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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-seventh Session
Rome, 19-20 April 2006

IFAD POLICY ON CRISIS PREVENTION AND RECOVERY

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DEFINITIONS

A **crisis** is a change in the circumstances of a country or of a region within a country that significantly upsets the livelihoods of the IFAD target population.

An **external shock** is the occurrence of circumstances outside the control of an IFAD target population, such as major natural hazards or the outbreak of conflicts that are the immediate cause of a crisis.

A **natural disaster** is a severe disruption in the survival and livelihood systems of a society resulting from the vulnerability to the impact of a single major natural hazard or multiple major natural hazards and involving loss of life or property on a scale that overwhelms the capacity of those affected to cope unaided (DFID, 2004).

Predictable natural hazards originate directly from human action or the neglect of preventive action, exercise their effects over a prolonged period of time and can be at least partially controlled locally.

Non-predictable hazards or hazards that are predictable, but on very short notice, are hazards that strike suddenly at very high intensity for a short duration and cannot be controlled locally.

Violent conflicts are situations in which political instability leads to weak territorial control by government, economic recession, accentuation of inequalities among various regions or segments of the population, the emergence of widely differing ideologies, the formation of violent groups within and outside the governance system and outbreaks of violence, with considerable loss of life, displacement of persons, war crimes and significant damage to public and private property.

Vulnerability is a weakened state of the economic, human and social assets that individuals or communities can normally use to prevent, withstand and recover from the effects of external shocks.

Resilience is the informational and organizational capacity of communities to anticipate, cope with, resist and recover from the effects of external shocks. Community resilience requires social capital/cohesion (networks of trust, solidarity, and capacity for collective action).

Fragile states are characterized by weak policies, weak institutions and weak governance, resulting in meagre economic growth, widespread inequality and poor human development. Fragile states are more exposed to the risk of outbreaks of violence than are non-fragile states. Fragile states may be well endowed with natural resources or be resource poor.

Low-income countries under stress are countries so classified by the special unit of the World Bank Operational Policy and Country Service based on a combination of income and performance indexes derived through the Bank's country policy and institutional assessment. Some of these countries are affected by conflicts; others are not. Some are poor in natural resources; others are rich in natural resources.

IFAD POLICY ON CRISIS PREVENTION AND RECOVERY

I. INTRODUCTION

1. The IFAD Framework for Bridging Post-Crisis Recovery and Long-Term Development, approved by the Executive Board in 1998, was prompted by the need to deal with problems connected with crises that originate in human violence and conflict. International experience with conflicts and natural disasters has grown considerably since then. The close linkages between the fragility of a state, the poor resilience of a society, the occurrence of crises and the potential for human, political, social and economic development are now seen as an integral focus of development strategies. As a result, most multilateral and bilateral development cooperation agencies have refined the instruments of intervention they employ, including those aimed at crisis prevention and those supporting post-crisis recovery and reconstruction.

2. IFAD's own experience has grown considerably in the last seven years. Recent operational lessons point to the need to: (a) clarify the criteria for engagement and the objectives to be pursued; (b) strengthen operational guidelines; and (c) provide guidance with respect to the implications for resource allocation. IFAD decided that a general policy paper should address both the problems caused by major natural hazards and those that originate in violent conflicts and in major, protracted civil disturbances. A draft paper presenting a proposed update of the policy framework was discussed at the Executive Board session in September 2005. Executive Board comments and the outcome of discussions stimulated by those comments have been incorporated in the present paper.

II. BACKGROUND

3. Crises caused by natural hazards or violent conflicts result in the loss of life and the destruction of private and public assets, put national institutions under stress and set back economic and human development. Major natural hazards impact low-income countries and fragile states much more severely than they do richer countries and have particularly devastating effects on the poorest people in those countries.¹ Crises caused by civil strife and state fragility have the added effects of aggravating weak governance and poor institutional capacity, depleting human and social capital and fragmenting social cohesion. Violent conflicts are both a cause and an effect of poor governance and impoverishment and contribute to state fragility.

4. The dimension of the problem is enormous. Emergencies strike around 250 million to 300 million people every year. The number of recorded natural disasters increased from 16 in 1960 to 68 in 1980 to 767 in 2000. Estimates of the related economic losses have escalated from USD 10 billion in the 1960s to USD 93 billion in 1980 and had exceeded USD 200 billion by 2000. More than 50 countries, including 15 of the 20 poorest IFAD Member States, are currently or have recently been affected by violent conflicts. Over the last decade, almost 3 million people have been killed during crises (two thirds during conflicts), and 2.4 billion people have been affected by natural hazards or human conflicts.

