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Enabling poor rural people  
to overcome poverty

## **Update on IFAD's immediate response to food price increases**

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For: **Information**

## **Note to Executive Board Directors**

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# Update on IFAD's immediate response to food price increases<sup>1</sup>

## I. Introduction

1. In April 2008, United Nations Secretary-General Ban Ki-moon warned that the rapidly escalating crisis of food availability around the world had reached emergency proportions, and required the international community's urgent and concerted action. This call for coordination was echoed by IFAD President Lennart Båge, who stated that responding effectively to the impact of higher food prices must be a top priority for the global community, particularly when the impact is combined with the projected effects of climate change. A set of IFAD responses was presented to IFAD's Executive Board during the April 2008 meeting. This paper is an update on IFAD's actions since that meeting.

## II. Background

2. In April 2008, IFAD announced its readiness to allocate up to US\$200 million from existing loans and grants, as well as supplementary funding, to provide an immediate boost to agricultural production in the countries in which it finances projects, and which were negatively affected by food price increases. These funds would enable poor farmers to access essential inputs such as seeds and fertilizer, allowing them not only to prepare for the coming cropping season but also to establish a basis for sustained production increases in subsequent seasons. This is distinct from emergency relief, food aid or social safety nets, but could accompany and complement the emergency measures provided by other partners, particularly the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO).
3. Since the onset of the rise in food prices, IFAD has undertaken joint assessment missions with FAO, WFP and the World Bank in Africa, Asia and Latin America. This has resulted in several joint initiatives, such as the one in Haiti. Also, following feedback from the countries themselves, gathered through dialogue with IFAD country presence staff or special field missions (as in the case of the Philippines), new initiatives in member countries have been identified, reflecting the fact that national governments are at the centre of the response.
4. These initiatives have fed into the process initiated by the High-Level Task Force (HLTF) on the Global Food Security Crisis, chaired by the Secretary-General of the United Nations, Mr Ban Ki-moon. IFAD is represented in the Secretariat of the HLTF by a senior country programme manager. The resulting Comprehensive Framework for Action (CFA) highlighted the need to boost smallholder farmer food production through a menu of actions:
  - Improve the enabling policy framework;
  - Stimulate private investment in agriculture;
  - Ensure secure access to and better management of natural resources, including land, water and biodiversity;
  - Invest in agricultural research on food crops, animal production and inland fisheries, and promote technology dissemination; and
  - Improve rural infrastructure.

Apart from IFAD, the World Bank, FAO, WFP and others are now following up on the CFA recommendations. The Secretary General of the United Nations is actively

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<sup>1</sup> This report builds on the paper on the same subject presented at the third session of the Consultation on the Eighth Replenishment of IFAD's Resources (REPL.VIII/3/R.4).

seeking ways and means to mobilize support for the CFA from the donor community and from governments. IFAD investment projects and programmes are an important part of this international response, through project activities that are directly related to one or more of the CFA menu of actions.

### **III. Ongoing IFAD activities and proposed future initiatives**

5. IFAD's strategic position and comparative advantage lie in providing medium- to long-term solutions to food problems, not an emergency response. In the medium to long term, IFAD will continue to expand its investment in agriculture in order to provide adequate support for sustainable agricultural production and thereby guarantee food security, nutrition and rural development, eliminating the root causes of hunger.
6. Given the magnitude of the short-term food problem in evidence in many countries, however, IFAD has also committed itself to financing country-level activities designed to boost food production in the short term. The concrete IFAD initiatives under way are described below, in most instances managed by reallocating funds from existing loans or grants, or adding supplementary funding through existing loans and grants. Some new funding proposals, which are responsive to the crisis, are also being prepared. All of this funding is within the annual IFAD programme of work and performance-based allocation system (PBAS). Other proposals (e.g. Afghanistan) are being developed in response to requests from donors such as the European Commission (EC), which is considering substantial additional financing, of up to EUR 1 billion, as part of the response to the global food crisis. In this connection, the EC has asked IFAD to indicate where incremental financing is required, beyond what IFAD can make available, for new or ongoing initiatives. These proposals are being developed in close collaboration with other agencies, particularly FAO, WFP, the World Bank and the United Nations Headquarters.
7. Food production initiatives undertaken by a reallocation of funds within ongoing IFAD programmes and projects are handled within the current management and decision-making structures of the projects concerned. In cases where supplementary IFAD allocations of financing are required, as for Honduras and Nicaragua, these are presented to the Executive Board for approval.

