

IFAD & OIC Member States

# Working together to eradicate poverty



Enabling poor rural people  
to overcome poverty

# IFAD

## Eradicating poverty in rural areas

### Who we are

The International Fund for Agricultural Development (IFAD) is dedicated to eradicating poverty and hunger in rural areas of developing countries.

IFAD provides low-interest loans and grants to developing countries to finance innovative agricultural and rural development programmes and projects. It is among the top three multilateral institutions working in agriculture in Africa. In 2010, the largest share of new IFAD financing went to sub-Saharan Africa.

IFAD brings the point of view of smallholder farmers and rural entrepreneurs to bear on international policy deliberations, and builds their capacity so that they themselves can engage in and influence relevant policy processes.

IFAD has its headquarters in Rome, Italy.

### What we do

IFAD's objective is to mobilize resources for agriculture and rural development in developing countries. IFAD's goal is to empower poor rural women and men to achieve higher incomes and improved food security. IFAD also acts as an advocate for poor rural people. Our multilateral orientation provides a strong global platform for discussing rural policy issues and increasing awareness of why investment in agriculture and rural development is critical to reducing poverty and improving global food security.

### Where we work\*

- Sub-Saharan Africa: 40 countries with 113 ongoing programmes and projects
- Asia and the Pacific: 18 countries with 58 ongoing programmes and projects
- Latin America and the Caribbean: 19 countries with 30 ongoing programmes and projects
- Near East, North Africa, Central Asia and Eastern Europe: 14 countries and one territory with 33 ongoing programmes and projects

### How we work

Partnerships are IFAD's main mode of operation. The Fund is, in fact, a unique partnership of members of the Organization of the Petroleum Exporting Countries (OPEC), other developing countries, and member countries of the Organisation for Economic Co-operation and Development (OECD). IFAD works with developing country governments, poor rural people's organizations, non-governmental organizations and the private sector to design innovative programmes and projects that fit within national priorities for agriculture and rural development. We also work closely with other multilateral financial institutions and United Nations agencies, especially our sister Rome-based agencies – the Food and Agriculture Organization of the United Nations and the World Food Programme. And we have been expanding our partnership strategy to involve the private sector in providing agricultural production, processing, marketing and financial services to the smallholder farming sector.

\* As of 31 December 2010.

# OIC

## The Organisation of Islamic Cooperation

The Organisation of Islamic Cooperation (OIC), established in Rabat, Morocco, on 25 September 1969, is the second largest inter-governmental organization after the United Nations. It has a membership of 57 states spread over four continents. The Organization promotes international peace and harmony among various people of the world. The OIC permanent secretariat was established in Jeddah in 1970. It is headed by a Secretary General, currently Prof. Ekmeleddin Ihsanoglu, who assumed office in January 2005 and was re-elected for a new term at the 11th Session of the Islamic Summit Conference in Dakar in 2008. A new OIC Charter was adopted at the Dakar Summit which witnessed the setting up of the Special Programme for the Development of Africa (SPDA).

Over the past 40 years, the OIC membership has grown from its founding members of 25 to 57 states. The Organization has consultative and cooperative relations with the United Nations and other inter-governmental organizations. The Makkah Declaration of the OIC adopted in December 2005, states in part: "we consider the eradication of illiteracy, diseases and epidemics, and the fight to alleviate poverty in Islamic states as urgent, strategic objectives requiring us to drum up all necessary resources".

The OIC is comprised of three main bodies: the **Islamic Summit**, composed of Kings and Heads of State and Government of Member States, is the supreme authority of the OIC. It convenes once every three years. The **Council of Foreign Ministers**, which meets once a year, considers the means for the implementation of the general policy of the Organization including by: (a) adopting decisions and resolutions on matters of common interest, and (b) reviewing progress of the implementation of the decisions and resolutions adopted at previous Summits and Councils of Foreign Ministers. The **General Secretariat**, which is the executive organ of the Organization, is entrusted with the implementation of the decisions of the two preceding bodies.

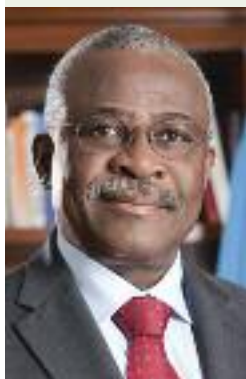
## IDB

### The Islamic Development Bank

The Islamic Development Bank is an international financial institution established by the Conference of Finance Ministers of Muslim Countries held in Jeddah, Saudi Arabia in December 1973; it was inaugurated in July 1975. The Bank's membership consists of 56 countries – each prospective member country should be a member of the Organisation of Islamic Cooperation (OIC), pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

The purpose of the Bank is to foster the economic development and social progress of member countries and Muslim communities in accordance with the Islamic principles or Shari'aa. The Bank participates in equity capital and grants loans for productive projects and enterprises besides providing financial assistance to member countries. The Bank contributes also to promoting foreign trade especially in capital goods, providing technical assistance and extending training facilities for personnel engaged in development activities.

# Foreword



## Commitment, trust and a common goal

For more than 30 years, the International Fund for Agricultural Development (IFAD) has been working with Member States of the Organisation of Islamic Cooperation (OIC) to reduce poverty, boost agricultural productivity and promote sustainable economic growth in the rural areas of developing countries. This common goal has been key to our many shared successes.

IFAD was created in response to the food crisis that affected millions of people in Africa and Asia in the early 1970s. OIC Member States, and the Arab States of the Organization of the Petroleum Exporting Countries (OPEC) in particular, played a key role in IFAD's establishment. The Fund's transition into a mature development agency and international financial institution owes much to their support.

Since IFAD began operations in 1978, OIC Member States have been important development partners, contributing nearly 22 per cent of IFAD's total financial resources, with the Gulf countries offering the largest share. In turn, nearly 47 per cent of the programmes and projects we support have been in OIC Member States.

As of April 2011, IFAD had invested US\$5.3 billion of its own resources in 372 projects in OIC Member States. These projects have enabled a large number of poor rural families in OIC Member States to escape poverty and achieve food security. Priorities in the region include expanding poor rural people's access to rural finance, tackling unemployment among young people

in rural areas, linking small-scale growers of non-traditional crops with domestic and international markets, and improving management of land and water resources and reducing vulnerability to climate change.

As in the early 1970s when IFAD was established, global food security concerns are today at the top of the international agenda, following the dramatic increases in food prices in 2007, 2008 and again in 2010.

It is often said that people need a crisis to shock them into rethinking their priorities. The food price crisis certainly forced the world to put agriculture back where it belongs, at the top of national, regional and global agendas. Our task now is to work together to make sure that it stays there and that the result is concerted, effective action that makes a real difference to the lives of the poor and hungry. We must also ensure that the commitments and promises made at the height of the crisis are honoured.

Although the financial crisis may have overtaken the headlines, the food crisis has not diminished. The number of hungry people in the world is now at a record high of over one billion, and food prices remain volatile. Hunger is a serious problem in more than half of OIC Member States, with the status in 12 countries ranked as "extremely alarming" or "alarming" according to the Global Hunger Index.

This is why, three decades following our initial commitments, our partnership is more important than ever. Today, there is a growing understanding of the value of agriculture as the major driver of economic growth and prosperity in developing countries.

Agriculture generates growth that is at least twice as effective in reducing poverty as growth in other sectors.

Three quarters of the world's poor people live in rural areas. The vast majority of them depend either directly or indirectly on agriculture for their livelihoods. There are about 500 million smallholder farms across the globe, and they support about two billion people. In some of the OIC member countries, agriculture is the main source of income for 70 per cent of the rural population.

Indeed, if we are to generate a global economic recovery and achieve global food security, we need to focus our collective attention on agriculture – and in particular on smallholder agriculture. Much can be accomplished through the individual efforts of developed and developing countries – but much more can be achieved through our collective efforts.

The OIC Member States have set an example of what can be achieved through effective collaboration. Your collective contribution over the years to IFAD's mission has been immense. We are truly grateful for the special partnership IFAD enjoys with the governments and institutions including those of the Gulf region, and we look forward to the future as we work together towards our common goal of reducing rural poverty across the world.

**Kanayo F. Nwanze**  
President of IFAD



## Eradicating poverty together

The International Fund for Agriculture Development (IFAD) has a longstanding partnership with the Member States of the Organisation of Islamic Cooperation (OIC).

This partnership has offered our two institutions opportunities to work together in a number of areas, and to jointly fund programmes that benefit poor rural communities across continents.

Rural poverty is, however, still an alarming phenomenon in many of the OIC Member States, particularly those that are least developed countries. More than 771 million people in OIC countries live in rural areas. Agriculture provides employment opportunities for over 573 million people, or 40.8 per cent of the total OIC population, and accounts for 11.5 per cent of the gross domestic product in these countries. Thus, the objective of achieving rapid economic growth can best be achieved through increased emphasis on sustainable agricultural development.

The OIC and IFAD share the crucial objectives of agricultural development and food security. I am delighted to note that nearly half of IFAD resources have been invested in OIC Member States for the purpose of alleviating poverty, promoting economic development and stimulating growth, thus helping to improve the lives of rural poor people, especially disadvantaged groups such as youth and women.

Most OIC Member States, including those with extensive

agricultural activity, are still considered to be net food-deficient countries. Twenty-seven OIC countries recorded an agricultural index lower than the world average. The total value of OIC food imports in 2007 was US\$96.7 billion, representing 10.8 per cent of world imports. Statistics also show that the average annual increase in the food import deficit is US\$10 billion.

It has been noted that the deterioration of agriculture has led to a sharp decrease in food supply, which is the main source of conflicts in OIC Member States that often degenerate into acute humanitarian crises, threatening peace, security and stability.

Last year, at the Fifth OIC Ministerial Conference on Food Security and Agricultural Development held in Khartoum, Republic of Sudan, participants agreed that achieving food security requires increasing food availability, food access and food adequacy for all. Since food insecurity directly correlates with poverty, it is necessary to not only alleviate poverty but also create wealth for the target population. The Ministerial Conference concluded that the agriculture sector must be at the centre of the development agenda to enhance food security in member countries.

In this regard, I would like to commend the special partnership that exists between the Islamic Development Bank (IDB) and IFAD and salute the landmark US\$1.5 billion financing agreement they signed in 2010 to support investment programmes in

OIC Member States. IFAD's contributions to the activities of the OIC Task Force on Agriculture, Rural Development and Food Security are duly acknowledged. We look forward to strengthening our collaboration and translating this commitment into concrete actions for the benefit of rural communities in our Member States.

On behalf of the OIC Member States, I would like to offer my sincere thanks and appreciation to IFAD for its ongoing collaboration and contribution. We look forward to working together to achieve our shared goal of eradicating mass poverty in our lifetime.

**H.E. Prof. Ekmeleddin Ihsanoglu**  
Secretary General of the Organisation  
of Islamic Cooperation

# OIC Member States and IFAD: a natural partnership for a better future



Niger: The Project for the Promotion of Local Initiatives for Development in Aguié provides tools and seed for food crops and reforestation efforts

©IFAD/David Rose

If IFAD is to fulfil its mission to enable the rural poor to overcome poverty, partnerships are key. IFAD works with developing country governments, poor rural people's organizations, non-governmental organizations and the private sector to design innovative programmes and projects that fit within national priorities for agriculture and rural development. It plays a key role in bringing together donors, non-governmental organizations and civil society, and in attracting the interest of the private sector in rural areas.

One of IFAD's most significant partnerships is with the Member States of the OPEC and the OIC.<sup>1</sup> These countries, spread over three geographic regions – the Near East and North Africa, sub-Saharan Africa and Asia – have been active partners and strong supporters of IFAD, both as contributing countries and as recipients of financing for development projects. IFAD also works in close partnership with many Arab and Islamic development institutions and funds in the financing, design, implementation and monitoring of its rural development projects.

The long-term partnership between IFAD and OIC Member States and institutions has, in recent years, taken on greater significance than ever before. The challenges are greater than they were three decades ago when IFAD was first established. But the opportunities for making an even bigger impact on the lives of the poor rural people are well within our grasp.

We have brought our individual strengths to the partnership, to maximize the impact of our joint efforts and achieve our common goals of alleviating poverty and increasing agricultural production in developing countries.

IFAD has developed a comparative advantage in working with small farmers and poor rural people at the local level. In particular, it has developed expertise in building and strengthening the capacities of rural organizations and facilitating decentralization.

The Gulf region's own bilateral financial institutions, as well as

1 The Member States of OPEC (Algeria, Indonesia, Islamic Republic of Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and the Bolivarian Republic of Venezuela), with the exception of the Bolivarian Republic of Venezuela, are also members of OIC.

multilateral financial institutions in which the region bears the greatest leadership responsibilities, have contributed significantly to financing large-scale programmes to support infrastructure and the energy, transport, education and health sectors. In this way, IFAD's mission complements those of Gulf Cooperation Council (GCC)-supported financial institutions. The cofinancing of IFAD-supported projects by the Abu Dhabi Fund, the Arab Fund for Economic and Social Development (AFESD), the IDB, the Kuwait Fund for Arab Economic Development (KFAED), the OPEC Fund for International Development (OFID) and the Saudi Fund for Development (SFD) apply the strengths of all the partners. These financial institutions are IFAD's second largest cofinancing partners today.

