



Photo Credit: IFAD/Roberto Fardutti

# OFID and IFAD:

## partners in the fight against rural poverty

“ The creation of IFAD represented a new type of partnership – between OPEC countries and industrialized countries, between developing countries and developed countries – in which each group provided substantial financing for the institution. It was an early example of a global alliance across geographic or ideological differences, joining together for the shared goal of eradicating poverty and hunger. ”

Kofi Annan, Secretary-General, United Nations



- ◀ The clean water provided by this well in the poor West African state of Guinea has improved the quality of life of many rural residents. Such projects are close to the heart of the OFID/IFAD partnership.

### Rome Food Conference

IFAD had its origins in the UN-sponsored World Food Conference in Rome in November 1974. This conference was held in an atmosphere of some urgency because of the extensive food shortages experienced in parts of Africa and Southeast Asia at the time. The conference delegates were motivated to find ways not only to foresee and mitigate such famines, but to ensure that food shortages would eventually become a thing of the past.

The OPEC country delegates in Rome suggested that an international fund be set up to help finance food production in the world's poorest nations. They underscored their commitment by agreeing to provide almost one half of the new fund's starting capital. IFAD was thus founded in December 1977 as the 13th specialized agency of the UN. OPEC nations, acting through the newly established OPEC Fund, pledged \$435.5 million toward the initial resources, while OECD countries gave \$569 million and other developing countries \$20.6 million. The OPEC Fund contributed an additional \$20 million to IFAD's First Replenishment. Given the relative size of the GDP of its members in comparison with OECD countries, the contribution from OPEC countries was a substantial amount.

Today, one can see that IFAD was a milestone in the history of international development. As an initiative suggested by developing countries, who took the lead in forming the new organization, it was unprecedented at the time. Even today, when globalization and North-South dialogue are supposed to be the order of the day, it remains a rare phenomenon. As the first president of IFAD expressed it, in an interview not long after the body was set up:

'IFAD was born in the questioning seventies, and reflects a new approach to problems of food production and distribution. With its focus on the rural poor and its unprecedented governing structure, IFAD is the first institutional embodiment of the spirit of the new international economic order.'

Even today, IFAD remains one of the few multilateral development finance institutions in which OPEC and other developing countries hold a majority of the votes. It is of course true that OFID was also set up in this era, reflecting a broad acknowledgement that partnerships were key to addressing urgent global problems.

Throughout OFID's 30 years of operation, it has worked with dozens of like-minded institutions with a view to maximizing every cent of aid disbursed, avoiding repetition and replication, and making full use of the expertise of other agencies (see also article on aid harmonization, page 108). As the case studies in this book testify, all projects with which OFID is involved are co-financed, either by governments, sister aid organizations, UN agencies or other development institutions.

One of OFID's closest partners is the International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations that focuses on rural poverty reduction, primarily through agriculture-related programs and projects. One of the reasons why the two organizations work closely together is that OPEC Member Countries played a major part in establishing IFAD, which celebrates its own 30th anniversary in 2007.



▲ An extension worker teaches Egyptian farmers how to make butter using modern machinery. They are beneficiaries of an IFAD project centering on livestock.

The 1974 Rome Conference marked a change in the prevailing thought on the world food problem. Delegates recognized that the problems of food and nutrition were not just the result of occasional crop failures, but reflected a deep-seated phenomenon with roots entrenched in the wider issues of poverty and development. The conclusion reached was that unless the poorest segments of rural society gained access to more employment and better income opportunities, they would remain hungry and malnourished. The reason for establishing IFAD was not to supply food aid in the event of crop failure, but to finance projects that would enable rural poor people to take charge of their own development.

Nowadays, this idea of 'participatory development' is commonplace in development thinking, but at the time it was fairly revolutionary, because for generations people had thought of hunger, and the problems associated with it, as somehow inevitable. Today, the idea of not only participating in, but taking charge of, development is clearly reflected in the objectives of IFAD. IFAD has

recognized that vulnerable groups can and do contribute to economic growth. These groups have shown that they can join the mainstream of social and economic development, provided the causes of their poverty are understood and enabling conditions are created.

### Agriculture and the poor

Thirty years have gone by, but the problems IFAD set out to address are still in evidence in many parts of the world. Poverty still stalks the least developed countries in particular, and within these countries rural dwellers make up the majority of the poor. They depend on agriculture and agriculture-related small industries and services for their livelihoods. They work as farmers, fishers, herders and landless farm laborers. Their countries tend to depend on agriculture to a disproportionate extent for jobs, exports and economic growth. This is why focusing on agriculture is so vital to reducing poverty, and thereby reducing world hunger. The greater the investment in agriculture, the greater the chances are that a country can raise itself out of

poverty and underdevelopment. It is also more likely to reach the point where its people can diversify into other areas of economic activity. It is not just a question of money, but also of providing people with the necessary knowledge and expertise to increase agricultural production. Projects and programs must respond to the needs of small-scale producers, and at the same time be part of an integrated approach that addresses the many elements of rural poverty.

### How the partnership works

IFAD and OFID work in partnership to finance development programs and projects - by means of low-interest loans and grants - in some of the most disadvantaged countries of the world, from Armenia to Zambia, and from Burundi to Lebanon. After the World Bank, OFID is the largest co-financier of IFAD-sponsored programs and projects. Together they have co-financed 58 projects in over 30 countries, with many more joint initiatives in the planning stages. Projects include a vast array of activities ranging from road building and repair, to water supply and training courses for farmers, together with boosting literacy and business skills among would-be entrepreneurs, and providing seeds and other agricultural inputs. The partners also invest in agricultural research to help make crop yields, livestock and fishing more productive. In their co-financed projects and programs, each partner focuses on certain sectors. IFAD concentrates on agricultural support services, rural financial services,



Photo Credit: IFAD/Robert Grossman

▲ A Rwandan shoe repairer plies his trade. In partnership with OFID and other organizations, IFAD has actively promoted the growth of micro-enterprises in this war-damaged country.

community development and the creation of local institutions, institutions, together with agricultural investments, such as irrigation equipment and tree plantations. OFID usually supports rural infrastructure, including water supply and rural roads, as well as farming assets such as agricultural equipment, animal restocking and private sector agro-processing facilities. The partnership between IFAD and OFID combines their particular strengths to maximize the impact of their efforts. OFID has special insights into the problems

## Community groups gain the know-how to reduce poverty in Turkey

Per capita annual income in eastern Turkey hovers around \$800, far lower than the national average of \$2,800. Yet the area has well-developed roads, good communication networks and considerable economic potential. In order to bring eastern Turkey more in line with the rest of the country, the \$30 million, seven-year Sivas-Erzincan Development Project was approved in 2003. Targeting 50,000 people in 200 villages in two eastern provinces, it aims to help increase incomes and improve quality of life. The project is receiving co-financing from IFAD and OFID.

At the heart of the project is community participation, achieved through village associations. Training courses offer support in planning, management and administration, enabling communities to prioritize their needs, manage grazing lands and water, and increase their bargaining power in the market place.

Herders are learning about better animal health, improved rangeland management and marketing. In order to pass on their knowledge, farmers are organizing and holding demonstrations of farming techniques, including contour tillage, contour strip cropping and other improved tillage techniques.

About 70 new or existing cooperatives are receiving advice on how to serve their members better by delivering essential services in production, processing and marketing. Training in bookkeeping, accounting and general business skills is enabling the groups to make the best use of their resources and to ensure that they do not sell goods unprofitably.

Priority is being given to needy households headed by women, and to families with little or no land and few or no farm animals.



▲ **More than 250 million people in the developing world, from farmers to carpenters like this Rwandan tradesman, have benefited from IFAD/OFID-funded projects since 1978.**

associated with poverty because its member states are themselves developing countries. This makes it a valuable ally to other developing nations and an excellent partner for IFAD.

Since 1978, IFAD has invested \$8.2 billion in 660 rural development projects and programs in 115 countries and territories around the world. IFAD estimates that these projects have enabled more than 250 million small farmers, herders, fisher folk, landless workers, artisans and indigenous people to take steps to achieve a better life for themselves and their families. IFAD works with partners that include not only the rural poor, governments and other NGOs, but also the private sector, and financial and development institutions.

#### IFAD member states and governance

Membership in IFAD is open to any state that is a member of the United Nations, as well as any of its specialized agencies and the International Atomic Energy Agency. Its 164 Member States are classified as follows: List A (primarily OECD members); List B (primarily OPEC members); and List C (developing countries). The Governing Council is IFAD's highest authority, with full decision-making powers. It has representatives from all of IFAD's Member States and meets annually at the organization's Rome headquarters. Each Member State is represented in the Governing Council. The Executive Board is responsible for overseeing the general operations of IFAD and for approving its program of work.

#### The way forward

Although the Rome Conference delegates' commitment to end world hunger in 10 years has proved to be over-optimistic, the OFID-IFAD partnership is as strong today

as it was at its founding. As long as there is extreme poverty in the world, there will be hunger. Ending hunger is a major drive in the focus on poverty reduction, which now engages the whole development community as never before. The first and undoubtedly the most important of the Millennium Development Goals is to halve the proportion of people living in extreme poverty by 2015. Some progress has been made toward achieving this, particularly in Southern and East Asia, but other areas of the world lag behind and seem to have little chance of meeting goal number one. One of the reasons why some regions have succeeded while others have not is that they have accorded priority to the agriculture sector, making significant investments in food production. One of the functions of IFAD is to help channel official development assistance to areas where such investments are most needed.

## Healthier livestock produces more milk in Lebanon

Lebanon's 17-year civil war, which ended in 1990, left rural families with few cattle, sheep and goats. In response, IFAD and OFID joined forces in 1993 to co-finance the Smallholder Livestock Rehabilitation Project. With contributions totaling \$21.9 million, the project enabled herding families in the Bekaa Valley to purchase animals and obtain technical assistance to improve the production of milk, meat and wool. Farmers secured loans to buy high-yielding imported dairy cows and local varieties of sheep and goats. Dairy cattle were vaccinated against foot-and-mouth disease. Ten milk collection centers were built to provide a more hygienic way of collecting milk. Five extension centers trained nearly 1,000 participants in animal health, livestock breeding and post-harvest processing. Women were heavily involved. Many took courses in how to organize small-scale entrepreneurial activities, such as selling handicrafts. Others formed food production cooperatives to process fruits and vegetables. One of the greatest impacts of the project, which ran until 2002, was an increase in annual milk production, from about 3,500 liters per cow to more than 6,000 liters. More hygienic processing reduced the amount of milk rejected due to poor quality from 20 percent to seven percent, while leading to a 50 percent rise in the price farmers received for their milk. The vaccination campaign also reduced the incidence of animal diseases.