>• Drug abuse</li> <li>-----</li> <li>• Other: sexual exploitation, human trafficking</li> </ul>	<ul style="list-style-type: none"> <li>• Civil disturbances</li> <li>-----</li> <li>• Acute economic distress</li> <li>-----</li> <li>• International conflict</li> <li>• Civil war</li> <li>• Localized armed conflict</li> <li>• Breakdown of civil order</li> <li>• Terrorist acts</li> <li>• Child soldiers</li> <li>-----</li> <li>• Refugees</li> <li>• Internally displaced persons</li> <li>• Repatriation, forced return</li> </ul>

Source: Adapted from Inter-American Development Bank and UNICEF crisis and emergency typologies, 2004.

2. **Comparisons.** Comparing natural with human-induced crises, natural-driven crises tend to occur in relatively stable states; are localized, short and intense in duration; require more technically oriented responses; and usually result in strengthened social cohesion. Human-driven crises tend to occur in weak or failing states; are often subregional, regional and global in dimension; prolonged and episodic in duration; politically oriented in source and response; and result in social fragmentation and weakened social cohesion. Human-driven crises are largely due to societal and institutional weakness and failures. In general, negative (or adverse) patterns of development over the past few decades, such as widespread poverty, rapid and uncontrolled urbanization and environmental degradation, have led to greater severity in the damage associated with natural hazards. Institutional failures, weak state performance and a sense of exclusion, inequity or despair are closely associated with human-driven disasters. Technological disasters mostly derive from poor quality design, operation and maintenance, but can also result from natural disasters and acts of terrorism.

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3. **Triggers.** A crisis may have a range of triggers. Natural disasters are triggered by events such as earthquakes, tidal waves (tsunamis), hurricanes, volcanic eruptions (lava, ashes, rock), floods, drought, epidemics, forest fires and erosion, or some combination thereof, while technological accidents are caused by man-made events such as explosions, oil spills and chemical mishaps. Violent conflicts are typically triggered by poor governance, institutional failure, or economic, political or identity struggles.

4. **Impacts.** All types of crisis typically leave physical destruction, displacement, disability and death in their wake and disrupt social and economic activities. Natural disasters can also leave behind pollution and other environmental damage. However, unlike violent conflicts, they do not have severe effects on institutions, social capital and social cohesion. In fact, the populace tends to become galvanized during the response to natural disasters, and social solidarity is often reinforced. Natural disasters are usually intense and of short duration, and episodic in character. Natural disasters also may be a source of technological disasters; for example, earthquakes that destroy dam structures lead to massive flooding, etc.

5. **Vulnerability and community resilience.** *Vulnerability* to crisis refers to the weakened state of the economic and social asset base that is needed to prepare for, prevent or recover from a crisis. The poor are typically the most vulnerable social group and suffer the most from natural or human-driven crises. The connections between natural and human-driven crises and distressing environmental and humanitarian situations are becoming increasingly evident, particularly as the poor or most vulnerable are compelled to exploit scarce environmental resources simply to survive. Deforestation, land degradation and the related food insecurity are shaped by human resource use (e.g. urban squatting on marginalized hillsides), which in turn creates conditions for flooding, landslides and drought. *Community resilience* refers to the informational and organizational capacity of communities to assess, prepare and mitigate crisis. Community resilience and social capital and cohesion (networks of trust, solidarity and the capacity for collective action) are one and the same. When community vulnerability is high and resilience is low, progress in poverty reduction, improvements in social equity and the establishment of sustainable economic growth may be seriously jeopardized by crisis.

APPENDIX II

**IFAD COMMITMENTS IN LICUS AND CONFLICT-AFFECTED COUNTRY PROJECTS, 2000-04<sup>a</sup>**  
(USD '000)

	LICUS Country Projects <sup>b</sup>		Conflict- Affected Country Projects		Overlap Projects		Total Projects		Total IFAD		LICUS/Conflict- Affected Country Projects as % of Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2000	5	62 655	3	57 471	1	18 024	7	102 102	27	409 785	26%	25%
2001	2	39 874	4	56 796			6	96 670	24	391 934	25%	25%
2002	6	82 606	7	104 298	3	46 695	10	140 209	25	368 928	40%	38%
2003	5	76 178	4	81 009	2	33 453	7	123 734	25	403 592	28%	31%
2004	5	75 587	10	178 306	4	68 502	11	185 391	25	436 469	44%	42%
Total 2000-04	23	336 900	28	477 880	10	166 674	41	648 106	126	2 010 708	33%	32%

<sup>a</sup> Amounts include grant financing.

<sup>a</sup> The total number of LICUS countries with projects during the period 2000-04 was 16.

Source: Programme Management Department, IFAD, May 2005.

## IFAD'S EXPERIENCE IN CRISIS PREVENTION AND RECOVERY

### A. Conflict and Stress Situations

1. This appendix provides evidence regarding IFAD projects in terms of their planned objectives and their actual achievements in moderating the risk of potential or actual socio-political crises during what were described at the IFAD Consultation on Conflict Prevention and Post-Conflict Reconstruction in 2003 as pre-conflict, in-conflict and post-conflict situations. Such situations occur in LICUS countries as defined in the World Bank classification and in non-LICUS IFAD Member States as well.<sup>1</sup> In the synthesis of the lessons learned by IFAD, a number of steps were taken, including: formulation of the indicators relative to special crisis-related interventions compatible with the IFAD mandate, identification of the initial sample of IFAD projects and identification of the crisis-related interventions relative to the projects and countries identified.

