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## Proposal for a memorandum of understanding with the European Investment Bank

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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 to establish a partnership with the European Investment Bank, substantially in accordance with the provisions presented in the annex to this document.

## Proposal for a memorandum of understanding with the European Investment Bank

### I. Introduction

1. The Executive Board is invited to note that IFAD wishes to enter into a strategic partnership with the European Investment Bank (EIB). 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 the annex to this document.
2. In line with the IFAD Partnership Strategy,<sup>1</sup> IFAD has identified EIB as a relevant partner with which to leverage investments in agriculture and food security, contribute to policy analysis and global policy dialogue on food security and agricultural development, collaborate on multilateral initiatives on development and financial effectiveness, and collaborate on results management at the corporate and programme levels, impact evaluation and reporting.
3. This strategic partnership will enable IFAD to tap into EIB'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 includes Africa and Caribbean countries.

### II. European Investment Bank – profile

4. EIB is the bank of the European Union (EU). It is the financial investment arm of the EU and was created by the treaty establishing the European Economic Community in 1958.
5. As the only bank owned by and representing the interests of the 28 EU member states, EIB works closely with other EU institutions on implementing EU policy. EIB supports projects that make a significant contribution to growth, employment, regional cohesion and environmental sustainability in Europe and – based on specific external mandates – in regions outside Europe, including Africa, the Caribbean, the Pacific, Asia and Latin America.
6. As Europe's largest multilateral borrower and lender by volume, EIB provides finance and expertise for sound and sustainable investment projects that contribute to furthering EU policy objectives. The vast majority of EIB financing is through loans, but the Bank also offers guarantees, microfinance and equity investment, among other instruments. The blending of grants and loans is a major element of EIB's support in unlocking financing from other sources, particularly the EU budget. EIB also provides advisory services through its administrative and project management capacity, facilitating investment implementation.

### III. Focus areas of relevance to IFAD

#### A. Agriculture and rural economy

7. EIB's lending for investments in the agrifood and forestry sectors is pivotal to the Bank's lending priorities in support of innovation, climate change adaptation, growth and employment, small and medium-sized enterprises (SMEs) and economic

<sup>1</sup> EB 2012/106/R.4.

and social cohesion. The Bank supports the development of rural economies, generating benefits for both private enterprises and society as a whole through its long-term financing and provision of technical advice and assistance. Over the last five years (2010-2014), EIB provided 20 billion euros in loans to agriculture, fisheries and forestry production and to related up- and downstream industry and service projects.

8. The Bank follows a holistic approach to supporting EU and non-EU countries in fostering competitiveness and sustainable growth in agrifood, aquaculture and forestry value chains. In addition to supporting these value chains directly, EIB is also engaged in a range of other sectors and encourages cross-sectoral interaction, for example to improve watershed management and irrigation systems in the water sector.
9. Outside the EU, EIB supports operations that aim to modernize and upgrade agrifood and forest production systems to bring them close to EU standards while remaining responsive to regional and local requirements. EIB finances private and public operations that contribute to EU development objectives, such as food security and poverty alleviation. The Bank's lending activities cover the whole agrifood and forest value chains, ranging from input and equipment supply to wholesale and retail networks.
10. EIB offers a range of risk-bearing instruments, project loans and financial support to funds, along with a technical advisory platform for EU managing authorities interested in financial instruments for rural development. The Bank's counterparts include national and local governments, private-sector industries, service providers and commercial and promotional banks.
11. EIB finance for SMEs includes schemes for farmers and entities active in forestry and fisheries and is usually provided through commercial banks or microfinance institutions serving as intermediaries.

#### B. Global discussions on development effectiveness and global development goals

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

### IV. Recommendation

13. 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 EIB. 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.

# Draft memorandum of understanding between the European Investment Bank 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 the “Fund” or “IFAD”) and the European Investment Bank (hereinafter referred to as the “Bank” or “EIB”), hereinafter separately referred to as a “Party” and jointly referred to as the “Parties”.

Whereas the Bank is the financial investment arm of the European Union (EU), created by the Treaty establishing the European Community in 1958. As a public bank with objectives driven by EU policies, EIB supports projects that make a significant contribution to growth, employment, regional cohesion and environmental sustainability in Europe and – based on specific external mandates – in regions outside Europe, including Africa, the Caribbean, the Pacific, Asia and Latin America.

Whereas IFAD, a specialized agency of the United Nations, is an international financial institution established in 1978 with the objective of mobilizing additional resources to be made available on concessional terms for agricultural development 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 share a vision of promoting poverty reduction by supporting sustainable, inclusive and resilient growth in developing countries, and have the following areas of common interest in partner countries:

- (Smallholder) agriculture and food security;
- Rural finance;
- Pro-poor private-sector and inclusive value chains;
- Innovative financing mechanisms and partnerships; and
- Environmental sustainability and climate resilience.

Whereas the Parties wish to establish a strategic partnership (“the Partnership”) in order jointly to strengthen their cooperation in areas of common interest and to make more decisive progress towards the shared goal of inclusive and sustainable rural growth by capitalizing on their comparative advantages and increasing their 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 to 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 in the areas listed in section 2.a contribute to achievement of the common goal of sustainable and inclusive economic growth in the common countries of operation of EIB and IFAD.

## Section 2 – Areas of cooperation

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

- (a) Investments in agriculture and food security:
- Agribusiness development, including value chains and inclusive business models involving smallholders and other stakeholders where joint EIB-IFAD actions in agriculture and food security can leverage EIB's experience with private investors and IFAD's experience in value chains and in mobilizing producers and local authorities to facilitate smallholder farmers' access to markets and private-sector companies.
  - Rural finance, by promoting access to a range of financial services, including savings, credit, remittances and insurance, for rural poor households, smallholder producers and their institutions, building on the solid experience and expertise in rural finance of EIB and IFAD to provide technical assistance to financial intermediaries and improve their capacity to offer financial services tailored to specific target groups.
  - Financing of rural infrastructure conducive to private-sector development, including rehabilitation and maintenance of district and community access roads, building of market places, development of agroprocessing facilities, provision of electric power to market centres, and development of (small-scale) irrigation systems.
  - Climate-resilient agriculture and the sustainable management of natural resources. EIB is one of the world's biggest lenders for climate action, and IFAD is the leading agency in the United Nations system for promoting climate change adaptation and sustainable management of natural resources in smallholder farming systems.
  - Economic diversification and job creation, including for rural populations, and synergies among rural, peri-urban and urban economies.
- (b) Other areas:
- Policy analysis and contribution to global policy dialogue on food security and agricultural development.
  - Coordination and alignment of the programmes and initiatives for development effectiveness of MDBs/international financial institutions.
  - Mobilization of financial resources for smallholder agriculture and rural development.
  - Results management at the corporate and programme levels, impact evaluation and reporting.

## Section 3 – Possible modes of cooperation

The Parties intend to cooperate together to maximize the impact of their actions in the aforementioned areas through:

- Implementation of joint projects in areas of mutual interest;
- Provision of financial instruments, including loans and guarantees, to promote activities in areas of cooperation identified in section 2;
- Sharing of knowledge, ideas and expertise across all areas of common interest, particularly with regard to instruments, initiatives and approaches for agricultural investments, food security, climate change resilience and strengthening of value chains;
- Consultation on country- and sector-level priorities, needs and opportunities;

- Coordination – directly or through other relevant international organizations – of policy messages in areas of common concern;
- Participation in high-level knowledge-sharing events and joint organized meetings; and
- Staff secondment.

#### Section 4 – Communication

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 of 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 each to 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 to such other address as either Party designates by notice to the other Party:

#### For IFAD

On institutional issues: Director and Senior Adviser to the President of the Partnership and Resource Mobilization Office.

On business issues: Associate Vice-President of the Programme Management Department.

#### For EIB

#### Section 5 – Final provisions

1. This Memorandum reflects the views and intentions of the Parties regarding cooperation 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 Party. 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 of opportunities being identified, specific arrangements for any such activity or project would need to be agreed upon between the Parties and written agreements concluded, as and when necessary, setting out the arrangements agreed. Each of the Parties will cover its own expenditures arising from the implementation of this Memorandum, unless otherwise specified in relevant separate agreements.
4. Nothing in this Memorandum will limit the right of either or both Parties to enter into memorandums or arrangements with other parties with respect to any activity, project or area of cooperation covered by this Memorandum. Nor does anything in this Memorandum prevent either or both of the Parties from doing so.
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 EIB and IFAD under, respectively, the Treaty on the Functioning of the European Union and Protocol (No. 7) on the privileges and immunities of the European Union and the Agreement Establishing IFAD, or under any 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 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 by both Parties, further to the completion by each Party of the necessary requirements according to the Party's applicable internal rules for giving effect to such memorandums, and will remain in effect for a duration of five years. Either Party may terminate this Memorandum by giving written notice of thirty (30) days to the other Party.
8. This Memorandum may be amended by written agreement of the Parties.
9. The Parties may disclose this Memorandum and related information in accordance with their own internal rules and procedures regarding access to information and transparency.

In witness whereof, IFAD and EIB, each acting through its duly authorized representative, have signed this Memorandum of Understanding in three (3) originals in the English language, two (2) for EIB and one (1) for IFAD.

For the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Name: Kanayo F. Nwanze

Title: President

Date:

FOR THE EUROPEAN INVESTMENT BANK

Name:

Title: President

Date: