

Document: EB 2011/102/R.44
Agenda: 21(a)
Date: 1 April 2011
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Framework agreement for the enhancement of cooperation and the direction of joint operations between the International Fund for Agricultural Development (IFAD) and the OPEC Fund for International Development (OFID)

Note to Executive Board representatives

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Executive Board — 102nd Session
Rome, 10–12 May 2011

For: Approval

Recommendation for approval

It is recommended that the Executive Board approve the provisions of the framework agreement entered into by the International Fund for Agricultural Development (IFAD) and the OPEC Fund for International Development (OFID) on 3 December 2010.

Framework agreement for the enhancement of cooperation and the direction of joint operations between the International Fund for Agricultural Development (IFAD) and the OPEC Fund for International Development (OFID)

1. On 3 December 2010, IFAD entered into an agreement with OFID for the purpose of providing a framework for enhancing collaboration on activities of common interest. The two institutions have a long-established strategic partnership in agricultural development. With the signed agreement, IFAD and OFID seek to set out an operational framework for the enhancement of their ongoing cooperation, to define the nature and scope of their joint operations, and to outline a series of operational modalities to govern their joint programme for the period 2011–2013.
2. The framework agreement confirms and supplements the procedures and arrangements currently governing IFAD-OFID relations, with the aim of better integrating the lessons learned and the experience gained through three decades of cooperation in a large number of joint operations throughout the developing world. It builds on shared views of the particular needs of the least developed countries and a common understanding of the strategies that are successful in promoting rural development, ensuring food security and alleviating poverty.
3. IFAD and OFID will provide financing primarily for projects and programmes that best fit their respective strategies during the period covered by this framework. The two institutions will support, promote and fund projects and programmes specifically designed to introduce, expand or improve agricultural production and integrate this production into the local national or international value chain.
4. Drawing on their joint experience, IFAD and OFID will identify and emphasize the linkages between on-farm and off-farm investments and the importance of infrastructure and social services for the promotion and the sustainability of the agricultural investments.
5. The Executive Board is invited to approve the provisions of the framework agreement.
6. A copy of the signed framework agreement is provided in the annex.

**Framework Agreement for the Enhancement of
Cooperation and the Direction of Joint Operations**

between

**the International Fund for Agricultural
Development (IFAD)**

and

the OPEC Fund for International Development (OFID)

03 December 2010

Framework Agreement for the Enhancement of Cooperation and the Direction of Joint Operations between the International Fund for Agricultural Development (IFAD) and the OPEC Fund for International Development (OFID)

FRAMEWORK AGREEMENT dated 03 December 2010 between the International Fund for Agricultural Development (hereinafter referred to as "IFAD"), of the one part, and the OPEC Fund for International Development (hereinafter referred to as "OFID"), of the other part.

WHEREAS:

1. The Parties have a long-established close cooperation and strategic partnership in agricultural development.
2. The Parties desire to set an operational framework for the enhancement of their ongoing cooperation and to define the nature and scope of their joint operations as well as outline a series of operational modalities to govern their joint program.
3. This Agreement confirms and supplements the procedures and arrangements presently governing IFAD-OFID relations with the aim to better integrate the lessons learned and the experiences gained through three decades of cooperation in a large number of joint operations throughout the developing world. It builds on shared views on the particular needs of the least developed countries and a common understanding of the successful strategies in promoting rural development, ensuring food security and alleviating poverty.

NOW THEREFORE, the Parties hereto have agreed as follows:

1. Nature of the joint operations

- 1.1 Consistent with their respective mandates and whenever possible, IFAD and OFID will undertake to co-finance on a case by case basis agriculture projects and related activities in countries of common interest. The specific nature of the operations may vary from country to country.
- 1.2 OFID and IFAD have agreed that generally, the joint operations will be economically viable, socially acceptable and environmentally sustainable. In their discussions of the goods and services implied by their joint operations, OFID and IFAD will be guided by the objectives of the project, their past experiences and best practices.

2. Scope of the joint operations

- 2.1 IFAD and OFID agree that the overarching objective of their joint operations will be combating poverty, focusing particularly on the rural poor, including women and youth. They agree that food security at national and local level is a particular objective of many of their partner countries.