2. In the analysis, it has been assumed that crisis-related interventions undertaken through an IFAD project should be considered on the basis of the actual situation, irrespective of whether the project documentation formally recognizes that the interventions are crisis-related. Except in the case of projects that follow upon the formal settlement of publicly recognized states of civil war in countries, appraisal reports and President's reports refer more neutrally to situations of socio-political disequilibrium. The prevention of negative outcomes of socio-political crises that jeopardize human security and human rights is seldom formally mentioned as an objective of project interventions. This is usually the case even when a project is undertaken in areas clearly and severely affected by readily identifiable breakdowns in socio-political equilibrium. Yet, IFAD projects undertaken in these situations clearly embody key elements of initiatives aimed at crisis prevention and crisis-impact moderation.<sup>2</sup>

3. The following 11 indicators of crisis-related interventions have been used to assess the extent of the involvement of IFAD projects in moderating the impact of a crisis or in crisis prevention:

- (a) crisis prevention or impact moderation is included among the project objectives;
- (b) work aimed at improved rural institutions and the establishment of pluralistic governance;
- (c) planning community development activities and operation and maintenance in CBO projects through non-exclusive community development committees;
- (d) emphasis on the linkages between project interventions and local political development (policy dialogue);
- (e) support for legal defence funds (including a focus on the conditions among women, marginalized people, and human rights and women's rights);
- (f) the reintegration of sustainable livelihoods among woman-headed households and orphans who are victims of crisis and crisis-induced HIV/AIDS;
- (g) reconstruction of infrastructure, market linkages and the agricultural production potential of vulnerable households and ex-combatants;
- (h) capacity-building among CBOs and service providers engaged in training CBOs;

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<sup>1</sup> The LICUS classification of the World Bank for 2005 includes 25 countries and one territory, all of which are IFAD Member States. Of these, the World Bank indicates that 18 are conflict-affected and 8 are non-conflict-affected countries. Fourteen countries in the list are in Africa, and ten among these are indicated as "conflict-affected".

<sup>2</sup> The divergence is often due to the fact that governments generally dislike formal recognition that a state of crisis exists within their own territory; if the crisis is a conflict that has reached the stage of open civil war and captured the attention of the world media, it can no longer be ignored as a crisis.

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- (i) support for an enhanced role for NGOs and civil society organizations;
- (j) community-based microfinance; and
- (k) adoption of innovative design approval and implementation procedures.

4. It is worth noting that a number of these indicators are common to the design of IFAD community-driven development projects.

5. Fourteen projects have been examined with a view to ascertaining the ones that include activities in line with the above indicators. The sample includes six projects initiated during ongoing crises of different intensity (in Burundi, the Democratic Republic of the Congo, Nepal and Peru); two projects aimed at urgent interventions immediately following the formal end of a crisis (in Bosnia and Herzegovina and Rwanda); one project in crisis prevention in specific areas (in the Philippines), and six projects for post-crisis reconstruction (in Burundi, El Salvador, Rwanda, Sierra Leone, the Sudan and Uganda).

6. Two projects are funded through the IFAD-Belgian Survival Fund Joint Programme; the others are cofinanced by a number of agencies besides IFAD. Six countries involved in the projects are in Africa; one in the Middle East; two in Latin America, and three in Asia.

7. The projects and countries are listed in Table 1 below.

**Table 1: Crisis-Related IFAD Projects**

Country	Project Name	Country Situation
Bosnia and Herzegovina	Small Farm Reconstruction and Development Project (1997)	Urgent post-crisis intervention
Burundi	Rural Recovery and Development Programme (1999)	In crisis
Burundi	Transitional Programme of Post-Conflict Reconstruction (2004)	Post-crisis
Democratic Republic of the Congo	Support for Women's Groups in North Kivu Project (with the Belgian Survival Fund for the Third World)	In crisis
El Salvador	Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango (Prochalate) (1993)	Post-crisis
Nepal	Western Uplands Poverty Alleviation Project	In crisis
Peru	Southern Highlands Project (four projects from the early 1990s)	In- and post-crisis
Philippines	Western Mindanao Community Initiatives Project (1999)	Crisis prevention
Rwanda	Rwanda Returnees Rehabilitation Programme (1998)	Urgent post-crisis intervention
Rwanda	Umutara Community Resource and Infrastructure Development Project (two projects: 2000 and 2002)	Post-crisis
Sierra Leone	Rehabilitation and Community-Based Poverty Reduction Project (2004)	Post-crisis
Sudan	South Kordofan Rural Development Programme (2000)	Post-crisis
Uganda	Uganda Women's Efforts to Save Orphans (with the Belgian Survival Fund)	Post-crisis

8. Crisis assessment and country risk analyses have been undertaken only recently among international cooperation agencies. So far, IFAD has carried out only two such exercises, both in Africa (Burundi and the Central African Republic). Some assessment of socio-political disequilibrium was also carried out in the context of specific project formulation and appraisal exercises (e.g. in India [Andhra Pradesh] and Nepal).

9. The objectives of the IFAD crisis prevention and recovery policy are to: (a) increase the timeliness and effectiveness of IFAD's response to crises; (b) establish boundaries and set standards for IFAD's response; (c) enable IFAD's involvement upstream to prevent and mitigate crisis; (d) maintain IFAD engagement with countries in crisis; and (e) provide partner agencies with a predictable view of IFAD's potential role in crisis management.

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10. In the absence of analytical work aimed at identifying the causes of crisis and at formulating a coherent strategy for risk moderation in contextual situations, the crisis moderation activities that were planned and actually undertaken were generally introduced within project design on an ad hoc basis: either by being added on to the original design when project implementation planning was superseded by events (restructuring) or as part of a general approach to rural poverty reduction that happened to have strong crisis prevention or post-crisis reconstruction potential.

11. Table 2 summarizes the results of research carried out on project documentation; further details are provided in Attachment 1.

**Table 2: Crisis-Related Indicators and IFAD Project Response**

Indicator	Number of IFAD projects that respond to the indicator	Remarks
Crisis prevention or impact moderation included in project objectives	8	Includes two Belgian Survival Fund grant projects.
Work to improve rural institutions, establish pluralistic governance	12	
Planning community development activities and operation and maintenance of CBO projects through non-exclusive community development committees	12	
Emphasis on linkages between project interventions and local political development (policy dialogue)	7	
Support for legal defence funds (including a focus on conditions among women, marginalized people, and human rights and women's rights)	3	Governments do not want to borrow for this activity.
Reintegration of sustainable livelihoods among woman-headed households and orphans who are victims of crisis and crisis-induced HIV/AIDS	7	
Reconstruction of infrastructure, market linkages and the agricultural production potential of vulnerable households and ex-combatants	10	Development rather than reconstruction was included in crisis prevention projects.
Capacity-building among CBOs and service providers engaged in training CBOs	8	
Support for an enhanced role for NGOs and civil society organizations	12	
Community-based microfinance	4	Some projects extend credit directly or through local banking organizations.
Adoption of innovative design approval and implementation procedures		

12. It is interesting to note that practically all project designs in crisis-related situations envisage the institutional development of grass-roots organizations as a key feature of the IFAD approach to empowerment of the rural poor. This is actually an approach currently applied by IFAD in crisis-affected and non-crisis-affected countries and areas. The emphasis in the former type of countries and areas, however, suggests that "grass-roots/institutional development for growth with equity" is commonly viewed in IFAD as a powerful factor of crisis risk moderation and/or post-crisis reconstruction.