### Poverty in OIC Member States

Most OIC Member States are considered developing countries and are characterized by economies dependent on agriculture, a fragile agro-ecological base and persistently high population growth rates.

According to the IDB, agriculture remains the largest contributor to the livelihoods of 70 per cent of the OIC population living in rural areas. The agriculture sector does far more than just produce food. In most poor countries, a large proportion of the population earns its living from agriculture. This applies not only to farmers and farm workers, but also to those employed in upstream and downstream sectors of agricultural industry.

Although agriculture contributes about 27 per cent of OIC GDP, the majority of OIC Member States are

not self-sufficient in food production and depend largely on imports to meet their food demand. The Food and Agriculture Organization of the United Nations estimates that 35 of the 56 OIC Member States are among the world's 77 low-income food-deficit countries.

In recognition of these challenges, IDB chose the theme of Achieving Food Security in OIC Member Countries in a Post-Crisis World as the topic of its 2010 annual symposium held in Baku, Azerbaijan. For the IDB, the recent rising trends in food prices and shortages of food in some countries have given prominence once again to food security concerns. This is taking place during a difficult economic situation: most OIC Member States are still reeling from the global economic downturn, which led to a setback in their efforts to meet the targets and goals set in various international and regional initiatives, including the Millennium Development Goals.

Indeed, in many OIC Member States, rural areas have been left behind in terms of physical and social

Yemen: The Tihama Environment Protection Project provided assistance for poor rural people to purchase livestock and develop microenterprises

©IFAD/Gerd Ludwig





## OPEC Member States and IFAD

OPEC members led the way in establishing IFAD, contributing 36.2 per cent of the Fund's initial capital in 1978. During IFAD's First Replenishment in 1981-1983, they contributed 36.4 per cent of the resources, pledging a total of US\$430 million. Saudi Arabia played a leading role and remains to this date the second most important contributor. Through their significant support for IFAD, members of OPEC acquired an important role in determining international development priorities. Indeed, IFAD is the only organization in which OPEC and other developing countries hold a majority of the votes.

OPEC Member States had already demonstrated their commitment to supporting developing countries when they established, in 1976, the OPEC Fund for International Development now called OFID, which is at the heart of the continuing partnership between IFAD and the OPEC Member States.

The partnership between OPEC and IFAD has had reciprocal benefits. As of April 2011, IFAD had funded 34 projects in OPEC Member States (five in Algeria, two in Gabon, 13 in Indonesia, eight in Nigeria and six in the Bolivarian Republic of Venezuela), in collaboration with other donors, for a total project cost exceeding US\$1.4 billion.

infrastructure, in favour of the urban sector. Consequently, rural areas are not well integrated into the national economy, and large numbers of rural youth are migrating to urban centres.

The IDB report indicated that since the financial and economic crisis has had significant adverse impacts on agricultural financing, decision makers in Member States would face three additional strategic problems in the area of food security financing: to restore and maintain trust in financial markets serving agriculture; to gain access to credit; and to acquire the financial tools needed to manage the risks of higher and more volatile commodity prices. In this context, addressing food security challenges in the new financial environment requires long-range planning that takes into account the potential adverse impact of financial instability, volatility in energy prices and climate change.

### Important donors

Arab donor countries have consistently maintained a high level of assistance to developing countries. From 1973 to 2010 Arab donors, particularly those that are members of the GCC,<sup>2</sup> constituted the second largest concessional donor group in the world after the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Member States.

According to World Bank data, official development assistance (ODA) from Arab countries has been very generous, exceeding 1.5 per cent of their combined gross national income during the period 1973-2008, and totalling US\$272 billion. In comparison to the United Nations and (OECD-DAC),

Arab ODA during that time was more than twice the United Nations target of 0.7 per cent and five times the average of the OECD-DAC countries. Arab ODA accounts for 13 per cent of total DAC ODA and about 75 per cent of non-DAC ODA.

Although their percentage share of ODA contributions has declined since the mid-1980s, Arab countries continue to be generous donors.

The OPEC Member States were a driving force behind the creation of IFAD and have remained strong supporters of the Fund, pledging nearly US\$1.26 billion in contributions towards IFAD's capital since 1978 (see box). This represents the major portion of total contributions of nearly US\$1.4 billion pledged by OIC Member States to IFAD's resources.

### IFAD collaboration with Arab national and regional development institutions

Arab donors have created a number of development institutions and funds as part of their aid efforts.

The Coordination Group of Arab National and Regional Development Institutions,<sup>3</sup> created in 1975, helps ensure greater efficiency and effectiveness in development financing. At the beginning of 2011, eight members of the Coordination Group had channelled over US\$1.1 billion in assistance to developing countries.

IFAD works in partnership with 11 bilateral and intergovernmental Arab financing institutions, meeting periodically to exchange information, establish joint cooperation programmes and review matters of mutual concern. Many of these

2 Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

3 The Abu Dhabi Fund for International Development (ADFD), the Arab Fund for Economic and Social Development (AFESD), the Arab Bank for Economic Development in Africa (BADEA), the Islamic Development Bank (IDB), the Kuwait Fund for Arab Economic and Social Development (KFAESD), the OPEC Fund for International Development (OFID), the Saudi Fund for Development (SFD), and the Arab Gulf Program for Development (AGFUND).



institutions are actively involved in the preparation, financing and appraisal of IFAD projects. IFAD has cofinanced 132 projects in partnership with the Arab development funds, for a total project value exceeding US\$6.0 billion. IFAD's contribution was more than US\$1.6 billion and Arab funds have contributed nearly US\$1.2 billion. Further details of IFAD's collaboration with these funds are provided in table 2 on page 15.

### **IFAD cooperation with OIC Member States (1978-2011)**

Working in partnership with governments and other financial institutions, IFAD has played an important role in helping poor rural people in OIC Member States overcome poverty.

IFAD has operations in 43 of the 57 OIC Member States. The collaboration between IFAD and OIC was formalized in 1983 through a cooperation agreement in which the two organizations agreed to promote joint programmes related to agricultural development and rural poverty reduction. Tables 1 and 3 (on pages 14/15) provide data on IFAD-OIC collaboration.

As of April 2011, IFAD had funded 372 loan projects in OIC Member States, for a total project value of nearly US\$16 billion. IFAD's own contribution to these projects was US\$5.3 billion. This represents nearly half (47 per cent) of all IFAD loans.

Moreover, IFAD grants have supported applied research in fields of particular relevance to many OIC Member States. For example, a programme to halt declining date palm production in 12 countries in the Near East, North Africa and sub-Saharan Africa was supported by a US\$3.5 million grant, cofinanced by IFAD, the AFESD and IDB. The programme was implemented by the

Arab Centre for the Studies of Arid Zones and Dry Lands (ACSAD).