The United Nations Framework to Address the Issue of Violent Conflicts

5. The international community has come to regard crisis-related issues (from prevention to recovery) as a subset of the overall development challenge. The United Nations system has been at the forefront of the efforts to mitigate the impact of crises, providing emergency and other forms of relief

¹ According to the United Nations Development Programme, from 1980 to 2000, about 1.5 million people died because of natural disasters. Although only 11% of the people exposed to natural hazards live in countries with low human development, these people account for more than 53% of the deaths recorded during natural disasters. There is thus a clear link between development status and disaster risk.

assistance to affected people through a number of specialized agencies and playing a major role in conflict prevention, peacemaking and peace enforcement. By 1995, the need to coordinate interventions among specialized UN agencies led to the establishment of the Framework for UN Agency Coordination Process for Countries in Crisis. In 2000, the World Bank joined the UN Framework. Most recently (December 2005), the United Nations General Assembly approved the establishment of the Peacebuilding Commission.

III. IFAD EXPERIENCE

IFAD Experience with Natural Disasters

6. IFAD conceived the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification (SPA) as an emergency response to the drought that was affecting millions of farmers from Mauritania to Mozambique in 1984 and 1985. Two special funds were established by IFAD, raising over USD 360 million from 26 donor countries. These funds enabled IFAD to invest a total of USD 413 million in 29 countries over a ten-year period, complementing the Fund's investment of USD 551 million in these countries under the Regular Programme. An in-depth performance evaluation of the SPA concluded that "on the ground, the programme had tangible and long-term positive impact in the most disadvantaged regions, particularly in the Sahel".²

7. More recent experience with major natural hazards includes projects that address the problems caused by cyclones (Bangladesh) and earthquakes (El Salvador, India, Pakistan) and by the tsunami that hit India, Indonesia, the Maldives and Sri Lanka in 2004. Through these operations, IFAD has realized the importance of designing and implementing appropriate measures to reduce the risk of hazards in areas where hazards frequently occur.

IFAD Experience with Violent Conflicts

8. IFAD experience with crises due to conflicts is even more significant. During the period 1995-2005, the Interdisciplinary Research Programme on Root Causes of Human Rights Violations classified 73 IFAD Member States that were affected by violent conflicts of varying intensities. In those ten years, IFAD financed 188 programmes and projects in those countries, for a total programme/project cost of about USD 6.4 billion, to which IFAD committed loans for approximately USD 2.8 billion. These programmes and projects contributed significantly to enhancing the resilience of poorer households and communities.

9. In those situations, IFAD programmes and projects funded interventions that:

- (a) helped prevent outbreaks of violence in project areas affected by unresolved conflicts (such as in parts of South and South-East Asia and the Sudan);
- (b) managed to keep a minimum of rural development activities functional despite the collapse of government services and thereby helped contain the spread of violent groups among rural communities (e.g. Burundi, Peru, the Sudan and in countries without recognized governments, such as Somalia);
- (c) accelerated the reactivation of the production potential of vulnerable households soon after the formal end of hostilities (e.g. Bosnia and Herzegovina, El Salvador, Rwanda); and

² It also stated that the SPA "was much more than a simple add-on fund mobilized for an emergency situation. It gave IFAD and its partners a much broader and more precise view of the conditions for sustainable development and food security in the areas affected by drought and desertification."

- (d) addressed the changed structure of the IFAD target group, specifically by dealing with people who had lost their development potential as a result of crisis, such as orphans and people affected by HIV/AIDS (the Uganda Women's Effort to Save Orphans project in Uganda supported by the Belgian Survival Fund for the Third World-IFAD Joint Programme).

10. The positive outcomes of IFAD interventions have been the result of three key strategic initiatives to help rural poor people overcome poverty:

- (a) empowering communities: building robust and transparent rural community-based organizations with clear objectives and access to resources to implement their own microprojects;
- (b) supporting an active role for women in community organizations and in other local public governance institutions; and
- (c) mobilizing NGOs and civil society organizations to complement and, in some cases, compete with public administrations in providing services to rural communities.

Operational Lessons Learned

11. IFAD project experience in crisis situations also indicates the scope for improvement and adjustment in the Fund's operations under such circumstances. The key lessons point to the need to:

- (a) design interventions within a coherent IFAD policy framework rather than on the basis of ad hoc decisions justified by exceptional circumstances;
- (b) take the risk of crisis facing the target group and the causes of weak community resilience more into account in the design of both pre- and post-crisis interventions and include risk mitigation and defence strategies;
- (c) pay particular attention to the principles of "do no harm" so as to ensure that short-term survival strategies do not impede the longer-term development of the target population; and
- (d) coordinate more closely with other agencies to secure complementarity among interventions with respect to activities at the field level, priority-setting, the approach to linking relief and development, and policy dialogue with host governments and other parties involved.