#### **A. Reallocation of committed IFAD project resources**

8. The process of reallocating previously committed IFAD resources in order to respond to price increases is under way for three countries – Benin, Haiti and Mauritania. Reallocations within existing loans can be made only upon government request and following a careful analysis of the impact of such changes on the project(s) concerned. As these are new activities within existing projects, additional financing beyond what is available from IFAD could also be used to increase outreach, in terms of either number of people served or geographic area. IFAD is therefore helping governments look for additional funds to those available from IFAD.
  - (a) In Benin, a specific food security subprogramme has been included in the ongoing Rural Development Support Programme within the project's 2008 work plan and budget, to stimulate food production next year. IFAD has already committed about US\$10 million for this project, and the process of reallocating funds to the food security subprogramme is under way.
  - (b) In Haiti, IFAD is reallocating funds available under the ongoing Food Crops Intensification Project – Phase II and the Productive Initiatives Support Programme in Rural Areas for the next three planting seasons, starting with the winter 2008 season. Project areas will be expanded to cover the entire national territory. Activities include seed distribution and support for seed

multiplication by farmers' organizations. IFAD has committed US\$37 million for these two projects. The reallocation is expected to amount to US\$10 million. Adjustments are likely due to new demands resulting from the recent hurricanes in Haiti.

- (c) Under IFAD's three ongoing projects in Mauritania (totalling about US\$33 million), support has increased to agricultural production by and for poor rural people. A reallocation is being undertaken in support of the Government's Special Intervention Programme on Food Prices to purchase and distribute seeds and agricultural inputs and to set up cereal banks.
9. In summary, this is a work in progress and more initiatives are being developed. Yet it is clear that the vast majority of governments find IFAD projects to be already consistent with the need to increase food production, and therefore are requesting additional financing to expand existing projects and develop new ones.

## **B. Supplementary IFAD financing**

10. Proposals for supplementary IFAD financing for one project in Honduras and one in Nicaragua are being put forward for approval at the September 2008 meeting of the Executive Board. Initial financing for both projects was approved in 2007.
- (a) The IFAD supplementary loan for the Project for Enhancing the Rural Economic Competitiveness of Yoro in Honduras will enable the project to assist an additional 1,700 farm families to increase their grain, milk and vegetable production (see EB 2008/94/R.25).
  - (b) The IFAD supplementary loan and grant for the Inclusion of Small-scale Producers in Value Chains and Market Access Project in Nicaragua is being provided to help small-scale producers increase the production of basic grains, including corn, rice, beans and sorghum. The supplementary financing will allow the project to reach an additional 1,200 family farmers.
11. Additional supplementary funding is expected to be requested in December 2008 and in early 2009.

## **C. Projects currently under implementation which require cofinancing to better respond to the food situation**

12. For five projects that are presently being financed by IFAD and are now under implementation, cofinancing is being sought for new activities or to expand the response to increased food prices. No reallocation of IFAD funds is foreseen since these projects already address food production, either directly or indirectly, and additional funding is not available due to PBAS ceilings having been reached.
- (a) In Cambodia, discussions are taking place with the agriculture and finance ministries to extend the completion and closing dates of ongoing projects (IFAD financing just over US\$35 million) in seven provinces of Cambodia, in order to help the most vulnerable families respond to rising food prices. Expansion of existing components is also being considered, for which additional cofinancing of about US\$4 million is being sought.
  - (b) A small grant (US\$200,000) was approved for a pilot initiative in Ghana to improve the effectiveness of public-private partnerships for grains and oilseeds development. Cofinancing of about US\$2 million has already been committed from local private-sector operators. Additional cofinancing would be used to expand the partnerships.
  - (c) In Kenya, about US\$2.5 million of the proceeds of IFAD financing (totalling about US\$24 million) for the Smallholder Horticulture Marketing Programme will be used as a guarantee to establish a credit window of US\$50 million with Equity Bank. The credit window is for smallholder farmer credits, especially for input procurement to stimulate agricultural production. The

partnership is with the Alliance for a Green Revolution in Africa (AGRA), the Government of Kenya and Equity Bank. Additional cofinancing could be used to expand the credit scheme.

- (d) Cofinancing of around US\$3 million is being sought for the ongoing IFAD Western Uplands Poverty Alleviation Project in Nepal (IFAD financing totals about US\$20 million) to finance the land fertility and sustainable land management component.
- (e) In Yemen, implementation of the ongoing Dhamar Participatory Rural Development Project is being accelerated to finance enhanced distribution of improved seeds and fertilizers in small starter packages and access to credit for the 2008/2009 season. Additional cofinancing of about US\$1.5 million is being sought.

