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Investing in rural people

Proposal for a framework cooperation Agreement with the Andean Development Corporation (CAF)

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation authorizing the President to negotiate and finalize a framework cooperation agreement and establish a partnership with the Andean Development Corporation, as contained in paragraph 12.

Proposal for a framework cooperation agreement with the Andean Development Corporation (CAF)

I. Introduction

1. In view of IFAD's wish to enter into a strategic partnership with the Andean Development Corporation (CAF), the President seeks the approval of the Executive Board to negotiate and finalize a framework cooperation agreement substantially in accordance with the provisions presented in annex I.
2. CAF and IFAD have been collaborating since 1982 under an agreement that foresees, among areas of collaboration, CAF's role as cooperating institution to supervise IFAD-supported programmes. Also, since 1998 CAF has cofinanced rural development programmes in the Bolivarian Republic of Venezuela together with IFAD for an estimated cumulative amount of US\$36 million. This cofinancing model could be replicated in other areas and countries of mutual priority, in particular for rural development projects that include both "hard" components such as physical investments and "soft" components such as strengthening of farmers associations and training.
3. In line with the IFAD Partnership Strategy¹ and commitments made during the Consultation on the Ninth Replenishment of IFAD's Resources, IFAD has identified CAF as a relevant partner to expand cofinancing in programmes to be implemented in common Member States, draw on the organizations' respective comparative advantages in rural social and economic infrastructure development, and invest in inclusive and sustainable rural transformation by involving the private sector, empowering community-based organizations and enabling smallholders to take part in agrifood value chains. Under the framework cooperation agreement, the two organizations will also develop and test financing mechanisms for development endeavours and enhance knowledge-sharing, including staff exchanges.
4. This strategic partnership will leverage CAF's experience of collaboration with private enterprises and commercial banks in its member countries, as well as international development banks. CAF's areas of focus that are relevant to IFAD are detailed in section II below.

II. Andean Development Corporation - Profile

5. CAF is a supranational financial institution owned by Latin American countries and created in 1970. It is made up by 19 countries – 17 in Latin America and the Caribbean, Spain and Portugal – as well as 14 private banks in the region. The share of private banks is less than 0.4 per cent.
6. CAF is a self-regulated organization created under public international law with headquarters in Caracas and offices in Buenos Aires, La Paz, Brasilia, Bogota, Quito, Madrid, Mexico City, Panama City, Asuncion, Lima, Montevideo and Port of Spain.

¹ EB 2012/106/R.4.

7. CAF promotes a sustainable development model through credit lines, sovereign and non-sovereign loans, structured financing, guarantees and collaterals, nonreimbursable resources, financial advisories and support in the technical and financial structuring of projects in the public and private sectors of Latin America. In 2011 CAF signed an agreement with the KfW Development Bank to access concessional loans and grant resources from the European Commission.
8. As the leading source of finance for infrastructure and energy projects in Latin America, CAF enjoys preferred creditor status in shareholder countries and is rated Aa3/AA-/AA- by Moody's, Standard & Poor's and Fitch. Lending is CAF's core business, representing 60 per cent of total assets at US\$19.4 billion.² Liquidity represents 35 per cent of total assets at US\$11.4 billion. As for liabilities, CAF borrowings represent 69 per cent at US\$22.4 billion and shareholders' equity 27 per cent at US\$8.8 billion.
9. CAF has posted consistent growth in its loan portfolio with a compound annual growth rate between 2010 and 2014 of 8.5 per cent. The portfolio is composed of 82 per cent public-sector operations and 18 per cent private-sector operations. Portfolio distribution by industry is as follows: water and sanitation 6 per cent, energy 28 per cent, transportation 36 per cent, financial intermediaries 11 per cent, social development 11 per cent and other sectors 8 per cent (e.g. mining, commerce and tourism).

III. Areas of focus relevant to IFAD

10. CAF intends to focus on agroindustry as a new line of business. The objective is to increase productivity, innovation and social inclusion in the region through productive transformation. For this reason it is important for CAF to develop high-impact partnerships with institutions possessing expertise and implementation capacity, such as IFAD.
11. In addition, CAF has a comparative advantage in the following areas of interest for IFAD:
 - (i) Rural electrification using renewable energy;
 - (ii) Institutional development with support to public administration, including in public security and democracy;
 - (iii) Support for climate change adaptation and mitigation, environmental and social institutions and green business development;
 - (iv) Social development addressing water management and irrigation, solid waste treatment and education quality;
 - (v) Social sustainability through productive, technological and social inclusion, the latter by means of music and sports; and
 - (vi) Direct financing to microenterprises, small and medium-sized enterprises, and microfinance institutions.