Another good example is the integrated pest management programme to control red palm weevils, borers and grubs, all of which have a devastating impact on date-palm production in Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. The US\$2.7 million programme was cofinanced by IFAD and IDB.

Projects designed and supported by IFAD in OIC Member States share the same basic approaches: they target resources to the most vulnerable of the rural poor; strongly encourage active participation of the people in their own development; and focus on building the foundations for sustainable development.

Fundamental to IFAD's work is a belief that rural poor people must shape and direct their own destinies if poverty is to be eradicated. They must have a say in the decisions that affect their lives. This is also a crucial precondition for preventing conflict.

A number of IFAD's projects have focused on pastoral management and conservation of rangelands, sustainable patterns of land and water use, combating environmental degradation, assisting people displaced by drought and building infrastructure.

Local conditions and needs determine the focus of each project, as well as the means to achieve project objectives. This can include: credit for investment in productive enterprises, both on and off-farm; microenterprise development; better access to improved technologies, services and training in more effective farm and range practices; and strengthening the capacity of national and local institutions to serve the rural poor.

IFAD's work in OIC countries does not leave out countries that continue



"IFAD does not often make the news, but your work has never been more timely or urgent. Man and nature are on a very dangerous path. Floods, fires, drought, corruption, incompetence and greed are converging with the potential to create a devastating global food crisis. The price of food has been one of the driving forces as Arab youth have taken to the streets to demand change from the Maghreb to the Arabian Gulf. You can argue about how much of the turmoil was about economics or politics, but food is the most basic human need. When it is not met, people take action. The obvious solution lies in programmes like IFAD's — investing more in agriculture and raising food output. But for decades that has never really been a priority for us."

— Her Royal Highness Princess Haya Al Hussein, United Nations Messenger of Peace, on the occasion of the 34th session of Governing Council of IFAD, February 2011



to suffer from civil strife. In Somalia, IFAD is supporting 100 agropastoral rural communities – about 150,000 households – with US\$12.4 million in investments for soil conservation, water harvesting, improved access to basic health services and seasonal credit. These community-driven investments have been critical for improving food security and resilience of targeted agropastoral communities in the face of deforestation, land degradation and water scarcity. They have also contributed to improving political stability and human security at the local level.

### Partnership with the League of Arab States (LAS)

IFAD's partnership with the League of Arab States (LAS) began in 1979 and was formalized in 1993. Of the 22 members of LAS, 21 are also members of IFAD.

Many LAS Member States and entities have been IFAD borrowers, including Algeria, Bahrain, Djibouti, Egypt, Gaza and the West Bank, Jordan, Lebanon, Mauritania,

Morocco, Oman, Somalia, The Sudan, Syria, Tunisia and Yemen.

In partnership with other domestic and external cofinanciers, IFAD has financed 124 projects in LAS countries, for a total project value of US\$5.2 billion. In addition to its regular programmes targeted at reducing rural poverty, IFAD also maintains operational visibility in LAS countries through the provision of regional technical assistance grants for agricultural research, training and capacity building. IFAD seeks to further the cooperative goals of LAS and the United Nations, including maintaining peace and security and promoting social and economic development.

### The right time for increased investment in smallholder agriculture

Smallholders around the world face increasing constraints from climate change, natural resource degradation and scarcity – particularly of water and arable land. They are also affected by lower levels of public investment in agriculture, and in many places the



The Gambia: The Participatory Integrated Watershed-Management Project empowers poor communities to increase their incomes and protect natural resources

©IFAD/Nana Kofi Acquah



withdrawal of state support for the development of the smallholder sector. Millions of farmers have also found it difficult to access increasingly demanding global markets. These constraints are preventing smallholders from fulfilling their potential as an engine for growth.

But smallholder farming can be an effective way to increase food production, both globally and in rural areas of developing countries. It is also a way of generating income and stimulating vibrant rural economies, creating new opportunities for young people so they can become the rural entrepreneurs of tomorrow.

Around the world, there are approximately 500 million smallholder farms. Most smallholders and their dependents – some two billion women, men and children – live in poverty. In much of Africa and

South Asia, small farms still account for the largest share of agricultural output. Small farms provide as much as 80 per cent of food consumed locally in Asia and sub-Saharan Africa. Higher rates of growth in many developing countries combined with rapid urbanization have opened up new opportunities for smallholders. The fastest growth has come from markets for high-value food products, such as meat, dairy and vegetables.

Today, there is a growing understanding of the value of agriculture as the major driver of economic growth and prosperity in developing countries. Agriculture generates growth that is at least twice as effective in reducing poverty as growth in other sectors.

History suggests that countries do not rise from poverty without

Côte d'Ivoire: The Marketing and Local Initiatives Support Project helped farmers increase agricultural income through sustainable practices

©IFAD/Christine Nesbitt

increasing agricultural productivity. The vast majority of today's developed countries grew from strong agricultural foundations, where surplus production generated wealth and prosperity. This is the path that China and India took on their way to becoming engines of economic growth. It is what is happening today in Viet Nam, and beginning to take place in a number of countries in Africa.

Poor rural people in developing countries have the potential to be tomorrow's solution. In the Arab region, this is particularly true of young people: 58 per cent of the region's population are under 25, and about a third are under 15. Young women and men also make up a large proportion of the rural population and will be responsible for growing tomorrow's food. It is

therefore crucial that governments invest in opportunities for these young people to transform their small-scale farms – irrespective of size – into competitive agrobusinesses and improve their access to markets and financial services.

### Tackling the challenges of climate change in dryland areas

Land degradation affects 40 per cent of the earth's surface and impairs the livelihoods of some two billion people living in drylands. Despite this, drylands still play a major role in global agriculture production. About 50 per cent of the world's livestock is supported by rangelands, and some 44 per cent of cultivated areas are in drylands. However, more than 12 million hectares of arable land are lost to desertification every year and the rate is rising as a result of climate change.

For rainfed agricultural production systems, the consequences of climate change are extremely serious. To make matters worse, food demand continues to rise, thus increasing pressure on dryland resources and hindering growth of agricultural production. This has contributed to food price hikes over the past few years and given rise to

legitimate food security concerns, especially in the Arab world, which is home to 5 per cent of the world's population and accounts for over 40 per cent of total world cereal imports. In the GCC countries, which suffer the highest levels of water scarcity and rely the most heavily on desalination to meet water requirements, 60 to 90 per cent of food is imported.

To ensure that food supply keeps pace with demand, there is an urgent need to sustainably intensify agriculture. IFAD is working to increase and maximize the impact of the interventions it supports in dryland countries. The Fund has already invested about US\$3.5 billion in support of dryland agriculture. About 70 per cent of IFAD-supported projects target ecologically fragile and marginal environments. As well, IFAD's experience and the operations it supports in drylands

are highly relevant to the recently launched vision that the Qatar National Food Security Programme has developed in the Global Dry Land Alliance. The Fund has been a strong partner of the Alliance since it was established in 2008.

IFAD is enhancing its approach to rural development in the context of increasing environmental threats, including climate change. The Fund's programmes will continue to reflect the complex realities of poor smallholder businesses, where issues are not contained neatly in boxes labelled according to global issues. IFAD will continue to target its investments to the poorest people, who are often the most affected by climate change – whose livelihoods depend largely on agriculture and natural resources – and particularly women as producers and indigenous people as stewards of natural resources.

# Cofinancing of investment projects

As of April 2011, the contributions of Arab development institutions and funds to investment projects cofinanced with IFAD are as follows:

## **Arab Fund for Economic and Social Development (AFESD)**

AFESD has cofinanced 15 projects, contributing a total of US\$290.7 million, including 13 projects in the Near East and North Africa region (US\$271.9 million for Gaza and the West Bank, Jordan, Morocco, Syria and Yemen); and two in the Western and Central Africa region (US\$18.8 million for Mauritania).

## **OPEC Fund for International Development (OFID)**

IFAD and OFID share a determination to achieve the Millennium Development Goals – particularly the first goal of halving the proportion of people living in extreme poverty and hunger. IFAD and OFID also understand that the best way to eradicate poverty and hunger in most of the developing world is to invest in agricultural development.

In December 2010, the two institutions signed a framework agreement to reaffirm their longstanding and maturing partnership. While consolidating the existing partnership, the agreement will also introduce innovative

Morocco: The Rural Development Project in the Mountain Zones of Al Haouz Province supported improved access to credit and other financial services

©IFAD/Susan Beccio



financing mechanisms to attract private-sector investment in agriculture, and will develop inclusive business models that can benefit investors and small farmers.

Today, OFID is the largest cofinancer of IFAD-initiated programmes and projects. To date, OFID has cofinanced 83 projects with IFAD in 45 countries, contributing more than US\$0.5 billion. In the early 1980s, OFID made a special US\$20.0 million contribution to IFAD's First Replenishment of its resources.

### Islamic Development Bank (IDB)

IFAD's partnership with the IDB was enhanced in February 2010 with the signing in Jeddah of a landmark joint- cofinancing agreement worth US\$1.5 billion. The two institutions agreed to join hands to finance 26 priority programmes and projects in the poorest OIC Member States.

The agreement was swiftly translated into action on the ground, with the signing of projects for Azerbaijan, Mali and Yemen.

The two institutions are also working together to provide support to other institutions, particularly those with a focus on water, which is a critical issue for a great many of the OIC member countries. They have supported groundbreaking research in this area by institutions such as the International Center for Agricultural Research in Dry Areas, the Arab Center for the Studies of Arid Zones and Drylands, the Arab Organization for Agricultural Development and the International Center for Biosaline Agriculture in Dubai.

IDB has contributed a total of US\$123,692 million to cofinance 17 projects, including 12 projects in the Near East and North Africa region (US\$97,094 million for Albania, Morocco, The Sudan, Tunisia, Turkey

Lebanon: The Smallholder Livestock Rehabilitation Project helped re-establish livestock production in the post-conflict reconstruction of the project area

©IFAD/Jon Spaul



and Yemen), three in the Western and Central Africa region (US\$14.5 million for Mali, Mauritania and Senegal) and three in the Asia and the Pacific region (US\$12.1 million for Indonesia and Pakistan). In 2011, a new project in Azerbaijan, the Integrated Rural Development Project, will receive \$66.5 million in cofinancing from IDB, and another project in Yemen, the Rural Employment Project, will benefit from US\$15 million.

### **Abu Dhabi Fund for Development (ADFD)**

ADFD has contributed a total of US\$54.3 million to cofinance four projects, including three projects in the Near East and North Africa region (US\$47.9 million for Jordan, Morocco and Yemen) and one in the Western and Central Africa region (US\$6.4 million for Mauritania).

### **Kuwait Fund for Arab Economic Development (KFAED)**

The Kuwait Fund has contributed a total of US\$52.7 million to cofinance three projects, including two projects in the Near East and North Africa region (US\$49.7 million for Morocco and Yemen) and one in the Eastern and Southern Africa region (US\$3.0 million for Burundi).

### **Saudi Fund for Development (SFD)**

SFD has contributed a total of US\$50.4 million to cofinance three projects, including one each in Bosnia and Herzegovina (US\$1.0 million), Mauritania (US\$10.0 million) and Morocco (US\$39.4 million).

### **Arab Bank for the Economic Development of Africa (BADEA)**

As of April 2011, a total of three projects have been cofinanced with BADEA in the Eastern and Southern



Africa region for a total amount of US\$27.0 million (for Rwanda, Swaziland and Zimbabwe).

### **Collaboration with other Arab financing institutions**

In addition to the above institutions, IFAD has also worked in partnership with the Libya Fund, which provided US\$10.0 million to cofinance a project in Mauritania; the Arab Authority for Agricultural Investment and Development (AAAID), which provided US\$900,000 in cofinancing for a project in Gaza and the West Bank and is considering financing projects in Lebanon and Morocco; the Arab Gulf Programme for United Nations Development Organizations (AGFUND), which provided US\$299,000 in cofinancing for a project in Yemen; and the Tunisian Foundation for Community Development, which provided US\$141,000 in cofinancing for a project in Tunisia.

Burkina Faso: The Rural Microenterprise Support Project provided farmers with training and support to develop on-farm and off-farm microenterprises

©IFAD/Aubrey Wade

**Table 1**  
**Cumulative contributions<sup>a</sup> to IFAD's replenishment (Initial-VIII)**  
**and approved loans and grants in OIC Member States as of April 2011**  
**(US\$ millions)**

Member States	Number of Projects	IFAD Loans/Grants (approved amounts) <sup>b</sup>	Cumulative Pledges	Cumulative Payments
Afghanistan	1	23.90	0.00	0.00
Albania	5	51.89	0.05	0.05
Algeria	5	65.56	62.43	62.43
Azerbaijan	4	48.05	0.20	0.20
Bahrain				
Bangladesh	27	522.27	4.25	4.25
Benin	10	117.24	0.33	0.20
Burkina Faso	12	158.57	0.37	0.33
Cameroon	9	116.68	2.61	2.61
Chad	7	91.38	0.06	0.00
Comoros	5	16.46	0.07	0.00
Côte d'Ivoire	8	76.68	3.00	1.56
Djibouti	5	13.96	0.03	0.01
Egypt	10	238.15	20.00	17.00
Gabon	2	15.00	6.03	3.34
Gambia (The)	9	53.58	0.05	0.05
Gaza and the West Bank	3	14.75		
Guinea	12	150.06	0.31	0.31
Guinea-Bissau	3	19.20	0.06	0.03
Guyana	3	22.26	0.88	0.88
Indonesia	13	333.46	51.96	48.46
Iran (Islamic Republic of)			168.00	13.83
Iraq			55.10	8.28
Jordan	7	71.39	0.94	0.94
Kazakhstan			0.00	0.00
Kuwait			188.04	173.04
Kyrgyzstan	4	28.45	0.00	0.00
Lebanon	4	36.42	0.50	0.20
Libyan Arab Jamahiriya			88.10	45.91
Malaysia			1.18	1.18
Maldives	5	15.72	0.05	0.05
Mali	12	187.00	0.28	0.28
Mauritania	12	97.24	0.14	0.05
Morocco	11	188.07	6.80	6.80
Mozambique	11	196.21	0.49	0.49
Niger	9	123.80	0.34	0.28
Nigeria	8	157.33	121.46	121.46
Oman			0.30	0.30
Pakistan	24	481.10	21.60	13.60
Qatar			39.98	39.98
Saudi Arabia			439.78	439.78
Senegal	14	148.51	0.39	0.39
Sierra Leone	6	78.66	0.02	0.02
Somalia	4	30.30	0.02	0.01
Sudan	19	256.96	1.03	1.03
Suriname	1	3.60	0.15	0.00
Syria	8	154.15	1.55	1.55
Tajikistan	1	12.30	0.00	0.00
Togo	6	54.40	0.08	0.03
Tunisia	10	130.21	3.78	3.32
Turkey	8	142.66	17.41	16.91
Turkmenistan				
Uganda	14	296.50	0.58	0.34
United Arab Emirates			53.18	53.18
Yemen	21	223.86	3.50	3.35
<b>Total OIC</b>	<b>372</b>	<b>5 263.92</b>	<b>1 367.41</b>	<b>1 088.26</b>
<b>Total IFAD</b>	<b>829</b>	<b>11 276.77</b>	<b>6 247.02</b>	<b>5 521.77</b>
<b>OIC as % of total IFAD</b>	<b>44.9%</b>	<b>46.7%</b>	<b>21.8%</b>	<b>19.7%</b>
<b>Arab Gulf % of OIC</b>			<b>52.7%</b>	<b>65.7%</b>
<b>OPEC % of OIC</b>	<b>8%</b>	<b>12%</b>	<b>93%</b>	<b>93%</b>

a Pledges and Payments inclusive of complementary contributions as of April 2011

b IFAD Project Portfolio Management System (PPMS) Report as of April 2011





**Table 2**  
IFAD projects cofinanced with Arab financing institutions (as of April 2011)

**Financing for IFAD projects (US\$ million), 1978-2011**

	Number of Projects	IFAD	Listed Cofinancing	Total Cofinancing	Domestic	Total Financing
Arab Fund for Economic and Social Development	15	177.6	290.7	422.8	393.3	993.7
OPEC Fund for International Development	83	1 039. 732	505. 6	717. 4	534 .4	2 291. 596
Islamic Development Bank	17	207.918	123.692	228.589	155.925	592.432
Abu Dhabi Fund for Development	4	45.9	54.3	287.8	294.1	627.8
Kuwait Fund for Arab Economic Development	3	31.3	52.7	226.1	280.3	537.7
Saudi Fund for Development	3	32.0	50.4	285.7	254.0	571.7
Arab Bank for Economic Development in Africa	3	46.2	27.1	126.843	88.5	261.6
Libya Fund	1	8.7	10.0	77.3	9.9	95.9
Arab Authority for Agricultural Investment and Development	1	3.0	0.9	4.6	1.9	9.5
Arab Gulf Programme for United Nations Development Organizations	1	2.3	0.3	18.5	7.9	28.7
Tunisian Foundation for Community Development	1	11.9	0.1	13.2	12.1	37.2
<b>Total</b>	<b>132</b>	<b>1 606.5</b>	<b>1 115.8</b>	<b>2 408.8</b>	<b>2 032.3</b>	<b>6 047.9</b>

**Table 3**  
IFAD cooperation with OIC Member States (as of April 2011)

Total OIC Member-State contributions to IFAD's regular resources (pledged amounts in US\$ million)	1 367.41
Share of total IFAD resources (pledges)	21.8%
Number of IFAD-sponsored projects in OIC countries	372
Share of total IFAD projects	44.9%
Financing plan for the above projects (approved amounts in US\$ millions)	
IFAD	5 263.92
Share of total IFAD loans	46.7%
External cofinancier	4 528.57
Domestic contribution	6 008.36
<b>Total project costs</b>	<b>15 800.89</b>

Indonesia: The Sulawesi Paddy Land Development Project supported the creation of paddy fields and irrigation facilities

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# Empowering poor rural people to reach their potential

IFAD has a strong, ongoing commitment to addressing poverty and land degradation in rural areas. IFAD's experience shows that the most effective way to reduce poverty and increase food security is to enable smallholder farmers and other poor rural people to build the skills, knowledge and confidence they need to overcome poverty themselves. Together with our partners, we help them develop and strengthen their own organizations. This enables them to advance their own interests in agricultural markets and with rural service providers. It also strengthens their voice in development planning and policymaking processes at local, national and international levels.

Through its poverty-reduction and land-degradation projects, IFAD supports the dissemination of land-use technologies that build on local knowledge and practices. In each of these projects, as in the following examples, empowering rural poor people is at the heart of IFAD's work.

As a founding member of the International Land Coalition, IFAD's collaboration with ILC contributes to this aim in line with its policy on improving access to land and tenure security. Recent collaboration has supported a major ILC research project on large scale foreign investments and commercial pressures on land, comprised of 28 research projects and 12 policy briefs analysing the phenomenon; development of a Land Portal—a powerful online platform for sharing land information to promote effective and sustainable land governance, and research and advocacy activities on women's access to land with both traditional local authorities and national policy-makers.

In each of these projects, as in the following examples, empowering rural poor people is at the heart of IFAD's work.

## Creating employment opportunities in Syria



©IFAD/Giuseppe Bizzarri

The North-Eastern Region Rural Development Project addresses the growing stresses placed on natural resources in Syria by a rapidly increasing population. It supports the government's efforts to improve the socio-economic well-being of poor rural households and conserve natural resources in the economically depressed provinces of Deir Ezzor, Hassakeh and Raqqqa. It also aims to reverse the country's severe water shortage and improve irrigation use.

The main objectives are to increase household income, food security and

Total cost: US\$58.1 million  
Duration: 2008-2015  
Directly benefiting: 190,000 households  
Co-financer: OFID (US\$17 million)

employment opportunities, to improve participatory management of natural resources, especially water, to promote a sustainable microfinance system, and to establish partnerships with the private sector for exports of high-value and organic products.

## Tapping new markets in Egypt

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The West Noubaria Rural Development Project is helping farmers link with private-sector exporters and agroprocessors so they can take advantage of marketing opportunities in neighbouring and European countries.

The 36,000 participating farmers are supplying fresh oranges and authentic mozzarella cheese to the resorts of Egypt's Sharm-el-Sheikh. They are exporting sweet peppers and sun-dried tomatoes to Italy and the United States, peanuts to Germany and Switzerland, and raisins, artichokes, apricots, peaches and potatoes to a variety of European countries.

Perhaps their most successful contract is with Heinz, which now buys more than 6,000 tons of tomatoes each year from 300 project farms. Heinz provides the farmers with seed of the needed quality and guarantees to buy half their harvest at an agreed price. If the farmers cannot sell the remaining tomatoes in the domestic market, Heinz is committed to buying them, too.

Total cost: US\$54.8 million

Duration: 2003-2013

Directly benefiting: 27,000 households

## Providing farmer-friendly financial services in Bangladesh

Northern Bangladesh is home to some of the world's poorest and most vulnerable rural people.

The Microfinance for Marginal and Small Farmers Project uses a new institutional approach to deliver financial services to poor farmers. To reduce the vulnerability of already vulnerable people to emergencies, the project established a disaster reserve fund. The project's partner organizations use the fund to provide loans when natural disasters or family emergencies occur.

The project has also introduced seasonal loans alongside the Grameen classic lending model of weekly repayments spread over one year. Seasonal loans are more appropriate for the cash flow of many agricultural enterprises. Such loans now account for over one quarter of lending under the project. To ensure better prices, farmers are allowed to store their crops in a special storage facility at harvest time and sell them during the post-harvest period when prices are higher.



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Total cost: US\$29.7 million

Duration: 2005-2011

Directly benefiting: 210,000 households

## Respecting cultural sensitivities in Pakistan



©IFAD/Jabran Shahmraz

Total cost: US\$25.4 million  
Duration: 1997-2008  
Directly benefiting: 14,500 households

In the Dir district of Pakistan, women's roles are limited by religious customs and traditions. In addition, many communities observe Islamic prohibitions against interest-based lending, making activity in the region difficult for the formal banking sector. The Dir Area Support Project introduced a new system using an approach compatible with Islamic principles and acceptable to local communities.

Introduced after consultation with religious scholars and leaders, the bank and client enter into a sale and purchase agreement. The lender is an active, risk-sharing partner in the enterprise, providing training in relevant topics, such as basic accounting and marketing. The project has enabled women to set up microenterprises, from dairy farming and selling groceries and clothes, to handicrafts. The women formed organizations through which they received loans and support for their enterprises. Many have been able to make considerable improvements to their families' well-being, building new homes and paying for their children's education.

## Conserving natural resources in Jordan

In Jordan, only about 5 per cent of the land is considered arable. Water is extremely scarce and is being exploited at about 150 per cent of sustainable levels. The Yarmouk Agricultural Resources Development Project, initiated in 1999, involves local communities in the development of a land-use plan that defines conservation measures. Water users' associations set priorities for water conservation, spring protection and rehabilitation works.

In addition to technical and financial support for conservation measures, the project includes credit facilities for the development of off-farm activities in order to reduce pressures on the land and improve the quality of life of about 2,500 resource-poor rural households.

Total cost: US\$28.3 million  
Duration: completed in 2008  
Directly benefiting: 11,590 households  
Co-financer: AFESD (US\$2.7 million), OFID (US\$5 million), Abu Dhabi Fund (US\$5 million, Government of Jordan (US\$3.5 million)



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## Enhancing rural infrastructure in Turkey



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The Ordu-Giresun Rural Development Project benefited some 44,000 households in Turkey's eastern Black Sea region, where more than 80 per cent of the population has no access to safe or adequate water supplies or opportunities for off-farm income. Severe environmental degradation affects about four per cent of the 320 villages involved in the project, mainly in high forest and mountainous areas.

The project's goal was to enable rural poor people in Anatolia, particularly women, to improve their incomes and living conditions through sustainable use of natural resources. The project helped the poorest farmers and livestock keepers improve livestock, crop and forestry production and encouraged their participation in village development plans. It provided assistance in developing alternative sources of income, such as beekeeping, and promoted improvements in infrastructure, including roads and village water systems. It also provided rural women with access to training in childcare, family nutrition, cheese- and jam-making, handicrafts and other homemaking activities.

Total cost: US\$50.9 million  
Duration: 1997-2005  
Directly benefiting: 44,000 households  
Co-financer: IDB (US\$8 million)

## Recovering from conflict in The Sudan

Poverty and lack of development have been major causes of armed conflict in The Sudan. In response to this challenge, the North Kordofan Rural Development Programme was initiated in 2000. It aims to support the Sudanese peace process through post-crisis rehabilitation and development.

The programme is using a range of approaches to help rural communities combat the effects of drought, increase agricultural productivity and develop other income-generating activities. The programme provides training and assistance to help men and women in rural communities develop the skills to plan, implement and manage their own development. They are also supported in resolving conflicts through the provision of specialist assistance, training and practical experience.



©Arne Hoel/World Bank

Total cost: US\$35.2 million  
Duration: 2001-2011  
Directly benefiting: 26,200 households  
Co-financer: IDB (US\$9.1 million)

## Improving conditions for women in Senegal



©IFAD/Susan Beccio

Total cost: US\$13.9 million  
Duration: 1999-2006  
Directly benefiting: 3,780 households  
Co-financer: West African Development Bank (US\$1.9 million)

In Senegal's degraded Groundnut Basin, two successive phases of the Agroforestry Project to Combat Desertification have helped improve fertility, access to water and regeneration of tree cover. The project's second phase, which ended in March 2007, focused on protecting the environment and improving the working and living conditions of women.

The reforestation programme, which covered more than 2,000 hectares, contributed to the improvement of farmland fertility. Water is more easily available and can be better managed with new ponds and dams, and agricultural productivity has increased dramatically. Some 55 hectares of market gardens are being exploited, and part of their production is being sold on neighbouring markets. The building of 24 wells and 44 drinking fountains has changed women's lives, because carrying water is traditionally their duty. Declining poverty and literacy programmes to help women assert their position in the community has improved social cohesion in the area's villages.

## Investing in knowledge in the Near East and North Africa region

The Near East and North Africa Management Training in Agriculture Programme (NENAMTA) was created in response to the shortage of experienced staff to manage agricultural projects. IFAD provided US\$3.6 million in grant funding, complemented by contributions from OFID (US\$200,000) and the African Development Bank (US\$400,000). The goal of the programme is to promote sustainable development by increasing the number of experienced and trained managers in the agricultural sector.

