



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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COMBINING MICROFINANCE WITH FOOD AID

**BRIEFING NOTE ON OPERATIONAL COOPERATION
BETWEEN IFAD AND THE WORLD FOOD PROGRAMME (WFP)**

I. COMPLEMENTARITY OF OPERATIONS

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

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surplus income needed to break the poverty spiral, thus contributing to a gradual increase of investments in agriculture and off-farm economic activities as part of the sustainable development process supported by development agencies such as IFAD.

II. ASPECTS OF COOPERATION

5. IFAD and WFP cooperate closely in the following sectors:
- (a) post-crisis assistance;
 - (b) joint programming of development projects; and
 - (c) enhanced information-sharing.

Post-Crisis Assistance

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

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

8. Collaboration between IFAD and WFP in Mali, initiated in the late 1980s, represents a good example of the IFAD/WFP partnership which has its origins in the economic consequences of the severe droughts experienced in northern Mali during the late 1970s and early 1980s. That natural disaster led to a large number of refugees being displaced, mainly to Algeria but also to the north of Niger and Burkina Faso. In response, IFAD, WFP, the United Nations High Commissioner for Refugees (UNHCR) and the non-governmental organization, Agency for Cooperation and Research in Development (ACORD), worked very closely with the four concerned governments and other key partners to formulate and implement a resettlement scheme for the refugees to return to their regions of origin. In 1986/87, IFAD and WFP jointly designed a pilot scheme to test instruments for use upstream of the emergency operations by UNHCR and others to initiate short to medium-term development activities for the returnees. The IFAD/WFP pilot scheme eventually helped some 350 destitute returnee households to resettle through the restocking of their decimated herds and, in 1988, led to the launching of the Kidal Food and Income Security Programme by IFAD together with WFP and other partners (e.g., ACORD, OPEC Fund, Islamic Development Bank, etc.). The objective of the programme was to help achieve the medium-term rehabilitation of the local economy in the Kidal region. It not only assisted in the return of displaced rural persons but also supported the resettlement of refugees following the Touareg rebellion of the early 1990s. IFAD loan funds and WFP food aid have been used to implement mutually complementary activities such as vegetable gardening schemes, oasis agricultural development and social infrastructure.

9. Other similar examples can be found in countries such as Angola, Burundi, D.P.R. Korea and Rwanda. In Rwanda, for example, WFP is collaborating in the IFAD-financed Gikongoro Agricultural Development Project. The food-for-work rations provided by WFP, valued at approximately USD 0.4 million and representing 400 000 work/days, have been used to turn the swamp areas into productive agricultural lands. In Burundi, IFAD and WFP are working together



under the IFAD-initiated Rural Recovery and Development Programme approved by the Executive Board in April 1999. While an integrated set of activities to respond to local community needs is supported by an IFAD of USD 20 million, WFP food-for-work rations in the amount of USD 1.16 million are being used to compensate farmers for production foregone when participating in the on-farm construction activities. In particular, WFP food aid has enabled project beneficiaries to take part in marshland reclamation and in the construction of “radical terraces”, a technology developed and tested in Rwanda but not previously extended to Burundi.

Joint Programming of Development Projects

10. Given their operational complementarity, IFAD and WFP cooperate on development-oriented projects targeted at the rural poor, mainly through joint programming and parallel financing of mutually complementary activities. Such examples may be found in IFAD’s different operational regions.

11. In Asia, the case of China is very illustrative. IFAD and WFP started operations in China in 1979 and 1980, respectively. The combined assistance portfolio at end-1998 totals about USD 1.1 billion, accounting for almost 50% of the total cost of approximately USD 2.3 billion for rural poverty alleviation operations supported by IFAD and WFP in China. The two organizations’ initial stand-alone projects have been identified as integrated and area-based rural development interventions aimed at providing the rural poor in marginal upland areas with a full package of services that offer maximum impact. However, because of WFP and IFAD’s different focus and comparative advantages, the Fund’s support has focused more on the delivery of microcredit while WFP assistance has been normally directed to infrastructure, civil works, social training and awareness building. In view of the obvious advantage of combining IFAD and WFP efforts, in 1994 the Government agreed to the development of jointly-financed projects. The first such project’s design and formulation were undertaken jointly by the two agencies in 1995 and 1996. That project, the Northeast Sichuan and Qinghai/Haidong Integrated Agricultural Development Project, was approved in September 1996. The value-added of such an approach was that it permitted targeting a larger number of beneficiaries and larger project area. Moreover, the impetus for sustainable development was strengthened through the combination of WFP food-for-work and food-for-training and IFAD loans for microfinance.