² All figures in this document are as of 31 March 2015.

IV. Recommendation

12. 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 framework cooperation agreement between IFAD and CAF which shall be substantially in accordance with the terms and conditions presented herein. 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.

BORRADOR - ACUERDO MARCO DE COOPERACIÓN ENTRE LA CORPORACIÓN ANDINA DE FOMENTO Y FONDO INTERNACIONAL DE DESARROLLO AGRÍCOLA

Entre, la **CORPORACIÓN ANDINA DE FOMENTO**, institución financiera multilateral, creada como persona jurídica de Derecho Internacional Público mediante Convenio Constitutivo firmado en Bogotá, Colombia, el 7 de febrero de 1968, debidamente representada por su Presidente Ejecutivo, señor L. Enrique García (en adelante "CAF"), y el **FONDO INTERNACIONAL DE DESARROLLO AGRÍCOLA**, agencia especializada de las Naciones Unidas e institución financiera, cuyo establecimiento fue aprobado por la Conferencia de las Naciones Unidas el 13 de junio de 1976 y cuyo Convenio Constitutivo entró en vigor el 30 de noviembre de 1977; debidamente representado por su Presidente, señor Kanayo F. Nwanze (en adelante "FIDA") cada una por separado la "parte" y conjuntamente denominadas "las partes";

CONSIDERANDO que el mandato del CAF es contribuir con el desarrollo sostenible de sus países accionistas y con la integración regional en América Latina;

CONSIDERANDO que el objetivo del FIDA es movilizar recursos adicionales en condiciones de favor a fin de fomentar la agricultura de sus Estados Miembros en desarrollo, financiando principalmente proyectos y programas destinados a ampliar la producción de alimentos y reforzar las políticas e instituciones en el marco de prioridades y estrategia de los países en desarrollo.

DESTACANDO el interés compartido de fortalecer su cooperación a través de la realización de actividades conjuntas orientadas a contribuir a la integración y el desarrollo sostenible de América Latina, así como a obtener importantes sinergias y oportunidades de una relación más estrecha y apoyo plenamente a iniciativas en este sentido.

ACUERDAN

Artículo 1

- Desarrollar esfuerzos conjuntos con el objeto de fomentar la cofinanciación de proyectos de desarrollo en países miembros comunes, con el fin de aprovechar las ventajas comparativas de cada institución en temas como inversiones en infraestructura productiva en el ámbito rural (en riego, agua y saneamiento, gestión de recursos hídricos, negocios innovadores, economía verde, agricultura, cambio climático y medio ambiente, microfinanzas, energía, entre otros), transformación rural sostenible e inclusiva, mecanismos de operación y mantenimiento de la infraestructura productiva, impulso a la participación del sector privado, fortalecimiento institucional de asociaciones e inserción en cadenas productivas, entre otros temas focalizados en pequeños productores;
- Estudiar mecanismos innovadores para la financiación del desarrollo, como el acceso a los fondos que disponen recursos financieros para la región;
- Impulsar la participación de ambas instituciones en actividades de gestión del conocimiento en temas de interés mutuo, entre los que se incluye el intercambio de personal.

Artículo 2

Siempre que se cuente con el acuerdo de cada institución y con sujeción a sus respectivas disposiciones internas en la materia, la colaboración bajo este Acuerdo podrá desarrollarse alrededor de las siguientes actividades:

- operaciones de financiamiento (cofinanciación de recursos reembolsables y/o concesionales) para proyectos de desarrollo,
- cooperación técnica en proyectos de mutuo interés tanto reembolsable y/o no reembolsable
- programas de transferencia de conocimiento, incluyendo intercambio de personal, mejores prácticas y/u otra información,
- organización de eventos y talleres,
- investigaciones y publicaciones conjuntas,
- acciones de comunicación,
- otros mecanismos acordados por las partes.

Artículo 3

Las actividades que se desarrollen en el marco de esta colaboración se decidirán de mutuo acuerdo, a iniciativa de cualquiera de las partes. Los términos de cada actividad serán objeto, cuando corresponda, de un convenio específico que establecerá las modalidades de participación de cada institución.

Las partes reconocen que el presente Acuerdo no conlleva implicación financiera alguna para ninguna de las partes y que cada de las partes asumirá sus propios costos en el desarrollo del mismo.

En el caso de que el desarrollo de las distintas actividades e iniciativas que se enmarcan dentro del presente Acuerdo implique la necesidad de financiación, las Partes así deberán establecerlo de forma expresa para cada caso, en los convenios específicos debidamente aprobados por cada una de las Partes, en los que se definan las contribuciones de cada una. En todo caso, los fondos aportados serán ejecutados con sujeción a los reglamentos y normas internas de cada parte.

Artículo 4

Las partes se autorizan recíprocamente a hacer de conocimiento público la celebración del presente acuerdo y las actividades a desarrollarse bajo el mismo, tanto en comunicaciones internas como externas.

Artículo 5

Cualquier controversia que surja de la interpretación, ejecución o cumplimiento del presente Acuerdo se resolverá de común acuerdo entre las partes mediante negociación directa o por otro modo identificado de mutuo acuerdo por las mismas.

Artículo 6

Los derechos de propiedad intelectual, y en particular los derechos de autor en el caso de realización de actividades conjuntas, serán definidos caso por caso en cada convenio específico que se suscriba en el marco del presente Acuerdo.

Artículo 7

Sin perjuicio de lo previsto en el Artículo 4 del presente Acuerdo, a menos que se haya acordado otra cosa previamente por escrito, toda la información compartida entre las partes estará sujeta a un trato confidencial por la parte receptora. La información suministrada por la CAF o el FIDA seguirá siendo propiedad de la entidad correspondiente y no de la parte receptora, a menos que exista acuerdo escrito en otro sentido. La información confidencial compartida por una parte a la otra parte deberá ser manejada por la parte receptora con el mismo estándar de confidencialidad utilizado en el manejo de su propia información confidencial.

Artículo 8

Sujeto a los términos y condiciones antes mencionadas, las partes, por lo tanto, se comprometen a:

- a) Reconocer el papel y la contribución de cada parte de las actividades de cooperación conjuntas en toda la documentación de la información pública relevante en relación con los casos de este tipo de cooperación; y
- b) Utilizar el nombre y el emblema de cada parte en la documentación relativa a las actividades conjuntas de cooperación, de acuerdo con las políticas aplicables de cada parte, y sujeto a previo acuerdo por escrito entre ambas.

Artículo 9

Ninguna disposición del presente Acuerdo ni de ningún documento relacionado con el mismo constituye, supondrá o podrá ser interpretada como una renuncia, expresa o implícita, a las prerrogativas, privilegios e inmunidades de que gozan cada una de las partes de conformidad con sus documentos constitutivos, tratados internacionales y lo principios de derecho internacional público.

Artículo 10

Todo aviso, solicitud o comunicación que las partes se dirijan entre sí, en virtud del presente acuerdo, deberá efectuarse por escrito y se considerará realizado desde el momento en que el documento correspondiente se entregue al destinatario en sus respectivas direcciones, las cuales se indican a continuación:

Corporación Andina de Fomento

Plaza Pablo Ruíz Picasso, 1. Torre Picasso, Planta 24.
28020, Madrid.
España

Atención: Vicepresidencia de Finanzas, Dirección de Recursos Financieros
Institucionales
Tel: +58 (212) 209-2450
Fax: +58 (212) 209-2328
e-mail: lcalles@caf.com, priera@caf.com

Atención: Vicepresidencia de Desarrollo Social, Dirección de Proyectos de Desarrollo
Social
Tel. +58 (212) 209-2245
e-mail: adelacruz@caf.com, drivera@caf.com

Fondo Internacional de Desarrollo Agrícola

Atención: Director, Oficina de Asociación y de Recursos Financieros

Tel: +39 06 54591

Fax: +39 06 54593

Email: prm@ifad.org

Artículo 11**Artículo 11**

El presente Acuerdo entrará en vigor en la fecha de su firma, sujeto al cumplimiento de los requisitos de cada parte de acuerdo a sus procedimientos internos y tendrá una duración de cinco (5) años, renovables automáticamente por un período similar, a menos que una parte notifique a la otra por escrito, su intención en contrario. En tal caso, el Acuerdo se entenderá terminado treinta (30) días a partir de la recepción de la notificación.