- 2.2 IFAD and OFID shall provide financing primarily for projects and programs, best fitting their respective strategies for the period of this framework. Generally, OFID and IFAD will help promote and fund projects and programs specifically designed to introduce, expand or improve agricultural production and integrate this production in the local national or international value chain.
- 2.3 Drawing on their joint experience IFAD and OFID will recognize and emphasize the linkages between on-farm and off-farm investments and the importance of infrastructure and social services for the promotion and the sustainability of the agricultural investments. IFAD welcomes the launching of the Energy for the Poor Initiative by OFID, and agrees to its relevance in the enhancement of agriculture and the social well being of the rural poor.
- 2.4 IFAD and OFID will seek to develop local capacities through, in particular, their involvement in the formulation and the execution of projects and programs. The two institutions will facilitate institutional integration and encourage the participation of all stakeholders. They will relate their projects and programs to the national policies for economic growth and poverty alleviation and to the strategies for the development of the Agriculture sector. They will seek to coordinate and harmonize their operations with those funded by other development finance institutions.

3. Operational modalities

- 3.1 OFID and IFAD will seek to improve the efficiency of their cooperation through:
- Expanding their knowledge of agriculture and rural development;
 - Enhancing the implementation management of their joint operations;
 - Developing new operations integrating lessons learned and best practices;
 - Opening up to other institutions programs.
- 3.2 OFID and IFAD observe that visions and strategies of complex sectors such as agriculture are changing. Oftentimes the duration of projects spans over the lifetime of changing governments and parliaments. Shifts in policy and execution methodologies are not unusual. IFAD and OFID will enhance their knowledge of these developments and contribute to broadening the knowledge base of the two institutions. While focusing on local projects and programs, OFID and IFAD will monitor changing paradigms and global developments.
- 3.3 OFID and IFAD have contributed largely to the work of many reputable fora of relevance to their respective mandates. Both institutions have also extensively supported the research activities of dedicated agriculture research centres. Equally important are the lessons learned from the implementation of projects in many parts of the world.
- 3.4 Recognising the significance of this knowledge, IFAD and OFID are in the course of setting up mechanisms for the management of this valuable resource. In this context, OFID takes note of IFAD's strategy for knowledge management, which would make the institution a centre of excellence, and resource reference for smallholder farming and subsistence agriculture. IFAD takes note of the role of OFID in the implementation of the *Arab development Portal* that will contribute significantly to the knowledge of all

sectors of the Arab countries economies including that of Agriculture and food security. OFID and IFAD agree to hold consultations and exchange information for possible cooperation in this area. They agree on the principle of a joint study of the need for and the impact of affordable energy services for the development of smallholders farming.

4. Developing new operations

- 4.1 OFID and IFAD have co-financed a significant number of projects, the volume of operations and the intensity of the relations have resulted in an informal but well understood relationship. This knowledge base will serve the formulation of the new program of cooperation and its implementation, mindful of the need of good governance of the projects and their role in this respect.
- 4.2 OFID being open to financing all economic and social sectors, the two parties are well agreed that the priority sector shall be defined by the partner countries.
- 4.3 In their dialogue with partner countries, IFAD and OFID will seek to make full use of OFID's flexibility and its capacity to fund off-farm infrastructure such as rural roads, irrigation systems, marketing facilities.
- 4.4 Energy provision for the rural poor remains of high concern, IFAD and OFID will bring to the attention of partner countries the Energy for the Poor Initiative. Both institutions will aim at integrating in their projects formulation, activities financed under OFID's resources, promoting access to modern energy services for the rural poor in project, when warranted.
- 4.5 Subject to countries prioritization and as part of IFAD's 3-year resource allocation system (PBAS), OFID will aim at providing a contribution to the Program of at least US\$ 100 millions per year, for an estimated ten operations to be financed by IFAD during the period 2011-2013.
- 4.6 In order to appropriately prepare projects and programs, OFID and IFAD could consider on project-by-project basis the pre-financing of feasibility studies through a *project preparation facility*, the proceeds of which is recoverable upon approval of loans.
- 4.7 OFID and IFAD shall exchange information on their respective pipelines on projects which could be considered for joint financing and agree to consult countries as to their priorities. Projects discussed will be rated as *agreed*, *highly probable* or just *possible*. This first exercise shall be completed by end of January 2011. The program will be kept under constant review and is updated as necessary. As per established practice the financing of the two institutions could be applied to one component (joint financing) or to separate component (parallel financing). In all cases both institutions are committed to the concept and the implementation of the project in its entirety.
- 4.8 IFAD and OFID shall agree on the nature and on the level of their collaboration in the formulation, development and execution of their joint operations on a case-by-case basis. Given the complementarity of their mandates and the experience gained on their respective practices OFID and IFAD shall avoid duplication and develop, where appropriate, the

concept of a *lead agency*. They will further agree on the appropriate documentation of such an arrangement on the lines of *project and loan administration agreements*.

5. Cooperation with Development Finance Institutions and other stakeholders

5.1 OFID and IFAD agree that the development of agriculture, that of smallholders in particular, is better secured by an appropriate combination of public and private interventions. They further agree that DFIs could play a useful role in bringing about the convergence of public and private funds. They note with interest the experience gained in this respect by *OFID's private and trade finance facilities* and commit to continue drawing lessons from these experiences with the view to expanding and diversifying the instruments of their joint interventions.

5.2 IFAD and OFID agree that agriculture presents opportunities for national development and poverty alleviation and that the development of smallholder farming and rural development in general is closely dependant on funding by Donors assistance. Development assistance needs to be more effective and for that, harmonization and coordination among DFIs is essential. They agree that a critical mass of funding is needed to reverse the dearth of funding for agriculture of the last few decades. For that purpose, IFAD and OFID will make an appeal to other DFIs for greater support to agriculture and food security.

6. Monitoring and follow up

OFID and IFAD are committed to an effective implementation of the Agreement. Regular meetings/consultations between IFAD and OFID will be organized to monitor and review the objectives of this Agreement. The Parties will determine Place and time of these meetings.

7. Visibility and use of logos, names

IFAD and OFID agree not to use in any press release, memo, report or other published disclosure related to this Agreement any of the other Parties' name and logo without prior written agreement by the other party.

8. Intellectual property rights

Intellectual property rights, in particular copyright, of material such as information, software and designs, made available by IFAD and OFID to be used to carry out the activities under this Agreement shall remain with the originating party.

9. Dispute settlement

Any dispute, controversy or claims between IFAD and OFID concerning the interpretation and the execution of this Agreement, or any document, agreement or arrangement relating thereto, shall be settled by negotiation between IFAD and OFID.

10. Modification

This Agreement may be modified by written agreement between IFAD and OFID.

11. Entry into force

This Agreement shall come into force on the day of receipt of the last notification by a party of the completion of its relevant internal procedures.

12. Effect of this Agreement

This Agreement provides a general framework within which the Parties may develop and undertake collaborative activities. For activities and joint project to be carried out in furtherance of this Agreement, IFAD and OFID may, if necessary, enter into specific agreements.

13. Termination

This Agreement may be terminated at any time by the mutual written agreement of the Parties.

The provisions of this Agreement shall survive its expiration or termination to the extent necessary to permit an orderly settlement of outstanding matters including accounts between IFAD and OFID.

14. Communication

All further correspondence regarding the implementation of this Agreement should be addressed to:

For OFID: Assistant Director-General
Operations Management
The OPEC Fund for International Development (OFID)
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A-1010 Vienna, Austria

For IFAD: Associate Vice President
Programme Management Department
International Fund for Agricultural Development (IFAD)
Via Paolo di Dono, 44
00142 Rome, Italy

IN WITNESS WHEREOF, IFAD and OFID, each acting through its representative duly authorized thereunto, have signed this Agreement on the date first above written in two original counterparts in English.

FOR THE INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Signed by: _____ (Kanayo F. Nwanze) _____
PRESIDENT

FOR THE OPEC FUND FOR
INTERNATIONAL DEVELOPMENT

Signed by: _____ (Suleiman J. Al-Herbish) _____
DIRECTOR-GENERAL