

International Fund for Agricultural Development (IFAD)

FY2002 Appropriation	FY2003 Scheduled Request	FY2003 Arrears Request	FY2003 Total Request
\$20M	\$15M	\$3,667	\$15,003,667

The International Fund for Agricultural Development (IFAD) was established in 1977 as a multilateral financial institution focused on promoting rural agricultural development in poorer countries. Nearly 75 percent of the world's 1.2 billion poorest people live in rural areas, largely as small-scale producers and subsistence farmers. IFAD's specific mandate is to increase their productivity and incomes, improve their nutritional levels and help integrate them into larger markets. IFAD seeks to design and fund innovative and appropriately scaled programs in such areas as rural institution building and microfinance. IFAD is the only MDB that devotes all of its resources to combating rural poverty.

For FY2003, the Administration is requesting \$15 million for the second and final scheduled payment under IFAD's 5th replenishment (IFAD-V) which covers the period 2000-2002. An additional \$3,667 is requested to clear one-third of U.S. arrears to IFAD.

At USAID's request, Treasury assumed lead agency responsibility for IFAD in February 2000.

Key Facts:

- IFAD has 162 members. The United States is by far IFAD's largest shareholder with 9.7% of the voting power, followed by Saudi Arabia with 5.8% and Japan with 3.6%. Since IFAD's establishment, the US has contributed a total of \$567.6 million.
- To date, IFAD has financed 600 projects in 116 countries for total commitments of approximately \$7.2 billion. These projects usually include components for agriculture and livestock development, natural resource management, and local capacity building, rural finance and gender mainstreaming.
- New commitments in 2001 totaled \$405 million for 25 loans averaging \$16 million each. In addition, IFAD provided \$17 million for 16 technical assistance grants. Examples of recent loans include projects that illustrate examples of IFAD's humanitarian assistance and disaster relief efforts, collaboration with other donor organizations, post crisis support, economic policy reform and the promotion of market-oriented systems:

NOTE: IFAD Fiscal Year: January 1 – December 31

Internet Website: www.ifad.org

- El Salvador: \$20 million for Reconstruction and Rural Modernization Program to improve the lives of 233,000 individuals living in rural poverty in five states which have been hard hit by the combined effects of El Nino, Hurricane Mitch and most recently, earthquakes in 2001. The project will focus on reconstruction of rural infrastructure and construction of new infrastructure, in such areas as health, education facilities, potable water supplies, and sewage. Provision is made for investments in small irrigation systems, warehouse facilities, improved marketing capacity and road maintenance.
 - Pakistan: \$14.2 million for the Northwest Frontier Barani Area Development Project to reduce poverty in remote areas among smallholders. The project will directly benefit 67,000 households through improvements in agriculture and natural resource management, provision of rural credit, training in the development of community organizations, with a special emphasis on women's groups and demand driven investment in rural infrastructure. Significant resources were mobilized for this project from other donors, including the Government of Pakistan, the Asian Development Bank, and participating private sector financial institutions.
 - Tanzania: \$16.34 million for the Agricultural Marketing Systems Development Program that will aim to increase the efficiency and productivity in the agribusiness sector by establishing and strengthening vertical and horizontal links between smallholders, producer groups, grassroots institutions, marketing chains, processors commercial banks and exporters through the provision of financial services, infrastructure improvements, training and technical assistance to beneficiaries. The project expects to reach 25,000 rural households. A provision has been made for technical assistance to the government to undertake studies to evaluate current policies and recommend reforms.
 - Rwanda: \$12 million for the Umutara Community Resource and Infrastructure Development Twin Project to support the development of participatory planning and service delivery processes among 35,000 families living in three districts. The project supports the country's transition as it emerges from conflict and directs demand-driven assistance to the most marginalized communities. Specifically the project will improve water supply for people and livestock, improve transport infrastructure and generate improvements in agricultural and livestock management, and provide credit to purchase inputs.
- Nearly two-thirds of IFAD loan commitments are on concessional terms (40-year maturity, 10-year grace period, and service charge of 0.75 percent per annum). The remainder is provided on either intermediate terms (a blend of concessional and market-based terms, with a maturity of 20 years), or on ordinary terms (market-based variable interest rate, and maturity of 15-18 years). Up to 7.5% of total finance is provided in the form of technical assistance grants.

- IFAD leverages its limited resources through co-financing from borrower governments, bilateral and other multilateral donors and NGOs; in fact, up to 30% of funding for IFAD projects has been mobilized from other financing sources.

Supporting U.S. Objectives

Increasing Growth and Productivity

Agriculture and rural development are essential in our efforts to reduce poverty and improve food security worldwide. A recent evaluation of IFAD's programs shows that 92% of projects studied improved income and living standards of poor farmers. Overall crop yields rose by an average of 60%, with increases ranging from 30% to 200%. Real household incomes increased by up to 400% for some cash crop growers and successful microenterprises. 75% of projects provided more economic opportunities for women.

Combating Terrorism

IFAD has strengthened its internal due diligence efforts in response to the Secretary O'Neill's request to initiate measures within the organization to prevent inadvertent funding of terrorist individuals or groups with program funds.

Afghanistan Reconstruction

Additionally, IFAD will coordinate with the Food and Agricultural Organization (FAO) to pool resources, expertise and experience to participate in the rehabilitation of Afghanistan within the framework sponsored by the World Bank, Asian Development Bank and UN Development Program.

Institutional Reform and Performance

In June 2000, Treasury completed the IFAD-V replenishment negotiations commenced earlier under AID oversight. Key areas of progress include efforts to improve borrower governance, collaboration with other donor organizations, and support for the creation of enabling environments and the adoption of an institutional Action Plan to implement reforms:

- *Greater consideration of the country's enabling environment and governance* criteria in developing country assistance strategies and in making allocation decisions. In 2001, IFAD has taken steps to strengthen its collaboration with other international financial institutions notably the World Bank in the development of country specific poverty reduction strategy papers.
- *Full Executive Board review of country assistance strategies* and strengthened linkages to U.N. Development Assistance Framework, the World Bank's Comprehensive Development Framework and country Poverty Reduction Strategy Papers. As of December 2001, three country assistance strategy papers have been reviewed by the Board with two more planned for the early part of 2002.

- *Expanded cofinancing* to cover at least 30% of IFAD's annual commitment level to leverage increased resources for poverty reduction. IFAD achieved this goal in 2001.
- *IFAD also adopted for the first time an action plan to implement the replenishment agreement.* Under the action plan IFAD's achievements in 2001 include: strengthening of its monitoring and evaluation unit and the creation of internal mechanisms to improve project development, review and dissemination of information.
- *Increase analysis of a borrowing country's enabling environment,* including governance, to improve program success and project sustainability. In 2001 IFAD established an internal interdepartmental working group to develop guidelines for policy/institutional analysis and dialogue that has been strengthened by the process of the country strategic opportunities papers, which are intended to provide a blueprint for future activities.
- *Strengthen monitoring, evaluation, and impact assessment of interventions on poverty alleviation and food security.* IFAD made considerable advances with regard to this initiative and has developed a mechanism for tracking impact through the project cycle that includes a framework of goals, donor activities, target group diagnoses and stakeholder roles. In addition, a practical guide for monitoring project evaluation has been developed for the field and reviewed by managers, national and international partners; further, measures of household poverty have been developed and are being tested on a pilot basis.
- IFAD VI Replenishment consultations will begin this year. The U.S. will continue to push for further reforms to improve IFAD's institutional performance and project results. While specific policy proposals have not yet been discussed, we expect to emphasize the following broad themes in our reform discussions:
 - Sustained focus on assessing the impact of IFAD projects on increasing productivity and reducing poverty in the rural agricultural sector.
 - Expand and strengthen efforts to assess the enabling environment in borrowing countries, in order to allocate resources most productively to countries with the right policies and institutions.
 - Continue to strengthen management's focus on operational efficiency, strategic planning, and effective resource allocation.