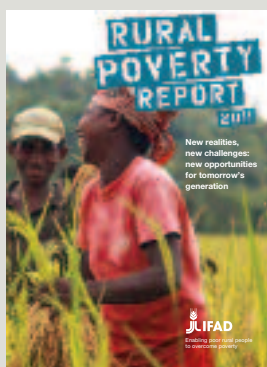
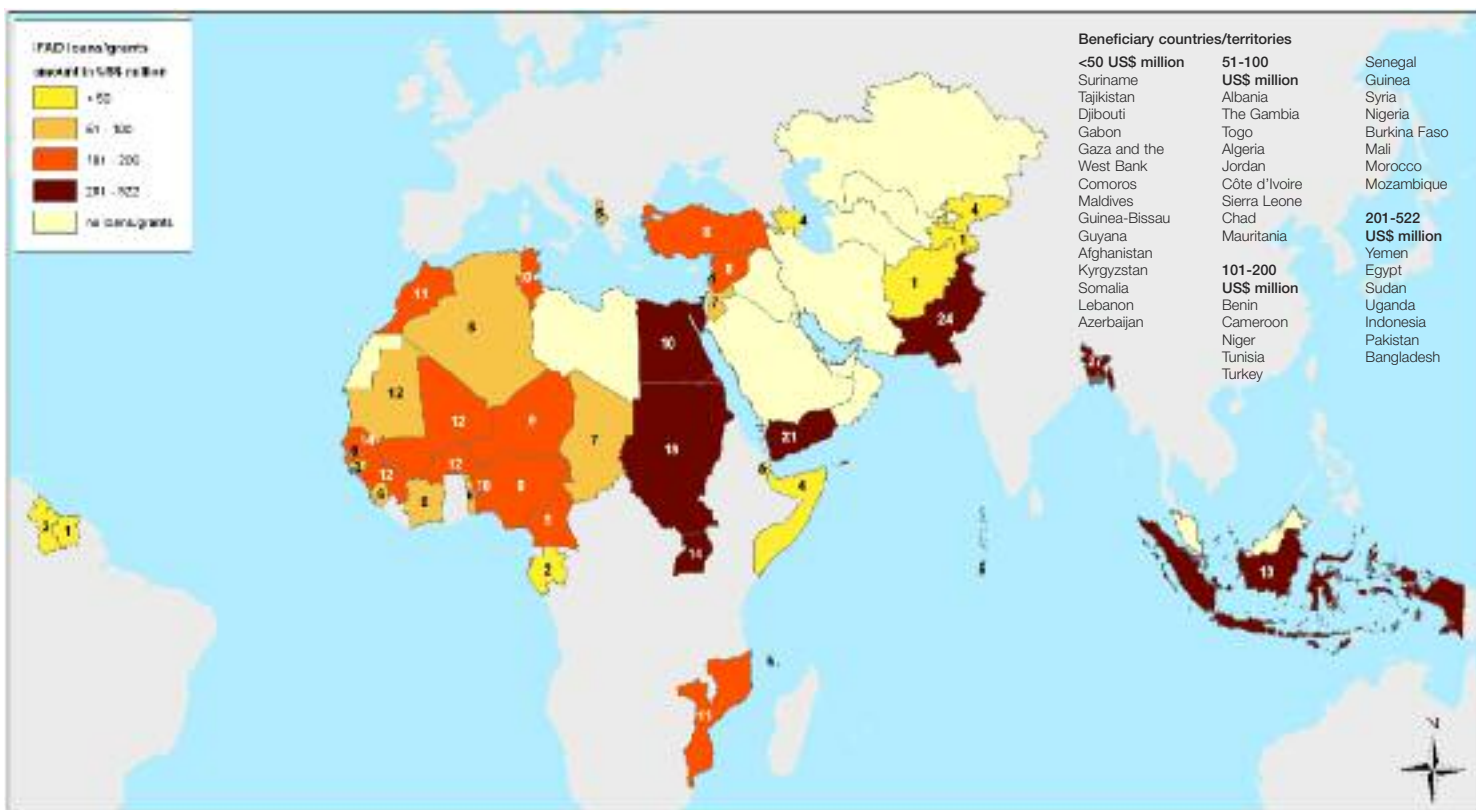
The programme covers 10 countries or territories in the Near East and North Africa region – Algeria, Egypt, Gaza and the West Bank, Jordan, Lebanon, Morocco, The Sudan, Syria, Tunisia and Yemen. NENAMTA national training units are being created in each country.



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## Where we work in OIC Member States

Number of IFAD-supported programmes and projects by country and dollar value of loans and grants



### IFAD's Rural Poverty Report 2011

After two years of research and intensive consultations, IFAD launched its flagship publication *Rural Poverty Report 2011*. The report underscores the importance of focusing on rural areas in global efforts to reduce poverty and hunger.

While world populations are slowly shifting from rural to urban areas, today about 70 per cent of the developing world's 1.4 billion extremely poor people still live in rural areas. There has been a dramatic decline in extreme poverty in many regions of the world, particularly East Asia, but the number of people in extreme poverty in sub-Saharan Africa is actually on the rise.<sup>4</sup>

The report points out that agriculture is, and will continue to be, the key economic driver of rural economies. Success in

agriculture remains a route out of poverty for many rural people, and the cornerstone of many developing country economies. Indeed, success in agriculture in the developing world is also the key to meeting global demand for food as the world's population grows and becomes more urbanized.

Globally, food production will have to increase 70 per cent by 2050 in order to feed the expected 9 billion people who will inhabit the earth. Enabling poor rural people in developing countries to work their way out of poverty – whether in smallholder agriculture or in the non-farm economy – requires a policy and investment approach that is both market-oriented and sustainable.

4 The number of poor people has risen but the rate of rural poverty in sub-Saharan Africa has fallen.

## Building a poverty-free world

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over US\$12.5 billion in grants and low-interest loans to developing countries, empowering more than 370 million people to break out of poverty. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the United Nation’s food and agriculture hub. It is a unique partnership of 166 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).



International Fund for  
Agricultural Development  
Via Paolo di Dono, 44  
00142 Rome, Italy  
Tel: +39 06 54591  
Fax: +39 06 5043463  
E-mail: [ifad@ifad.org](mailto:ifad@ifad.org)  
[www.ifad.org](http://www.ifad.org)  
[www.ifad.org/rpr2011](http://www.ifad.org/rpr2011)

**Contact:**  
Fawzi H. Rihane  
Programme Manager  
Arab & Gulf States Liaison Office  
Tel: +39 06 54592394  
Fax: +39 06 54593394  
E-mail: [f.rihane@ifad.org](mailto:f.rihane@ifad.org)

**Cover**  
Tunisia: The Agropastoral Development and Local Initiatives  
Promotion Programme for the South-East promoted small-scale  
farming and off-farm activities