12. The 2005 principles of the Organisation for Economic Co-operation and Development for sound international engagement in fragile states put the focus on building the capacity of states to deliver public safety, security, good governance and poverty reduction for their citizens. IFAD experience suggests that such objectives cannot be achieved on a sustainable basis without creating an environment that enhances the power of rural communities vis-à-vis government administrations. By facilitating the emergence of resilient community organizations with strong autonomous community leadership, IFAD seeks to ensure a role for rural poor people in the decision-making processes that affect their livelihoods.

IV. IFAD'S COMPARATIVE ADVANTAGE IN ASSISTING THE RURAL POOR IN COPING WITH CRISIS

13. IFAD's comparative advantage lies in its ability to address the issues associated with poverty reduction from the perspectives of poor people with and through their own organizations and institutions. This comparative advantage is likewise applicable to the problems of the rural poor in

crisis situations. IFAD's general policy is to focus on its own core competencies and promote complementary engagement with other agencies in other necessary activities falling outside IFAD's mandate.

14. IFAD core competencies with particular application to crisis situations include:
- (a) effective instruments to reach large numbers of poor and vulnerable people through community organizations and the ability to mobilize international and national civil society organizations to provide key services to rural communities;³
 - (b) long experience in addressing issues of social cohesion and community resilience in rural areas; IFAD has learned a great deal about ways to enhance the emergence of new community leadership and to foster more proactive roles for women that have proven to be important instruments for preventing the spread of violence in the rural environment and for reacting positively to external shocks; and
 - (c) experience in integrating the assistance required by vulnerable people for their broader human, social, institutional and economic development with complementary assistance for short-term survival, i.e. IFAD complements relief activities with measures focused on livelihood recovery, through assistance for increasing agricultural productivity and giving the rural poor people access to natural resources, financial services and the markets over the medium and long-term.⁴

V. THE POLICY

Rationale for an Updated Policy

15. In many countries where IFAD operates, crises are, unfortunately, not exceptional. Accordingly, it is incumbent upon IFAD to help its target group increase their resilience to external shocks and their capacity to cope more effectively with crisis situations and to restore the means of livelihood that have been upset by crisis. This issue must be addressed within a policy framework that takes into account the progress made and the lessons learned by IFAD and other international and bilateral development agencies since the adoption, in 1998, of the IFAD Policy Framework for Bridging Post-Crisis Recovery and Long-Term Development.

Objectives of the Updated Policy

16. The specific objectives of this policy are to:
- (a) reinforce IFAD's approach to the prevention of crisis, especially among those people who are the most vulnerable;
 - (b) clarify the role for IFAD in post-crisis situations;
 - (c) define the resource allocation process with respect to the financing of post-crisis interventions; and
 - (d) enhance programme implementation procedures and processes so as to operate more effectively in crisis-prone and crisis-affected countries.

³ According to Muhammad Saidur Rahman, director of the Bangladesh Disaster Preparedness Centre, "it is an established fact that in natural disasters, particularly in the post-disaster emergency phases, the survival needs of disadvantaged people are met by the people themselves, their extended families, and nearest communities."

⁴ A World Bank-ProVention Consortium study of the recovery in Honduras after Hurricane Mitch found that, four years after the hurricane, people who had been affected reported that they were still less well off than they had been before the hurricane.

17. In implementing this policy, IFAD will endeavour to achieve two key general objectives, namely:

- (a) **for crisis prevention:** to mitigate the risk of the occurrence of foreseeable man-made and natural hazard crises and the extent of the negative impact of such crises as they occur among the Fund's target population by incorporating them, as appropriate, in country strategies and project formulation (paragraph 22); and
- (b) **for in-crisis support and post-crisis recovery:** to strengthen the capacity of the Fund's target population as individuals and as community-level organizations to cope with shocks when they occur by maintaining rural development activities (paragraph 9(b), in full compliance of the principles enunciated in paragraph 19(a) and (b) below and in line with the Fund's core competencies; and to restore as rapidly as possible and subsequently enhance the social, economic and human development process among these people and communities.

18. In addition, IFAD will seek to develop new instruments for analysing (e.g. conflict risk assessment) and strategically assisting (such as through revised COSOP) in crisis-prone and crisis-affected countries. IFAD will put emphasis on coordinating and harmonizing its efforts with those of other UN agencies (in particular, those based in Rome), international financial institutions, national and international NGOs, other public and private donors with the objective of securing complementarity, linking relief and medium and long-term development (paragraph 11(d)), and avoiding duplication of efforts.