13. The implicit paradigm works out approximately as follows.

- (a) Socio-political crises have complex origins that are deeply rooted in the history of a country or area.
- (b) They are all characterized by the exclusion of sections of the population from the human and economic development process.



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- (c) They are generally manipulated by elite professional political intermediaries struggling for control over power and the sources of wealth, which is usually secured by a centralized state organization.
- (d) These elites elaborate the ideological frameworks that support allegiances throughout the country in order to help secure control over the territory.
- (e) The great majority of poor people, and rural communities in particular, do not partake in these struggles and ideologies, except for a tiny minority that can easily be isolated if a development process is in place at the community level.
- (f) Keeping the human and economic development process active on a non-exclusive basis at the community level helps moderate the risk and the impact of widening socio-political crises.
- (g) Non-exclusion requires the devolution of investment decision-making and the control over resources to a level where direct democracy is a practical option, thereby cutting off as much as possible the pathways dominated by political intermediaries and vested interests.

14. Most of the statements in this paradigm represent views shared by many public- and private-sector international development and cooperation agencies. However, some agencies use the paradigm to support reforms in public administration at a level still tightly controlled by the groups of political intermediaries that are at the origin of the crisis. This means that the approach is easily accepted by governments, but it may also be the reason painstakingly negotiated ends to crises tend to be short-lived.

15. The IFAD approach involves addressing the lowest levels of the rural governance setting, such as the village or a small cluster of villages. This approach seems to have more in common with the approaches of civil society organizations than with those of large international and bilateral donors. The IFAD approach inevitably generates the need for intensive policy dialogue with the controlling authorities and project implementation monitoring and supervision procedures that are closely related with the policy dialogue.

### B. Natural Disasters

16. Since 2000, IFAD has prepared five projects dealing with the impact of natural disasters; three have been approved for funding. The five projects are:

- India: Livelihood Security Project for Earthquake-Affected Rural Households in Gujarat, 2001, financed and in operation.
- Indonesia: Aceh Recovery Programme, 2005, formulated; IFAD is searching for grant cofinanciers to cover the bulk of the costs.
- Maldives: Post-Tsunami Agricultural and Fisheries Rehabilitation Programme, 2005, approved.
- Sri Lanka: Post-Tsunami Livelihoods Support and Partnership Programme, 2005, approved.
- Sri Lanka: Post-Tsunami Coastal Rehabilitation and Resource Management Programme.

17. With the exception of the intervention in Gujarat, the projects have not yet begun, though some may be about to begin operations since they have been very recently approved (April 2005). Detailed features of these projects showing the structure of the projects by component, as well as a list of the main activities included in the components are presented in Attachment 2.

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18. All the projects envisage close coordination with other donors. In the case of Indonesia, with the Government's agreement, IFAD has decided to sponsor the project, though the size of the project far exceeds the resources available to the Fund for post-tsunami interventions in the country. IFAD formulated the project, has offered to make available the staff of the project coordination unit of a successful IFAD project to manage the intervention, and is searching for a pool of grant funding from other donors.

19. All the projects were formulated and appraised at the same time; the project cycle from the occurrence of the event to Board presentation was extremely short, hardly more than three months in the case of the tsunami (event in December 2004; Board presentation in April 2005). This implied: (a) the joining together of the three conventional steps of the project cycle (concept note, formulation, appraisal); (b) shortcuts in the technical verification of the investment proposals; (c) modification of the internal review procedures (project development team, Operational Strategy and Policy Guidance Committee, etc.); and (d) a waiver of the last date of delivery for documents being presented to the Board.

20. All the projects listed above include a combination of activities that are directly related to the natural disaster affecting the country of intervention and activities that are normally included in conventional IFAD rural poverty reduction projects. In particular, mixing reconstruction and development is a common approach in support of a policy that sees reconstruction not merely as the rebuilding of that which has been destroyed by an "act of God", but as an opportunity to introduce improvements over what existed before the disaster. This principle has been applied throughout, from social and productive infrastructure rehabilitation to the reconstruction of private houses and public buildings. In several cases, however, the projects also include new infrastructure building and even applied agricultural research and extension, which are activities only remotely related to the occurrence of a natural disaster.

21. Another common factor is the effort at community institutional development and participation, community capacity-building and the mobilization of local NGOs to work with the communities. The Gujarat project is actually being implemented directly by an Indian NGO (the Self-Employed Women's Association), with the Government playing a less prominent role. The Maldives project seems to be the exception; the reconstruction and new construction programme is entirely in the hands of the Ministry of Agriculture and the Ministry of Aquatic Resources, and training and technical assistance funds are all earmarked for staff in the two ministries.

22. The role of women and of women's groups and associations is highlighted in all the projects.

23. Only the Gujarat earthquake recovery project includes support for microfinance and micro-insurance operations, with products that make use of a mix of grants and loans for beneficiaries. The other projects seem to fund the reconstruction of beneficiaries' production assets.

24. The Gujarat project also includes a component addressing ways to moderate the impact of possible occurrences of a similar disaster in the future. Key instruments applied include: (a) training and awareness-building; and (b) the introduction of earthquake-resistant technologies in the reconstruction of public and private buildings, including support to refine the application of such technologies to low-cost housing construction.

### **C. Comparison of Key Features of Projects to Address Socio-Political Crises and Natural Disasters**

25. Table 3 compares some key features of projects dealing with situations of socio-political disequilibrium and projects dealing with the impact of natural disasters.

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**Table 3: Comparison of Some Key Features of Projects to Address Socio-Political Crises and Natural Disasters**

<b>Crisis Leading to Socio-Political Disequilibrium</b>	<b>Natural Disasters</b>
Human origin; causes are deeply rooted in history and in recent political development	“Acts of God”; some may originate in long-standing human behaviour hostile to environmental conservation
Predictable; often anticipated well in advance	Mostly unpredictable even if the potential danger is known; some are predictable, but only shortly before the occurrence
Generates a breakdown in social cohesion	Strengthens social cohesion
Institutional issues and governance are key factors both in causing a crisis and in providing solutions	Institutional issues and governance are marginal or irrelevant factors
Risk moderation requires strong political intermediation	Political intermediation is not a key factor
Initial, creeping negative impact on the economy; when the impact escalates, it causes widespread damage for a long time	Sudden damage that may be very considerable, but the damaging action is not long-lasting
World public opinion is slow to appreciate the significance and extent of the damage to human life and assets	World public opinion is easily mobilized by the mass media
Hits poorest countries most severely	Same
Requires urgent emergency intervention for relief and reconstruction	Same
Risk of widening social disruption in rural areas can be moderated by investing in: <ul style="list-style-type: none"> <li>- grass-roots institutional development and peoples’ empowerment;</li> <li>- enhancing the local economy at the community level;</li> <li>- awareness campaigns on human rights and women’s rights, legal defence;</li> <li>- improving the organizational culture of government agencies</li> </ul>	Impact can be moderated by investing in: <ul style="list-style-type: none"> <li>- natural resource management;</li> <li>- early warning and communication;</li> <li>- special insurance plans.</li> </ul>
Negotiating agreement on effective project design at all levels of the public administration is often difficult	Agreement on post-disaster intervention is not a problem
Governments do not want to borrow to fund activities related to governance or peoples’ rights; may accept grant funding	Governments want to obtain grant financing for all emergency and relief assistance
Reactivation of livelihood systems requires elements of grant financing for production by individuals and private groups	Same
Urgent emergency assistance may be less useful if it arrives too late	Same
There may be exceptional cases when shortcuts in conventional procedures for rapid loan approval are justified	Same
Project formulation should be preceded by careful reviews of the situation, application of appropriate methodologies to avoid doing harm, and negotiations aimed at clarifying the real interest and position of the government	Quick appraisal generally feasible; requires assessment; does not require use of specific methodologies
Restructuring and reorientation of ongoing projects may be required or encouraged	Same, if relevant

### Attachment 1: IFAD Project Experience in Crisis Prevention and Post-Crisis Reconstruction

Country and Project	Key Indicators of Crisis-Related Objectives and Components										
	1	2	3	4	5	6	7	8	9	10	11
	Crisis prevention and moderation	Improved rural institutions, pluralistic governance	Planning and operation and maintenance through inclusive community development committees (CDCs)	Linkage with political development through policy dialogue	Legal defence fund(with a focus on women)	Reintegration of crisis- and HIV/AIDS-affected, woman-headed households and orphans	Reconstruction of infrastructure, market linkages, agricultural production potential	Capacity-building among CBOs or service providers that train CBOs	Role of NGOs and civil society organizations	Community-based microfinance	Innovative implementation procedures
<b>1. Burundi</b> Transitional Programme of Post-Conflict Reconstruction	Specifically mentioned	Specifically mentioned	Key project objective	CDCs provide basis to advocate wider role for various types of democratic institutions	Included	Included	Included	Efforts to build capacity at the community level	Important	Not included	Not included
<b>2. Burundi</b> Rural Recovery and Development Programme	Specifically mentioned	Through establishment of non-exclusive CDCs	Key project objective	CDCs provide basis to advocate wider role for various types of democratic institutions	Not included	Included	Included	Efforts to build capacity at the community level	NGOs are main implementation contractors	Not included	Role of NGOs
<b>3. Rwanda</b> Rwanda Returnees Rehabilitation Programme	Emergency post-crisis intervention	Mobilized newly reformed local governments	Implementation through cell development committees	Support for the policy to reform local government	Not included	Targeting vulnerable households, mostly victims of crisis, woman-headed households	Reactivation of agricultural production through the distribution of input packages	Not included	Not included	Not included	Emergency procurement of input packages entrusted to the Food and Agriculture Organization of the United Nations (FAO)
<b>4. Rwanda</b> Umutara Community Resource and Infrastructure Development Project, (two projects)	Post-crisis construction of new province; resettling returnees	Key project approach: activate grass-roots local government reform	Included	Central to project success	Not included	Included	Included, with an emphasis on rural water supply	Included	Key role envisaged in field work at the community level	Included, with an emphasis on women's income-generating activities	Role of CDCs; measures to make service providers accountable to CDCs
<b>5. El Salvador</b> Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango	Specifically addresses post-crisis rural livelihoods rehabilitation	Emphasis on farmers and women's groups	Not specifically included	Facilitation of working accords among opposing political factions at the local level	None, but strong focus on women's role in development	Included	Focus on agricultural and non-agricultural production	Integrated technical assistance approach for microproducers	Critical for the promotion of non-agricultural microbusiness	Not included; project provides credit	"Transversal approach" to gender issues

Country and Project	Key Indicators of Crisis-Related Objectives and Components										
	1	2	3	4	5	6	7	8	9	10	11
	Crisis prevention and moderation	Improved rural institutions, pluralistic governance	Planning and operation and maintenance through inclusive community development committees (CDCs)	Linkage with political development through policy dialogue	Legal defence fund (with a focus on women)	Reintegration of crisis- and HIV/AIDS-affected, woman-headed households and orphans	Reconstruction of infrastructure, market linkages, agricultural production potential	Capacity-building among CBOs or service providers that train CBOs	Role of NGOs and civil society organizations	Community-based microfinance	Innovative implementation procedures
<b>6. Peru</b> Southern Highlands Project (four projects from the early 1990s)	Not included formally, but very prominent in practice so as to isolate rebels and terrorists	Emphasis on community organizations; development of Andean communities	Key project design	Growth with equity, implicit crisis prevention; policy dialogue with Government and other donors in scaling-up	Not included	Not relevant	Emphasis on rural-urban market linkages for microbusiness promotion	Community capacity-building is key to the project approach	Beneficiaries contract private service providers	Community business fund managed by women	Competition among communities, cash price system, community procurement
<b>7. Sudan</b> South Kordofan Rural Development Programme	Goal and specific objective are peace and improved security in the project area	Strengthening both government and civil society	Mobilizing village communities and local governments	Intervention in areas contiguous to rebel-held areas	None; women's role in CDC: 30% women members		Emphasis on the production of seed packages distributed to vulnerable households			Not included	Demands in rebel-held territory to join project
<b>8. Sierra Leone</b> Rehabilitation and Community-Based Poverty Reduction Project	Post-crisis reconstruction	Pilot experiment with village development committees and chiefdom community-development plans	Pilot community development fund	Not mentioned	Not envisaged	Recapitalization of vulnerable households through free distribution of inputs	Distribution of agro-industry equipment; rehabilitation of feeder roads	Investment in building the capacity of community facilitators	Included	Not included	
<b>9. Philippines</b> Western Mindanao Community Initiatives Project	Not mentioned	Focus on the coordination of CBOs, local government units, line agencies, NGOs and community organizations	Included	Not mentioned	Included, with training on human rights	Not included	No reconstruction mentioned	Included; also community investment fund managed by women	NGOs are key service providers for capacity-building among CBOs	Included	Participatory drafting of implementation manual
<b>10. India</b> Jharkhand-Chhattisgarh Tribal Development Programme	Not mentioned, but very evident objective of effort to break the isolation of and disregard for tribal people	Empowerment of tribal group associations, encouragement for village assemblies	Included	Support for implementation of constitutional amendment (panchayat act for tribal areas)	Awareness-raising on tribal rights, gender and equity issues	Not relevant	No reconstruction, but development	Key project component	Train and support village assemblies	Included	

## APPENDIX III

## Attachment 2: IFAD Projects in Areas Affected by Natural Disasters (2000-05)

	<b>India: Livelihood Security Project for Earthquake- Affected Rural Households in Gujarat</b>	<b>Sri Lanka: Post-Tsunami Livelihoods Support and Partnership Programme</b>	<b>Maldives: Post-Tsunami Agricultural and Fisheries Rehabilitation Programme</b>	<b>Indonesia: Aceh Recovery Programme</b>
<b>Component</b>	<b>Activities</b>			
Empowerment of stakeholders, participation, institutional development at the community level	Involving communities in decision making Community capacity-building Strengthening the capacity of private service providers to deal with communities			Restoration and strengthening of community institutions, self-help groups and village development associations
Livelihood systems and crisis-coping capabilities	Drought-proofing Rebuilding livelihood systems on- and off-farm Microfinance Micro-insurance			Grants to reactivate microbusiness and projects of self-help groups
Disaster preparedness and mitigation	Support for earthquake-resistant housing Participatory elaboration of risk mitigation strategies	Not mentioned	Not mentioned	Not mentioned
Social services development	Health education and training Childcare centres	Rehabilitation and improvement of community centres, local clinics, daycare facilities		
Infrastructure development		Housing rehabilitation Water supply reconstruction Rehabilitation of access roads and drainage		Community infrastructure fund managed by village development associations
Recovery of the fisheries sector			Boat replacement Four new fish markets Training in cold-store management	
Recovery of the agricultural sector			New fresh products market in Male Adaptive research, extension	
Policy support, capacity-building, technical assistance, training			For the Ministry of Agriculture	
Innovative procedures	Project managed by Self-Employed Women's Association, a national NGO	Anticipation of larger intervention planned in nearby areas		Involving community and traditional organizations at the local level
Country entry point		Ministry of Agriculture Ministry of Aquatic Resources		Ministry of Agriculture Use the project coordination unit of the ongoing IFAD Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas, plus local provincial NGOs
Project cost (USD million)	24.0	4.7	5.0	36.5
IFAD loan (USD million)	15.0	2.4	2 + 2	Not decided
IFAD grant (USD million)	–	–	0.14	–
Major foreign cofinanciers (USD million)	Wetlands Reserve Programme (4.9)	–	Italy (0.5)	Italy (1.5); IFAD is seeking other donors

## ANALYTICAL, STRATEGIC AND PROGRAMME INSTRUMENTS

1. Since crisis situations demand responses that are beyond the purview of normal operations and instruments, IFAD needs to adapt and develop new instruments to complement the existing set of instruments. Given the diverse nature of crises, these instruments need to be flexible. They also need to be sufficiently robust to cater to varying conditions, i.e. before, during and after conflict and natural disasters. An illustrative list of instruments and processes is presented in Attachment 1.
2. Although these instruments are closely interrelated, they need not always be applied sequentially. The decision on the suitability, timing and use of the appropriate instrument should be left to the discretion of the relevant IFAD regional divisions.<sup>3</sup> There may also be situations in which a number of instruments could be used together to expedite processing.
3. **Rural crisis information note.** In countries in which there is a high risk of natural hazards or mounting social tension and the risk of political instability that may lead to outbreaks of violence, the World Bank and United Nations Development Programme normally prepare a “watching brief” that informs decision-makers of the risk and impact of violent conflicts and the evolution of the country situation. In addition, conflict analysis per se and, more generally, crisis risk assessment are increasingly becoming a standard part of poverty reduction strategy papers, public expenditure reviews and country portfolio reviews. Using the available information from such instruments as appropriate, regional divisions would prepare a brief crisis information note informing senior management of the situation, which would continue to be monitored, or recommending action for senior management consideration, i.e. the initiation of a rural-crisis risk and vulnerability assessment, most likely in partnership with other donors.
4. **Rural-crisis risk and vulnerability assessment report.** As the situation evolves and when applicable, IFAD will coordinate with the other major donors to undertake a joint study of the emerging or enduring crisis situation and related needs. In line with IFAD’s mandate and Strategic Framework, this participatory effort would concentrate on orienting analyses towards the risk, vulnerability and impact of the crisis on IFAD’s objectives of protecting, reconstructing and, if possible, enhancing access to human, social and physical assets and livelihoods for the rural poor.
5. **Transitional COSOP.** IFAD recognizes that crisis situations may call for a reorientation in the ongoing country programme and for adapting existing strategies and programmes of intervention. This may require revisiting the current COSOP, which is normally drafted in situations of “business as usual”. Based on the outcome of the crisis risk and vulnerability assessment, the country programme manager would produce either a *revised* or a *transitional COSOP* that would realign priorities and resource requirements and recommend short- to medium-term actions. Subsequent planning would ensure that IFAD activities undertaken on the basis of the revised or transitional COSOP’s recommendations do not contribute to enhancing latent causes of crisis, particularly political instability, mounting tensions and social disequilibria linked to human-induced crisis, such as civil conflict. Project formulation and appraisal reports would be conflict-sensitive, demonstrating that the proposed project is in line with the revised or transitional COSOP’s recommendation and does not inadvertently contribute to exacerbating the crisis. Additional budgetary resources from IFAD’s operational budget would have to be allocated to the regional divisions to cover the costs of implementing the new instruments.

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<sup>3</sup> For example, in Burundi, the conflict assessment and strategy (transitional COSOP) were prepared in concert.

6. Managing risk and avoiding crisis where possible through development represent important contributions to development policy and practice. Therefore, crisis risk and vulnerability assessment, transitional strategy development and crisis-sensitive programme assistance should follow an accelerated cycle of internal review and decision-making, which, depending upon the nature of the urgency, may also involve a truncation of certain subprocesses.

7. Crisis sensitivity is particularly critical to the effectiveness of development in LICUS countries that are institutionally fragile and conflict-prone or conflict-affected. IFAD recognizes that any aid intervention can make a crisis either more, or less likely, depending on the design of the intervention and the local circumstances. Accordingly, the Fund should aim to create a culture of prevention by equipping itself with the instruments, processes and modalities needed to understand the ways its actions interact with the dynamics of society and the impacts on poverty, unemployment, horizontal inequalities, primary resource dependence, social tensions and environmental stress.

8. In the above context, IFAD should also undertake various steps to connect more closely to the new policy directions of the development community in LICUS (e.g. fragile states) and post-conflict environments. In particular, it should be prepared to play an important role with respect to rural governance reform and community-driven recovery. In this regard, IFAD's work with actors in non-state aid (e.g. NGOs, civil society and the private sector) should be emphasized, but always in a manner that does not undermine the long-term development of government capacity. IFAD's grant policy has been an effective instrument for involving such non-state actors in development.

9. In addition to involving local communities, regional actors that possess proximate knowledge of the operational environment and are more able to identify critical pressure points should be involved where possible. In sum, given the massive information asymmetries and the complexities of conflict-prone and conflict-affected societies, home-grown ideas grounded in local experience are far more relevant to social and economic recovery in rural areas than are imported models.

10. The harmonization of policies, programmes and procedures with other agencies is especially important in crisis prevention and recovery. Developing and connecting IFAD initiatives in crisis-related innovation and knowledge management to the work of other partner institutions and networks are critical for enhancing the Fund's effectiveness. This would facilitate institutional learning and the leveraging of IFAD experience in addressing rural poverty through the empowerment of marginalized rural communities, the strengthening of local governance and the expansion of access to rural livelihoods and assets.



## Attachment 1: Matrix of Crisis Policy Instruments, Processes and Procedures

<b>CRISIS POLICY INSTRUMENTS, PROCESSES AND PROCEDURES</b>			
<b>Instruments and Procedures</b>	<b>Pre-Crisis</b>	<b>During Crisis</b>	<b>Post-Crisis</b>
<b>Engagement and Assessment</b>			
Rural crisis information note	Declaration on crisis-prone and crisis-affected countries based on UN Watch List and World Bank's quarterly monitoring report; assessment of risk to ongoing IFAD portfolio and rules of engagement	Regular updating of the note	Regular updating of the note until the situation has been normalized
Rural-crisis risk and vulnerability assessment report		Preparation of a report (with major donors) concerning a coordinated approach and orienting the approach towards rural poor people	
<b>Strategy and Programme Formulation</b>			
Transitional country strategic opportunities paper  Crisis Sensitive Project Design (combining inception, formulation and appraisal)		Transitional COSOP or revised COSOP based on the rural-crisis risk and vulnerability assessment: –Reorientation or restructuring of the current portfolio for ready use of available funding, and –Provision of technical assistance and the formulation of new crisis mitigation and recovery programmes	Updating transitional COSOP or revising COSOP and the formulation of new post-crisis programmes
<b>Processes and Procedures</b>			
Crisis-sensitive performance indicators	Formulation of crisis-sensitive performance criteria, e.g. governance, security, equitable access to productive assets, and social cohesion	Monitoring and evaluation staff participates in the crisis risk and vulnerability assessment team to update crisis-sensitive performance criteria and indicators in light of the assessment results and the transitional COSOP	Ensure consistency with the transitional COSOP or revised COSOP
Flexible and accelerated procurement and disbursement procedures	Not required	Applied	Applied
Continuous financial reporting and auditing; intensive supervision	Not required	Required	Required

APPENDIX IV

**Attachment 2: Crisis Matrix by Phase, Required Action, Policy Instrument and Financing Mechanism**

**A. Natural Emergencies**

Phase	Required Action	Policy Instrument	Financing Mechanism
Prevention	<ul style="list-style-type: none"> <li>risk and vulnerability analysis</li> <li>preparedness and mitigation</li> <li>institutional development and capacity-building</li> </ul>	<ul style="list-style-type: none"> <li>rural-crisis risk and vulnerability assessment</li> <li>environment and social assessment</li> <li>technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>core budget for country strategy development</li> <li>regular lending programme</li> <li>technical-assistance supplementary funds</li> </ul>
Transition	<ul style="list-style-type: none"> <li>livelihoods rehabilitation</li> <li>search and rescue operations</li> <li>clean-up</li> <li>labour-intensive employment</li> <li>priority infrastructure rehabilitation</li> <li>institutional development and capacity-building</li> </ul>	<ul style="list-style-type: none"> <li>rural crisis information note</li> <li>transitional assistance strategy or revised COSOP</li> </ul>	<ul style="list-style-type: none"> <li>technical-assistance supplementary funds</li> <li>portfolio reallocation and restructuring, retroactive financing</li> </ul>
Recovery	<ul style="list-style-type: none"> <li>mitigation works</li> <li>medium-term rehabilitation and long-term reconstruction</li> </ul>	<ul style="list-style-type: none"> <li>normal and new policy instruments</li> </ul>	<ul style="list-style-type: none"> <li>regular lending programme</li> </ul>

**B. Conflict Emergencies**

Phase	Required Action	Policy Instrument	Financing Mechanism
Prevention	<ul style="list-style-type: none"> <li>introduce sensitivity to conflict in country programme and strategy formulation</li> <li>development as instrument of prevention</li> <li>maintaining knowledge base, building partnerships and positioning for rapid response</li> <li>institutional capacity-building and good governance</li> </ul>	<ul style="list-style-type: none"> <li>rural-crisis risk and vulnerability assessment</li> <li>sensitivity to conflict found within poverty reduction strategy papers, public expenditure reviews, country portfolio reviews, environmental impact and social assessments, etc.</li> <li>watching brief, LICUS monitoring report, Semi-Annual Conflict-Affected Countries Report, etc., particularly in countries or areas of countries where the portfolio is inactive due to ongoing conflict</li> <li>COSOP</li> </ul>	<ul style="list-style-type: none"> <li>core budget for country strategy development</li> <li>normal lending programme</li> <li>technical-assistance supplementary funds</li> </ul>
Transition	<ul style="list-style-type: none"> <li>assessing damage and needs</li> <li>bridging relief and development</li> <li>restoration and capacity-building of critical state institutions</li> <li>social and economic reintegration of displaced persons</li> <li>creation of and support for livelihoods and asset recovery</li> <li>rehabilitation of critical market and productive infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>transitional assistance strategy or revised COSOP</li> </ul>	<ul style="list-style-type: none"> <li>technical-assistance supplementary fund</li> <li>portfolio restructuring and reallocation</li> </ul>
Recovery	<ul style="list-style-type: none"> <li>medium- and long-term reconstruction</li> <li>capacity-building and institutional development</li> <li>promotion of good governance linking human security and development</li> </ul>	<ul style="list-style-type: none"> <li>normal and new policy instruments</li> <li>accelerated design and implementation</li> </ul>	<ul style="list-style-type: none"> <li>normal lending programme</li> </ul>

**CRISIS-SENSITIVE OPERATING PROCEDURES**

1. IFAD recognizes that crisis-affected countries may experience disruptions in administrative apparatus and a widespread weakening of the institutional setting. This includes law and order, as well as administrative procedures and rules for governing public funds. The effects of crisis on market linkages or embargoes imposed on a country's international trade often generate a drastic reduction of the supply of goods of primary necessity for carrying out project activities. In such unusual circumstances, the crisis response would not attempt to address long-term economic, sectoral or institutional problems through explicit conditionality linked to macroeconomic policies. However, the response may include conditions directly related to the crisis recovery activities and to preparedness and mitigation concerns.

2. In other situations, the policy and institutional framework remains by and large intact, and institutional capabilities remain largely unaffected. This type of diversity calls for a case-by-case analysis and a tailor-made approach in terms of response processes. Overall, however, speed and flexibility are important. In this light, flexibility in truncating the project cycle (e.g. combining project formulation with appraisal in the field) would be authorized where necessary and feasible.

3. In view of the need to ensure transparency and accountability, standard operating policies concerning procurement and disbursements would apply to crisis programmes. All procurements of goods and services would occur in accordance with IFAD's procurement guidelines. However, to address exceptional circumstances, local competitive bidding, local shopping and direct purchase procedures would be utilized where feasible. Ceilings would be adjusted accordingly. Procurement policy would be seen as a potentially powerful post-crisis reconstruction tool for revitalizing the local supply and construction industry and for employment creation. Where feasible, criteria would be included in the tender documents for the subcontracting of infrastructure rehabilitation works and stimulating the local supply of goods and services. A special account would be established for projects approved under this policy. Similarly, retroactive financing of up to 20% of loan and grant proceeds may be used to finance expenditures. To qualify for retroactive financing, the expenditures would have had to have been made after the onset of the crisis and within the time period leading up to the first IFAD mission. Authorization for such retroactive financing would occur at the time of the first IFAD mission.

4. In addition to special crisis assistance, IFAD would support projects aimed at prevention and mitigation through grants and through the mainstreaming of preventive and mitigation measures in normal lending in crisis-prone countries. Such operations would assist in: (a) developing a national crisis prevention and recovery strategy; (b) establishing an adequate institutional and regulatory framework; (c) undertaking vulnerability and risk assessments; (d) reinforcing vulnerable structures, as well as addressing governance and institutional capacity weaknesses; and (e) acquiring early warning and hazard reduction technology, monitoring and information systems, etc. A regional perspective may also be brought in through the use of regional technical assistance grants. IFAD's role while undertaking these activities would be that of catalyser; thus emphasis would be laid on building partnerships with national institutions, as well as other donors.

5. **Financial reporting and audit.** In order to balance the need for speed and flexibility with the concern for transparency and accountability (e.g. fraud and corruption), stringent monitoring mechanisms would be put in place. These entail intensive programme supervision and more frequent inspection and continuous auditing of project accounts. The accounts of the programme and those of the implementing agencies would be audited quarterly in line with government procedures acceptable to IFAD. Certified audit reports would be transmitted to IFAD not later than six months after the end of the fiscal year. The auditor would give a specific opinion on the mechanism of funding for the implementing agencies, the use they make of the programme resources and the accountability of partners and their financial reporting. In line with the overall multilateral efforts at harmonization,

particularly those responding to the recent establishment of the financial tracking component of the Tsunami Accountability Project, IFAD would fully participate in the programmes of enhanced accountability and transparency in crisis assistance.