#### **D. Proposals under design for IFAD funding that require additional financing**

13. Additional financing is being sought for 11 projects being prepared for future IFAD financing, which have a direct impact on food production. These initiatives embody a variety of responses to rising food prices, including activities addressing systemic issues.
  - (a) IFAD assistance is being provided to implement an emergency intervention in Côte d'Ivoire to produce more rice by bolstering farmers' access to seeds, fertilizers and other inputs. Cofinancing of US\$3 million is being sought to complement the IFAD financing of about US\$14 million.
  - (b) A project under design for the Dominican Republic will address the issue of soaring food prices by improving small farmers' staple food production and productivity in a poor area of the country. It would strengthen small farmers' organizations to develop improved and effective linkages with local, regional and national markets for rice, beans and bananas. IFAD has allocated about US\$10 million for this project; additional cofinancing would be used to increase outreach.
  - (c) A new initiative in Ecuador will support Afro-Ecuadorians, indigenous groups and peasant farmer settlers to increase their incomes and mitigate the impact of soaring food prices by improving staple food production and productivity. IFAD has allocated about US\$8 million for this project and cofinancing of US\$1 million is being sought.
  - (d) A new initiative in Guinea aims to boost production and processing of basic food commodities. Outputs include improved access to credit for seed imports and fertilizer, better seed multiplication and seed storage facilities, and more responsive extension and training. Cofinancing is being sought to augment IFAD-proposed financing of somewhat less than US\$5 million.
  - (e) A project in Jordan is being designed to improve access to agricultural inputs and to markets. Safety net measures for adapting to drought and maintaining or improving agricultural capacity are also envisaged vis-à-vis water harvesting and improved water management and soil conservation. Support for household vegetable plots and home gardens would improve nutrition and incomes. IFAD financing of about US\$7 million is envisaged with additional cofinancing needed for greater outreach.
  - (f) Under design is a US\$6 million supplementary loan for the ongoing Southern Nyanza Community Development Project in Kenya. The supplementary financing will be used for activities related to agricultural production, food price mitigation and climate change. Cofinancing would be used to increase outreach.

- (g) Cofinancing of the seed multiplication component for a new project in Mali is being sought to complement IFAD financing of US\$25 million.
- (h) The design of a new initiative for Nepal will support soil fertility management in vulnerable hill and mountain areas, and will focus on high-value crops and food crops. IFAD has allocated about US\$9 million for this project; an additional US\$2 million in cofinancing is being sought.
- (i) Design discussions are under way with the Government of the Philippines for a new initiative to support irrigation rehabilitation, input supply, processing and marketing, and irrigators' associations, all in relation to rice production. Other partners include the Asian Development Bank, FAO and WFP. IFAD has allocated about US\$16 million for this initiative.
- (j) In Sierra Leone, rice production is expected to be boosted through the Government's ongoing National Rice Programme increasing farmers' access to seeds, fertilizer and other inputs. IFAD financing for this programme has not yet been confirmed. Although additional financing will be required, the precise financing gap has not yet been determined.
- (k) Improved household food production by poor *Warao* ethnic group settlements located in the river Orinoco delta through cultural, social and environmentally sustainable development is planned for the Bolivarian Republic of Venezuela. IFAD has allocated US\$13 million for this project; additional cofinancing of about US\$3 million is being sought.

#### **E. Proposals that require full financing external to IFAD**

14. Because of limits on IFAD resources, IFAD is unable to cofinance a number of worthwhile proposals. The following projects are at various stages of design, with no current IFAD funding available. These ideas have been transmitted to donors interested in providing parallel funding for promising immediate food production projects.
- (a) An initiative for Afghanistan would demonstrate benefits associated with the production of pulses (lentils, dals, etc.) in terms of soil fertilization, diversifying agricultural production and increasing the availability of improved pulse seeds nationwide. The Kabul office of the International Center for Agricultural Research in the Dry Areas (ICARDA), in collaboration with the Department of Research and Extension of the Ministry of Agriculture, Irrigation and Livestock, has agreed to implement this project. Financing of about US\$2 million is being sought.
  - (b) A demonstration project of two years' duration aims at boosting agricultural yields and address poverty and food security in central India. The project would demonstrate a model for sustainable livelihoods through improved agricultural production, and enhance water availability for minor irrigation purposes. The project requires about US\$20 million in financing.
  - (c) Additional financing is required in Mozambique to build the capacity of input supply businesses. The project was identified by an IFAD joint mission with FAO/World Bank/WFP and the United Nations Children's Fund.
  - (d) A proposal for the Pacific Island countries would improve food security and provide for import substitution by developing market and income-generation opportunities. It would address agricultural productive supply constraints such as access to inputs, extension services, improved availability and dissemination of agricultural information, and improved market infrastructure. About US\$8 million in financing is being sought.
  - (e) In Pakistan, farm productivity is being enhanced to deal with the impact of soaring food prices through support for input supply – quality seeds,

fertilizers, etc. About US\$2 million is being sought. The activity may be linked to a future IFAD project.

- (f) IFAD has been approached to provide support for a new initiative for the Palestinian Authority that seeks to develop a market-based agricultural insurance scheme to improve agricultural production.
- (g) IFAD has had a long-standing partnership with the Belgian Survival Fund in northern Somalia. The Somalia Northwestern Integrated Community Development Programme includes measures to improve access to agricultural inputs and seeds, including credit, improved watershed management and soil conservation. Additional cofinancing would be used to scale up the programme in a second phase.