Principles of IFAD Engagement

19. IFAD engagement is premised on providing support for the development and restoration of livelihoods, particularly those based on agricultural and rural sectors. In doing so, it will support the recovery of the agricultural production capacity, enhance food security, and help build the capacity of the rural poor people to cope with future crisis by rebuilding their asset base and social capital. In addition, the following principles are considered in defining IFAD's engagement in post-crisis situations:

- (a) **IFAD does not engage in peacemaking or peace-enforcing operations.** IFAD engagement focuses on institutional development among rural communities and on local governance issues. This focus has a recognized impact in moderating the spread of violence and in facilitating pacification, economic recovery and resumption of the development process. In this context, IFAD programmes and projects emphasize the proactive role of women and of women's groups and organizations in rebuilding community cohesion.
- (b) **IFAD does not engage in humanitarian relief operations.** IFAD seeks to cooperate and to coordinate with agencies involved in humanitarian assistance by supporting complementary initiatives that help bridge the gap between emergency relief and the restoration of development processes.
- (c) **IFAD's approaches in post-crisis situations incorporate the principles of "do no harm"** to ensure that short-term survival strategies do not impede the longer-term development of the target population.

- (d) **IFAD makes a special effort to build the capacity to react to potential shocks.** In so doing, IFAD endeavours to avoid unnecessary processes and the establishment of new bureaucracies, building instead on existing public, private and local self-help organizations. Capacity-building may include support for public- and private-sector providers of services to rural communities, but the major thrust will be on community organizations.
- (e) **IFAD takes a proactive approach** aimed at removing the deep-rooted causes of crisis, such as the highly unequal control over and access to natural resources, including land, wherever feasible and within the boundaries of its mandate and limited resources.
- (f) **IFAD assists the rural communities to build their linkages** with their governments, other donors, and private-sector actors in order to provide goods and services to restore their livelihoods.
- (g) **IFAD participates in and benefits from the assessments of other donors** on post-crisis strategies. These assessments would include, but are not limited to, post-disaster assessment missions, World Bank Transitional Support Strategies, etc.

20. Engagement in post-crisis situations may include: (a) the design and implementation of a new programme that includes activities specifically aimed at crisis prevention, at mitigating the impact of a crisis, or at reconstructing and reactivating the development capacity of IFAD's target groups; (b) modification of the activities of active programmes and projects in a crisis-affected area with a view to focusing on crisis-related measures not embraced in the original programme/project design; and (c) utilizing other instruments available to IFAD (such as grant funds and experience-sharing with development partners).

Conditions for IFAD Engagement

21. In addition to the factors outlined above, IFAD's policy on post-crisis interventions will reflect the following:

- (a) **Timing.** A determination of the appropriate timing for IFAD engagement in post-crisis situations will be made after an assessment of opportunities for development. Normally, this engagement will occur, in the case of natural disasters, after relief activities have been scaled back or completed and, in the case of post-conflict situations, when sufficient security exists to ensure the safety of project staff.
- (b) **Resource allocation.** Programmes and projects undertaken in response to either natural or man-made crises will be financed through the regular programme of work and budget. However, the Performance-Based Allocation System may be revised taking into account, inter alia, the financing mechanisms of the International Development Association (World Bank Group) applicable for the situations related to conflict and natural disasters.⁵
- (c) **Arrears.** Countries in arrears are not eligible for IFAD financial assistance. IFAD will work proactively with post-crisis countries to work out an arrears settlement package to facilitate the resumption of operations as speedily as possible.

⁵ Under the Fourteenth Replenishment of the International Development Association (IDA 14), special post-conflict allocations may be provided for up to four years, with three years of phase-down to the performance-based norm. This also allows additional allocations to countries in the aftermath of major natural disasters on a case-by-case basis outside the framework of the Performance-Based Allocation System.

- (d) **States without governments.** Only recognized Member States with recognized governments may borrow from IFAD; however, many rural poor people have been dispossessed and endangered in states with no recognized governments. In such cases, IFAD may finance services for the design and administration of projects financed by other development agencies⁶ or it may provide grants directly, to build the capacity of rural poor people, to indigenous organizations or organizations working on behalf of these people.

VI. IMPLEMENTATION REQUIREMENTS

22. In order to effectively implement the post-crisis policy described above, IFAD will include specific strategies to ameliorate or mitigate the effects of crisis in the elaboration of the new operating model. The adjustments in internal processes are expected to be relatively minor; procedures related to post-crisis situations are expected to be mainstreamed into other, existing procedures. Guidance to staff and consultants, particularly in the area of programme/project design, will be formulated to ensure that the policy is effectively applied. Specific actions related to the implementation of the post-crisis policy include:

- (a) **Country strategy and project formulation.** All new IFAD country strategic opportunities papers (COSOPs) for countries experiencing high risk of natural hazard will include a synthetic assessment of the extent of this risk, the degree of preparedness of the relevant government to deal with such events and the resilience of the exposed rural communities. For countries facing serious political instability, COSOPs would highlight the root causes of ongoing or potential violent conflicts and incorporate strategies to increase the resilience of rural communities.⁷
- (b) Programmes and projects designed under such circumstances will include interventions to mitigate identified risks, within the framework of the Fund's formal mandate and resource allocations. In addition, in conflict-prone countries, programme/project designs will take into account the potential for conflict, using inclusive approaches to direct project investments across ethnic and/or political groups.
- (c) **Restructuring and reorientation of ongoing programmes and projects.** In order to respond to crisis situations, ongoing programmes and projects may be restructured or reoriented. The determination whether this step is necessary will take into account the effects of such restructuring on the achievement of programme/project goals and objectives, balanced against the need to provide development opportunities to those affected by the crisis.
- (d) **Monitoring and evaluation.** IFAD will strengthen monitoring efforts on the general situation in crisis-affected countries and the performance of the programmes and projects undertaken in those countries with respect to crisis-sensitive indicators. The sample indicators that will be refined, elaborated and employed at the field level in post-crisis programmes and projects is presented in the Annex. In addition, working closely with other international organizations, it will develop and implement a results framework for monitoring the effectiveness of this policy.

⁶ In exceptional cases, such as Somalia, where there is no internationally recognized government, IFAD and other multilateral donors have been able to address the needs of war-affected populations by working directly with community-based civil society organizations and through NGOs by relying on grant-financed development assistance.

⁷ An assessment of the fiduciary risks arising from political instability may be undertaken, and measures to mitigate such risks will also be presented for the consideration of IFAD management.

- (e) **Communications.** As an integral part of the policy dialogue in crisis-prone and crisis-affected countries, IFAD supports improved communication systems to ensure that the messages issued by governments (for example, on early warning) are tailored to the needs of rural communities and reach these communities.
- (f) **Staff training.** Training sessions will be organized to facilitate the internalization of the approach among staff, including the identification of risks and the formulation of mitigation strategies. Crisis prevention will be assigned particular attention. This will involve assessing the situation from the point of view of the rural people, bringing that point of view to the attention of government and other donors and ensuring that the views and interests of the target group are adequately taken into account in formulating the risk-mitigation measures supported by the Fund.

VII. RECOMMENDATION

23. It is recommended that the Executive Board approve the proposed IFAD Policy on Crisis Prevention and Recovery, as presented in this document and as defined, in particular, in sections V and VI, paragraphs 15-22.

**SAMPLE INDICATORS FOR THE PROJECTS AND PROGRAMMES APPROVED UNDER THE CRISIS
PREVENTION AND RECOVERY POLICY**

Narrative Summary	Key Performance Indicators
Goal: Severity of impact of crises on the rural poor mitigated.	<ul style="list-style-type: none"> • Reduction in the prevalence of loss of life and injury in IFAD programme and project areas. • Social and political stability sustained and enhanced.
Objective: Poor rural people's capacity to cope with external shocks and overcome the worst impact of shocks on their means of livelihood increased.	<ul style="list-style-type: none"> • Prevalence of external relief services (e.g. food aid) reduced. • Sources of income and livelihood are returned at least to pre-crisis levels. • Number of children attending the regular school system.
Outputs: Policy dialogue on behalf of rural poor people with government and other donors results in crisis prevention measures and the equitable distribution of donor funds.	<ul style="list-style-type: none"> • Number of improved forecast and early warning systems put in place. • Number of poor households reached by such systems. • Accounting for the resources received relative to the funding sources and to beneficiary communities.
Technologies that reduce the negative impact of hazards adopted, collaborating with other agencies when the financial implications are significant.	<ul style="list-style-type: none"> • Project-supported infrastructure built to withstand natural hazards. • Share of households aware of emergency procedures.
Groups formed under an inclusive community-driven development approach.	<ul style="list-style-type: none"> • Number of community groups formed across ethnic and political lines. • Number of community group members, disaggregated by sex. • Number of community groups trained to distribute emergency aid in a fair and transparent manner.
Role of women in public and community-level organizations enhanced.	<ul style="list-style-type: none"> • Number of women in leadership roles in community organizations. • Number of women's groups formed.