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Investing in rural people

Proposal for a memorandum of understanding with the European Bank for Reconstruction and Development

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to authorize the President to negotiate and finalize a memorandum of understanding and establish a partnership with the European Bank for Reconstruction and Development, substantially in accordance with the provisions presented in annex II to this document.

Proposal for partnership with the European Bank for Reconstruction and Development

1. The Executive Board is invited to note that IFAD wishes to enter into a strategic partnership with the European Bank for Reconstruction and Development (EBRD). To this end, the President seeks the approval of the Executive Board to negotiate and finalize a memorandum of understanding substantially in accordance with the provisions presented in annex II.
2. In line with the IFAD Partnership Strategy¹ and commitments made during the Consultation on the Ninth Replenishment of IFAD's Resources, IFAD has identified the EBRD as a relevant partner with which to pursue innovative financing mechanisms and partnerships; leverage private-sector investments in agriculture that are additional, inclusive, equal and sustainable; and collaborate on multilateral initiatives on development and financial effectiveness.
3. This strategic partnership will leverage EBRD's experience of collaboration with private enterprises and commercial banks in its member countries, particularly those with growing economies, and in its expanded area of operation, which now includes North Africa and the Middle East, in particular Egypt, Jordan, Morocco and Tunisia. EBRD's areas of focus that are relevant to IFAD are detailed in annex I.
4. The memorandum of understanding contains the following sections: (i) purpose; (ii) modalities (including exchange of information/documents and joint actions); (iii) communications; and (iv) final provisions (including settlement of disputes, amendment, implementation and termination).
5. In accordance with article 8, section 2 of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President to negotiate and finalize a memorandum of understanding between IFAD and EBRD. As noted in the Report on IFAD's institutional partnership agreements presented to the Executive Board in September 2013 under the ex ante approval approach, the signed cooperation agreement will be submitted to the Board for information at a subsequent session.

¹ EB 2012/106/R.4

European Bank for Reconstruction and Development - Profile

1. The European Bank for Reconstruction and Development (EBRD) is an international organization established under public international law pursuant to the Agreement Establishing the European Bank for Reconstruction and Development dated 29 May 1990.
2. The EBRD's mandate is to foster the transition of Central and Eastern European, central Asian, southern and eastern Mediterranean countries and, more recently, North African and the Middle Eastern countries, towards becoming open market-oriented economies and promote private and entrepreneurial initiative. The EBRD provides loan and equity finance, guarantees, leasing facilities and trade finance, investing in projects that could not otherwise attract financing on similar terms. The EBRD invests mainly in private enterprises, usually together with commercial partners.
3. The EBRD is owned by 64 countries and two intergovernmental institutions (the European Union and the European Investment Bank). It maintains a close political dialogue with governments, authorities and representatives of civil society to promote its goals. It also works in cooperation with international organizations such as the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund, the World Bank and United Nations specialized agencies.
4. The EBRD's strategic priority is to support and sustain the continuing recovery in target countries in the aftermath of the global financial crisis. Strong emphasis is being placed in this recovery period on the development of local capital markets and the reduction of foreign currency lending to unhedged borrowers.
5. In its recent activities, the EBRD has also paid special attention to a number of strategic initiatives, deepening and widening the activities in its lesser-developed member countries and tackling energy security and energy efficiency as key challenges in the regions in transition.
6. In addition to direct investment in the private sector, the EBRD's Small Business Support programme provides business advice for small and medium-sized enterprises (SMEs), including in the agriculture sector, which builds capacity to improve value chains.

I. Focus areas of relevance to IFAD

Agriculture and food security

7. **Agribusiness investments.** Since 1991, the EBRD has invested EUR 7.7 billion in over 500 projects in the agribusiness sector across 34 countries. In 2013 EBRD committed EUR 871 million to 54 projects. Roughly 20 per cent of the agribusiness portfolio is equity and the rest is debt financing – all in the private sector.
8. **Agribusiness investments by subsector.** The EBRD invested 44 per cent in food manufacturing; about 18 per cent in support activities for crops; 17 per cent in food and beverage stores; 11 per cent in beverage manufacturing; 6 per cent in agricultural machinery; and 4 per cent in crop production. Primary agriculture accounts for about 20 per cent of the EBRD agribusiness portfolio.
9. **Private Sector for Food Security Initiative.** Recognizing that global agricultural production needs to increase by 50 per cent over the next 40 years to feed the world's population and the crucial role that private-sector investment will play in satisfying this demand, the EBRD launched the Private Sector for Food Security Initiative in 2011. Through this initiative, the EBRD leverages its relationships with investors, private-sector clients and government bodies to improve the business

environment for agribusinesses at all stages of the value chain, thereby stimulating private-sector investment and improving food supply.