12. In 1997, IFAD supported WFP in its Vulnerability Assessment and Mapping (VAM) exercise, which formed the basis for consultations between IFAD and WFP on joint identification of potential project areas in China. In April 1998, the first preliminary findings of the provincial VAM were agreed, leading to identification of three priority project areas as the basis for joint programming of a new pipeline of projects for the period 1999-2001. A Country Strategic Opportunities Paper (COSOP) for China prepared in 1998 took account of the VAM results and the outcome of regular consultations between IFAD and WFP. Building on IFAD’s COSOP, WFP has started its own process of preparing a country strategy outline for China. During 1999, the United Nations Development Programme (UNDP) initiated the development of a Common Country Assessment (CCA) for China as part of the United Nations Development Assistance Framework process. IFAD’s participation in the exercise has been facilitated through WFP’s country office. This has ensured that IFAD’s experience in microfinance, especially that related to joint projects, has been reflected correctly in the CCA.

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



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

14. Recently, IFAD has reached an understanding with WFP for the joint design of the second phase of the Orissa Tribal Development Project in India scheduled for approval in 2001. IFAD and WFP are expected to establish a long-term collaboration arrangement in India similar to that for China, as described above. The scope of IFAD/WFP collaboration in India will be mainly in the context of area development projects. In addition to the activities funded under the food-for-work programme, IFAD is also expected to benefit from WFP's expertise in developing participatory impact monitoring systems.

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

16. In Africa, IFAD and WFP are collaborating in project development in a number of countries. For instance, WFP is an important cofinancier of the IFAD-funded Participatory Irrigation Development Programme in the United Republic of Tanzania, the main objective of which is to increase agricultural productivity through irrigation investment and institutional support to promote the integration of smallholder production into the market economy. WFP's contribution is directed towards financing the construction of rural access roads and secondary and tertiary irrigation canals. IFAD has also been working with WFP and UNDP in Mali since early-1999 with the aim of defining the conceptual framework for a large economic rehabilitation programme for all the Saharan areas of the country. In Chad, cooperation with WFP is foreseen under phase II of the IFAD-initiated Food Security Project in the Northern Guéra Region scheduled for approval in 2000. WFP will cofinance the project by providing local cereals for the establishment of food security grain banks in the project area. Similar examples of collaboration may also be found in countries such as D.R. Congo and The Sudan.

Enhanced Information Sharing

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



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

Niger:

Special Country Programme - Phase II

(approved in September 1995)

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

The programme's primary objective is to help achieve food and income security by increasing agricultural and livestock production. **Main components** are: (a) Niger and Komadougou River Valley development (including restructuring of existing irrigation blocks, development of 10 new ponds, and technical training for beneficiaries); (b) village-based natural resource management in rainfed farming areas (including training of village leaders and resource users, elaboration of a Village Land-Use Plan, and soil and water conservation); (c) community-based natural resource management in pastoral areas; and (d) support for a rural financing system. The programme will directly benefit about 11 000 farm households and 4 000 pastoral households. **WFP** food aid contributes to food-for-work activities under components (a) and (b).

Sri Lanka:

North-Central Province Participatory Rural Development Project

(approved in September 1995)

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

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

China:

Northeast Sichuan and Qinghai/Haidong Integrated Agricultural Development Project

(approved in September 1996)

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

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



improvement (including irrigation, terracing and increasing soil depth), rural infrastructure (including village roads and drinking-water supply), and training.

Viet Nam:

Agricultural Resources Conservation and Development Project in Quang Binh Province

(approved in December 1996)

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

The project's primary objective is to increase household incomes and food security for about 65 000 households. **Main components** are: (a) irrigation rehabilitation; (b) livestock development (including pigs, cattle and goats); (c) aquaculture development (including floating cage fish culture, brackish water shrimp culture); (d) sand dune fixation; and (e) rural road rehabilitation. **WFP** food aid contributes to food-for-work operations in forestry, irrigation and village road construction.

Bangladesh:

Agricultural Diversification and Intensification Project

(approved in April 1997)

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

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

China:

Southwest Anhui Integrated Agricultural Development Project

(approved in September 1997)

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

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



Bangladesh:
Aquaculture Development Project
(approved in April 1998)

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

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

China:
Wulin Mountains Minority-Areas Development Project
(approved in September 1998)

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

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

Sri Lanka:
Matale Regional Economic Advancement Project
(approved in December 1998)

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

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



Bangladesh:

Smallholder Agricultural Improvement Project

(approved in April 1999)

Total cost: USD 25.73 million
IFAD loan: USD 18.62 million
WFP food aid: USD 1.72 million

The objective of the project is to boost the food production and household incomes of the rural poor in the project area so as to improve their food security and standard of living. Main components are: (a) agricultural development (including capacity strengthening and training in research and extension); (b) small-scale water management schemes; (c) rural community support (including beneficiary participation in project design and implementation, and technical orientation of NGOs to enable them to deal with the specific issues of small and marginal farmers); (d) rural finance and savings; (e) support to the Adivasi population and *charland* area; and (f) rural community infrastructure (including construction of rural roads, construction and rehabilitation of agricultural centres, and construction or upgrading of market facilities). **WFP** food aid will contribute to cover the cost of earthwork.

China:

Qinling Mountain Area Poverty-Alleviation Project

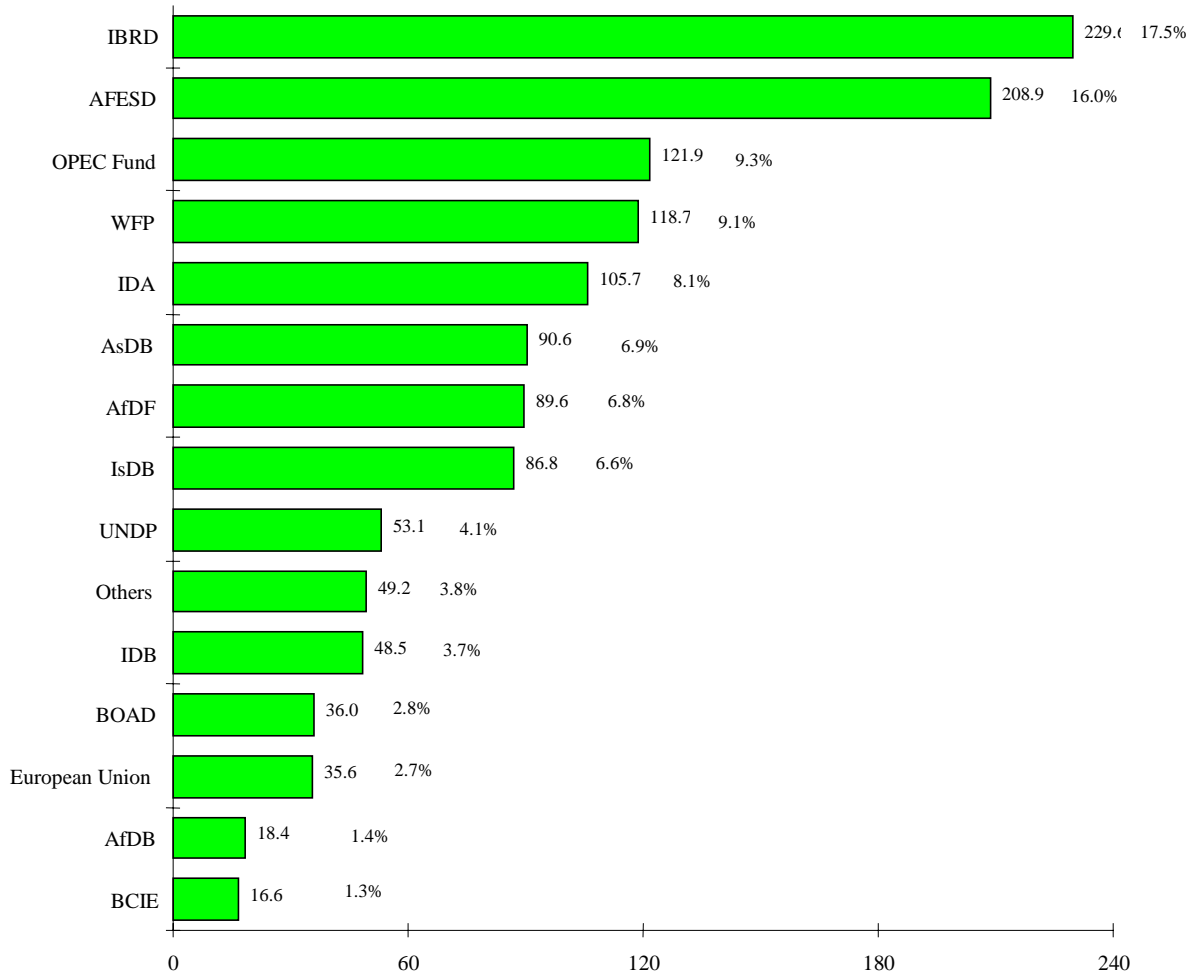
(approved in December 1999)

The aim of the project is to improve the food and income security of the vulnerable rural households living in an environment of degraded natural resources. The objective is to achieve a sustainable increase in the rural poor's productive capacity, both on-farm and off-farm, and enable them to have greater access to economic and social resources. Main components are: (a) agricultural development (including irrigation, dryland improvement, agricultural and animal husbandry extension services, etc.); (b) provision of financial services with the main aim of transforming the rural credit cooperatives into viable rural cooperative banks; (c) social development activities (e.g. literacy training, health and nutritional awareness-building, etc.); and (d) rural infrastructure for drinking water supply, rural access roads and electrification. **WFP** food aid will contribute to the implementation of components (a), (c) and (d).



ATTACHMENT

Cofinancing of IFAD-Initiated projects by Multilateral Donors under the Regular Programme and the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, 1978-98



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