6. **IFAD project accounts.** During crisis and disruptions in government financial services, balances kept in the special account of ongoing projects or programmes may be exposed to great risk. IFAD needs to recognize this risk, and, without jeopardizing the requirement for due diligence and transparency, it may undertake exceptional measures.

7. **Project supervision.** IFAD recognizes that intensive supervision (e.g. on a quarterly basis) of projects in crisis-prone and crisis-affected countries is a key aspect of effective prevention and recovery interventions. For such projects, the supervision of the substantive aspects of project implementation, the control of the appropriate project approach and objectives, and the engagement in policy dialogue with the governing authorities are even more important than they are in standard development projects. The current IFAD pilot experience in direct supervision and the recent paper on country presence are especially relevant for conflict-affected countries. In the event that the pilot programme for direct supervision is expanded or similar initiatives are undertaken, priority would be accorded to extending such initiatives to the programmes approved under this policy. Intensive supervision may require that IFAD engage in case-by-case negotiation with cooperating institutions or increase its own allocation of budgetary resources in crisis-affected countries.

8. **Project impact monitoring.** Conventional project impact monitoring is based largely on economic indicators that do not adequately capture crisis indicators (e.g. susceptibility to natural hazards, weak governance, changes in security and social cohesion). The new performance indicators in the recently approved Results and Impact Management System should be elaborated for crisis-prone and crisis-affected countries. These indicators must adequately reflect the degree to which projects implement effective measures of risk and vulnerability management and mitigation, as well as post-crisis recovery.

**FINANCING MODALITIES AND RESOURCE MOBILIZATION**

1. The normal PBAS reduces the scope of concessional lending to most crisis-affected countries due to their low performance in standard PBAS policy and institutional indicators. Yet, these same countries do not qualify for concessional lending and are among the poorest, most debt-ridden countries and are in greatest need of assistance. Given this dilemma, the Thirteenth and Fourteenth Replenishments of IDA (IDA 13 and 14) have been modified to take into account the exceptional circumstances of post-conflict and post-crisis countries. In this light, IFAD would be using revised guidelines that have been suitably modified in line with IDA 13 and 14.

2. The modifications allow, for a limited period, for allocations in excess of the normal allocations with respect to the country's performance, as measured through the country performance and institutional assessment. This is done to solidify peace and jumpstart stabilization and reconstruction. It also improves the predictability of resource flows, improves the basis for judging resource needs and ensures equity of treatment across countries and regions. Performance indicators adapted from the above assessment are specifically tailored to the circumstances of conflict-affected countries and emphasize the areas that are most relevant in these settings, including security and reconciliation. The IDA 13 agreement provides that such vulnerable countries can obtain up to 40% of their allocations as grants and also allows for grants to be made available in special cases for use in territories within member countries that are under United Nations administration on an interim basis. Most of these countries are included within the new World Bank classification of LICUS countries.<sup>4</sup>

3. As stated, donor agencies need to play a pivotal role in crisis countries, especially those LICUS-type countries affected by chronic instability. IFAD's role in these situations would be important in assisting vulnerable groups (such as woman-headed households), building domestic capacity, revitalizing local communities and restoring social capital in rural areas devastated by natural disasters or conflict. However, since the grant resources that may become available would most likely be limited by comparison with the needs of Member States affected by crisis, such grant resources would be utilized to cover strategically identified rapid responses such as restoring local capacity and good governance, revitalizing and protecting rural livelihoods and assets, jumpstarting rural productivity and rehabilitating priority rural infrastructure. Such grant resources could also be leveraged by involving cofinancing partners and would be linked with IFAD regular medium- to long-term core lending. The terms for core funding would be as concessional as possible (using the modified IDA PBAS and the country performance and institutional assessment criteria as discussed above) and determined by the Board on a case-by-case basis.

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<sup>4</sup> Because poor governance, institutional weaknesses and low capacity characterize LICUS countries, it has been necessary to fine-tune the role of governance in the PBAS. This has required the balancing of the dominant economic and financial performance allocation linkage, with governance as a key performance dimension, while avoiding excessive year-to-year volatility in allocations as a result of changes in governance ratings and the increase in the transparency of governance. IDA has established a central unit to support assistance to LICUS countries. The evolving framework of assistance is anchored in the PBAS. In non-accrual countries, assistance emphasizes addressing governance issues, building statistical and knowledge bases, supporting simple and feasible reforms and exploring innovative approaches to aid through selective basic service delivery for vulnerable groups. In addition, post-conflict progress indicators have been developed to replace the normal country performance and institutional assessment within the PBAS. Post-conflict allocations have been stretched over time to match implementation capacity relative to resource flows in conflict-affected countries. A special LICUS trust fund has been established in the amount of USD 25 million, which is financed through transfers from World Bank surpluses on 15 January 2005. (See IDA reports of February 2004 and November 2004 for details on the indicators and methodology utilized in the PBAS-country performance and institutional assessment modifications).

4. In all cases, portfolio restructuring and the reallocation of existing loan proceeds and supplemental financing and the retroactive financing of loans under preparation would be considered as primary financing options in response to crisis situations. Ongoing project loans would continue on the basis of the terms and conditions of the original loan agreement, irrespective of the reorientation or restructuring arrangements designed under a transitional COSOP or revised COSOP. For new projects, every effort would be made to secure the best possible mixture of grant and loan financing. To this end, IFAD would try to secure the cofinancing of its programme interventions through public cooperation agencies and private donors that can make grant resources available.

5. Given the added burden, especially for country programme managers in crisis-prone and crisis-affected countries, IFAD's knowledge and capacity would need to be strengthened in a number of areas, including policy implementation, strategic operational support, knowledge management (the development of crisis indicators, the identification and dissemination of best practice, systemic reporting to senior management and the Board, etc.), partnership-building and resource mobilization. IFAD would use its knowledge management system to contribute to the development effectiveness of crisis prevention and recovery. In particular, it could work with international think-tanks to design and implement an innovative research programme on the linkages between human security and rural development. It could also collect and disseminate policy research and evaluation findings about good practices in crisis assessment and risk analysis. IFAD management recognizes the need to allocate more resources – both human and financial – to achieve these results.