Sin perjuicio de lo arriba señalado, cualquiera de las partes podrá terminar el presente acuerdo en cualquier momento mediante notificación escrita a la otra parte. El Acuerdo se entenderá terminado a treinta (30) días a partir de la fecha de recepción de la notificación.

La terminación del Acuerdo no afectará las obligaciones previamente contraídas en el contexto de los proyectos ejecutados en virtud del mismo ni de los convenios específicos que de éste se deriven.

Artículo 12

El presente Acuerdo refleja el interés de las partes de desarrollar sus relaciones de cooperación a partir del desarrollo voluntario de actividades de mutuo interés, no siendo el propósito del mismo crear ninguna clase de obligación o compromiso más allá de los términos expresamente contenidos en este documento.

Nada de lo establecido en este Acuerdo podrá ni deberá ser asumido o interpretado como un compromiso por cualquiera de las partes para otorgar financiamiento alguno o para otorgar dicho compromiso en cualquier otro momento a favor de las partes o de cualquier tercero. Asimismo, lo establecido en este Acuerdo no debe ser interpretado como la constitución o el compromiso de constituir una asociación, consorcio o cualquier otra estructura de carácter legal, ni como el nombramiento de cualquiera de las partes como agente o representante autorizado de la otra parte.

El presente Acuerdo podrá ser modificado en cualquier momento mediante documento escrito suscrito por representantes debidamente autorizados de las partes.

Suscrito a los [__] días del mes de [_____] de 2015, en dos (2) originales iguales y del mismo tenor.

Por CAF**Por FONDO INTERNACIONAL DE
DESARROLLO AGRÍCOLA****L. Enrique García
Presidente Ejecutivo****Kanayo F. Nwanze
Presidente**

Draft framework cooperation agreement between Andean Development Corporation (CAF) and the International Fund for Agricultural Development

By and between: The Andean Development Corporation, a multilateral financial institution created as a legal entity governed by international public law by means of an Establishing Agreement signed in Bogota, Colombia on 7 February 1968, duly represented by its Executive President Mr L. Enrique García (hereinafter "CAF"), and the International Fund for Agricultural Development, a specialized agency of the United Nations and financial institution whose establishment was approved by the United Nations Conference held on 13 June 1976 and whose Establishing Agreement entered into effect on 30 November 1977, duly represented by its President Mr Kanayo F. Nwanze (hereinafter "IFAD"), referred to herein separately as the "party" and collectively as the "parties";

Whereas the mission of CAF is to contribute to sustainable development in its shareholder countries and to regional integration in Latin America; and

Whereas the objective of IFAD is to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States, providing financing primarily for projects and programmes specifically designed to expand food production and strengthen related policies and institutions within the framework of national priorities and strategies; and

Underscoring their shared interest in strengthening cooperation by implementing joint activities to contribute to integration and sustainable development in Latin America, as well as obtain important synergies and opportunities through closer relations and more fully support initiatives to this end;

THE PARTIES HEREBY AGREE TO:

Article 1

- Undertake joint efforts to foster the cofinancing of development projects in common Member States, in order to make use of the comparative advantages of each institution in areas such as investments in rural production infrastructure – inter alia, irrigation, water and sanitation, water management, business innovation, green economy, agriculture, climate change and environment, microfinance, energy – as well as sustainable and inclusive rural transformation, operation and maintenance of production infrastructure systems, promoting private-sector participation, institutional strengthening for associations and positioning within value chains, among others targeted to smallholder producers;
- Investigate innovative development financing facilities such as access to funds providing financial resources for the region; and
- Drive the participation of both institutions in knowledge management activities in areas of mutual interest, including staff exchanges.

Article 2

With the consent of both institutions and subject to their respective internal rules and regulations, collaboration under this Agreement may take place around the following activities:

- Financing operations (cofinancing of reimbursable and/or concessional resources) for development projects;
- Technical cooperation on projects of mutual interest, both reimbursable and/or nonreimbursable;

- Knowledge transfer programmes, including staff exchanges, best practices and/or other information;
- Organization of events and workshops;
- Joint research and publications;
- Communication actions; and
- Other activities agreed upon by the parties.

Article 3

The activities to be carried out within the framework of this collaboration will be decided on by mutual agreement, at the initiative of either of the parties. The terms and conditions governing each activity will, where applicable, be included in a specific agreement setting forth the modalities for participation by each institution.

The parties recognize that this Agreement does not entail any financial implications for either of the parties and that each party will assume its own costs hereunder. In the event that the implementation of activities and initiatives within the framework of this Agreement involves the need for financing, the parties shall so establish expressly in each case, in specific agreements duly approved by each of the parties, setting forth the contributions of each. The funds contributed will in every case be executed subject to the internal rules and regulations of each party.

Article 4

The parties authorize each other to publicize the conclusion of this Agreement and the activities to be implemented under it, in both internal and external communications.

Article 5

Any dispute that may arise from the interpretation, execution or performance of this Agreement shall be resolved by common agreement of the parties by direct negotiation or by another means identified by mutual agreement between them.

Article 6

Intellectual property rights, and in particular copyright in the case of jointly implemented activities, will be defined on a case-by-case basis in each specific agreement to be concluded within the framework of this Agreement.

Article 7

Without prejudice to the provisions of article 4 of this Agreement, and unless otherwise agreed in advance in writing, all information shared between the parties will be kept confidential by the recipient party. Any information provided by CAF or IFAD will continue to be the property of the relevant entity rather than the recipient party, unless otherwise agreed in writing. Confidential information shared by one party with the other party will be handled by the recipient party to the same standard of confidentiality employed in the management of its own confidential information.

Article 8

Subject to the aforementioned terms and conditions, the parties therefore undertake to:

- (a) Recognize the role and contribution of each party in joint cooperation activities in all relevant public information documentation concerning such cooperation; and

- (b) Use the name and logo of each party in documentation concerning joint cooperation activities, in accordance with the applicable policies of each party, subject to advance written agreement between the two.

Article 9

No provision of this Agreement or of any document relating hereto will constitute, presume or be construed as a waiver, either express or implicit, of the prerogatives, privileges and immunities enjoyed by each of the parties in accordance with their establishing agreements, international treaties and the principles of international public law.

Article 10

All notices, requests and communications addressed by the parties to each other hereunder will be in writing and will be deemed to have taken place once the relevant document is delivered to the recipient at the respective addresses, as outlined below:

Corporación Andina de Fomento
Plaza Pablo Ruíz Picasso, 1. Torre Picasso, Planta 24.
28020, Madrid.
España

Atención: Vicepresidencia de Finanzas, Dirección de Recursos Financieros
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Atención: Vicepresidencia de Desarrollo Social, Dirección de Proyectos de
Desarrollo Social
Tel. +58 (212) 209-2245
e-mail: adelacruz@caf.com, drivera@caf.com

International Fund for Agricultural Development
Attention: Director, Office of Partnership and Resource Mobilization
Tel: +39 06 54591
Fax: +39 06 54593
E-mail: prm@ifad.org

Article 11

This Agreement will enter into effect on the date of signature, subject to fulfilment of the requirements of each party in accordance with their internal procedures, and will have a duration of five years, automatically renewable for a similar period, unless one party notifies the other in writing of its intention to the contrary. In such case, the Agreement will be understood to be terminated 30 days after receipt of such notification.

Without prejudice to the foregoing, either of the parties may terminate this Agreement at any time by written notification to the other party. The Agreement will be understood to be terminated 30 days after receipt of such notification.

Termination of this Agreement shall not affect any obligations previously incurred in the context of the projects executed hereunder or the specific agreements derived herefrom.

Article 12

This Agreement reflects the interest of the parties in developing their relations of cooperation on the basis of the voluntary implementation of activities of mutual interest, and is not intended to create any kind of obligation or commitment beyond the terms expressly contained herein.

None of the provisions of this Agreement may or shall be assumed or construed as a commitment by either of the parties to provide any kind of financing or to make such a commitment at any other time in favour of the parties or any third party. Moreover, the provisions of this Agreement may not be construed as establishing or incurring a commitment to establish a partnership, consortium or any other structure of a legal nature, or as appointing any of the parties as an agent or authorized representative of the other party.

This Agreement may be amended at any time by means of a written document signed by duly authorized representatives of the parties.

Signed on the [___] day of the month of [_____], 2015, in two equal counterparts of the same tenor.

For the Andean Development
Corporation (CAF)

L. Enrique García
Executive President

For the International Fund for
Agricultural Development

Kanayo F. Nwanze
President