Issues of inclusion

10. **Strategic Gender Initiative.** This initiative incorporates elements to promote women's socio-economic empowerment, equality of opportunity and participation in the labour market into EBRD projects, as appropriate.
11. **Small Business Support programme.** This is a grant-funded advisory programme for SMEs, which has a special "women in business" component aimed at improving access to finance and building the capacity of women-owned/-managed businesses.
12. **Economic inclusion measures.** The EBRD builds economic inclusion measures into its projects in various ways:
 - Working with clients and local vocational schools to facilitate the progression from training into employment, and creating work-based training opportunities for young labour market entrants in the agribusiness sector.
 - Projects incorporating skills transfer to local farmers, which could include capacity-building and supply chain links, for example in the dairy sector.

II. Financing mechanisms

13. EBRD provides financing across the whole value chain, from farming, pre- and post-harvest financing tools, processing and trading to food distribution, packaging and retail. The sector is also being developed through support to local and foreign corporate clients and SMEs. Various forms of financing are used, including tailored long-term loans, working capital loans, commodity finance, equity, unfunded risk participation, guarantees and multi-project facilities. Technical cooperation funds provided by governments and international institutions can be used by the EBRD to improve the preparation and implementation of investment projects; provide advisory services to clients; and engage in policy dialogue efforts such as those under the Private Sector for Food Security Initiative.

III. Global discussions on development effectiveness and global development goals

14. Both IFAD and EBRD are members of the multilateral development bank (MDB) working group on aid effectiveness, and the related results working group. In this context, there is an ongoing exchange of views and productive collaboration on development effectiveness topics, results measurement frameworks, the post-2015 Sustainable Development Goals, and on related topics such as the International Aid Transparency Initiative. One recent highlight was the preparation for the First High-Level Meeting of the Global Partnership for Effective Development Cooperation held in Mexico in April 2014, where the MDBs collaborated in organizing several focus sessions, contributed to the design and organization of several plenary panels; and produced a joint brochure on their development effectiveness efforts.

Draft Memorandum of Understanding between the European Bank for Reconstruction and Development and the International Fund for Agricultural Development

MEMORANDUM OF UNDERSTANDING (hereinafter referred to as the “**Memorandum**”) between the International Fund for Agricultural Development (hereinafter referred to as “**IFAD**”) and the European Bank for Reconstruction and Development (hereinafter referred to as “**Bank**” or “**EBRD**”), hereinafter separately referred to as a “**Party**” and jointly referred to as the “**Parties**”.

WHEREAS the Bank is an international financial institution established under public international law pursuant to the Agreement Establishing the Bank dated 29 May 1990 (the “Agreement”), as amended. The Bank supports projects in over [30 countries](#), from Eastern Europe to Central Asia and the Southern and Eastern Mediterranean. Investing primarily in private sector clients whose needs cannot be fully met by the market, the Bank promotes private and entrepreneurial initiatives and fosters transition towards open-market oriented economies in the countries in Central and Eastern Europe and the Southern and Eastern Mediterranean committed to and applying the principles of multiparty democracy, pluralism and market economics..

WHEREAS IFAD, a specialized agency of the United Nations, is an international financial institution with the objective to mobilize additional resources to be made available on concessional terms for agricultural development to reduce poverty in developing Member States. In fulfilling this objective the Fund shall provide financing primarily for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies.

WHEREAS the Parties have the following areas of common interest:

- Agriculture and food security in their common countries of operation;
- Innovative financing mechanisms and partnerships; and
- Multilateral initiatives on development effectiveness.

WHEREAS the Parties wish to establish a strategic partnership (‘the Partnership’) in order to jointly strengthen their cooperation in areas of common interest and make a more decisive impact towards the shared goal of agriculture sector development by capitalizing on their comparative advantages, and increasing complementarities and synergies;

The Parties have come to the following understanding:

Section 1 – Purpose

The Purpose of the Memorandum is to provide a framework for cooperation and facilitate collaboration between the Parties, on a non-exclusive basis, in areas of common interest. In particular, the partnership will seek to ensure that investments in agriculture and food security contribute to the achievement of the common goal sustainable economic growth in the common countries of operation of the EBRD and IFAD.

Section 2 – Areas of Cooperation

Under this Memorandum the Parties will seek opportunities for collaboration in the following areas:

- Agribusiness development, including value-chains and inclusive business models with smallholders and other stakeholders where joint EBRD-IFAD actions in agriculture and food security can leverage EBRD’s experience with private

investors and IFAD's experience in value chains and in mobilizing producers and local authorities;

- Climate-resilient agriculture and the sustainable management of natural resources;
- Economic diversification and job creation, including for rural populations and synergies between rural, peri-urban and urban economies;
- Policy analysis and contribution to global policy dialogue on food security and agricultural development;
- Coordination and alignment on MDB/IFI programmes and initiatives for development effectiveness;
- Mobilization of financial resources; and
- Results management at corporate and programme levels, impact evaluation and reporting.

Section 3 – Modes of Cooperation

The Parties are committed to working together to maximize the impact of their actions in the aforementioned areas through the following means:

1. Sharing of knowledge, ideas, and expertise across all areas of common interest, and in particular with regard to instruments, initiatives, and approaches for agriculture investments, food security, and strengthening value chains;
2. Consultation on country- and sector-level priorities, needs, and opportunities;
3. Coordinating, directly or in collaboration with other relevant international organisations, policy messages in areas of common concern;
4. Participation in knowledge-sharing high-level events and mutually organized meetings;
5. Staff secondment;
6. Investigating the potential for co-financing of projects and programmes

Section 4 – Communications

1. The Parties may consult on matters arising out of this Memorandum and on other matters of common interest.
2. Subject to their respective policies, including policies on the competitive procurement of goods and services, conflict of interest, disclosure of information and sharing information with outside parties, the Parties may exchange information and collaborate through other means to enable them to realize the purposes of this Memorandum.
3. For the implementation of this Memorandum, the Parties agree to each appoint a liaison officer who will channel communications and information.
4. Any notice or other communication to be given or made under this Memorandum will be addressed and sent to the following contact points or at such other address as either Party designates by notice to the other Party:

For IFAD :

Address:

Attention of:

Fax:

E-mail:

For the Bank:

Address:

Attention of:

Fax:

E-mail:

Section 5 – Final Provisions

1. This Memorandum reflects the views and intentions of the Parties to co-operate on a non-exclusive basis, expressed in good faith but without the creation of any legal obligation or the incurrance of any liability on the part of either of them. Nor shall any third party obtain any legal benefit from this Memorandum.
2. It is understood and agreed that nothing in this Memorandum will constitute, or be construed as, an offer, promise or undertaking by either Party to finance all or part of any activity or project identified in or pursuant to this Memorandum.
3. In the event that opportunities are identified, specific arrangements for any such activity or project would need to be agreed upon between the Parties. Each of the Parties will incur its own expenditures arising as the result of the implementation of this Memorandum, unless otherwise specified in relevant separate agreements.
4. Nothing in this Memorandum will limit the right of, or prevent the Parties from entering into memoranda or arrangements with other parties with respect to any activity, project or area of co-operation covered by this Memorandum.
5. Nothing in this Memorandum will constitute nor be construed as a waiver, renunciation or other modification of any of the privileges, immunities and exemptions granted to the EBRD and IFAD, respectively under the Agreement Establishing EBRD and the Agreement Establishing IFAD, international conventions, or any applicable laws.
6. Any dispute arising out of, or in connection with, the interpretation or application of any provision of this Memorandum of Understanding will be settled amicably through consultations or by another mutually agreed mode of settlement.
7. This Memorandum will become effective on the date of its signing subject to the completion by each party of the necessary requirements according to their applicable laws and will remain in effect until either Party notifies the other Party in writing of its intention to terminate this Memorandum. In such case, this Memorandum will terminate thirty (30) days after receipt of such notice by the corresponding Party.
8. This Memorandum may be amended by mutual written consent of the Parties.

IN WITNESS WHEREOF, IFAD and the **Bank**, each acting through its duly authorized representative, have signed this Memorandum of Understanding in two copies, in the English language.

**FOR THE INTERNATIONAL
FUND FOR AGRICULTURAL
DEVELOPMENT**

Name: Kanayo F. Nwanze
Title: President
Date:

**FOR THE EUROPEAN BANK
FOR RECONSTRUCTION
AND DEVELOPMENT**

Name: Suma Chakrabarti
Title: President
Date: