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Investing in rural people

Proposal for partnership agreement with Mars, Incorporated

Note to Executive Board representatives

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Executive Board — 121st Session
Rome, 13-14 September 2017

For: Approval

Recommendation for approval

The Executive Board is invited to authorize the President to negotiate and finalize with Mars, Incorporated a memorandum of understanding to be modelled after the sample presented in the annex to this document.

Proposal for partnership agreement with Mars, Incorporated

1. The Executive Board is invited to consider the proposal to enter into a cooperation agreement with a private sector entity, Mars, Incorporated, located in McLean, Virginia, United States. To this end, the Executive Board's approval is being sought for the President to negotiate and finalize a memorandum of understanding (MOU) to be modelled on the sample presented in the annex to this document.¹
2. In line with IFAD's Private Sector Strategy and commitments made during the Consultation on the Tenth Replenishment of IFAD's Resources,² IFAD is engaging with private sector actors more systematically at both the global and the country level. The objectives are to raise pro-poor and sustainable investment in rural areas; create markets, increase income-generating opportunities for IFAD's target groups; and improve their access to inputs, services, knowledge and technology.
3. IFAD has been working successfully with Mars in Indonesia since 2012 through a collaboration brokered by IFAD with Mars and the Rural Empowerment and Agricultural Development (READ) project. Based on this experience, in late 2016 IFAD and Mars began exploring an expansion of its collaboration to other countries and crop value chains. They are now seeking to formalize the partnership through a global MOU.
4. Under the proposed MOU, IFAD and Mars will seek opportunities for collaboration in the following areas:
 - (i) Market access: broker increased access to markets for smallholders and small and medium-sized enterprises participating in IFAD-supported projects and programmes to increase incomes, while providing Mars with needed supply;
 - (ii) Capacity-building: provide training and capacity-building to smallholder farmers to increase productivity and quality standards and support more environmentally sustainable methods of production; in parallel, offer technical guidance and support to Mars on implementation of its sustainable sourcing plan;
 - (iii) Advocacy: combine forces to advocate for the importance of rural transformation and smallholder agricultural development for sound environmental management and creation of thriving rural communities.
5. The projected benefits of formalizing the collaboration with Mars through an MOU include more effective and efficient identification of opportunities; replicating and scaling existing country collaboration across the IFAD portfolio; clarifying respective partner roles, resources, key performance indicators and milestones;

¹ The sample MOU is broadly similar to the sample MOU included in EB 2013/110/R.38 (Proposals for partnership agreements with the private sector) upon which the MOUs with Unilever and Intel Corporation were modelled.

² Private Sector Strategy: Deepening IFAD's engagement with the private sector

www.ifad.org/documents/10180/aeb5f367-af87-46b1-9419-355562b1dbc0; Report of the Consultation on the Tenth Replenishment of IFAD's Resources: webapps.ifad.org/members/gc/38/docs/GC-38-L-4-Rev-1.pdf.

and designating staff from both organizations to be accountable and responsible for outcomes and communicating on progress through a time-bound review process.

6. The MOU with Mars will express an intention to cooperate and outline a framework within which collaborative activities may be developed and undertaken.
7. Following the procedures adopted to implement article 8, section 2 of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President to negotiate and finalize an MOU between IFAD and Mars, Incorporated. As noted in the report on IFAD's institutional partnership agreements – presented to the Executive Board in September 2013³ – under the ex ante approval approach, the signed MOU will be submitted to the Board for information at a subsequent session.

Mars, Incorporated

8. Mars is committed to sustainable sourcing to mitigate the environmental impact of its priority raw materials, advance respect for human rights across its value chain and help lift farmers out of poverty. It has defined five impact areas (greenhouse gas, water, land, human rights and income) and has made priority raw material sourcing commitments for black tea, cocoa, coffee, fish, mint, palm oil, peanuts, rice, beef, paper and pulp, and soybean. Its supplier code of conduct prioritizes partners that share the company's principles-based approach to business, and hold its first-tier suppliers to respect human rights in their workplaces and with their suppliers. In 2014, the company updated its sourcing strategy to cover 23 raw materials, 60 per cent of its sourcing volume.
9. Mars is working directly with smallholder farmers as part of its Vision for Change program, and building cocoa development centres and cocoa village centres in Côte d'Ivoire and Indonesia. These educate farmers on managing their land and crops efficiently while providing them with good-quality plants, fertilizers and pesticides and helping with training and business management. Mars is also working with Basmati rice farmers in Pakistan and India. In 2015, together with Danone, Mars launched the Livelihoods Fund for Family Farming (Livelihoods 3F), a mutual investment fund that is investing EUR 120 million over 10 years in smallholder farmers' projects in Africa, Asia and Latin America.
10. IFAD has worked with Mars in Indonesia since 2012 through a collaboration brokered by IFAD with the READ project. Based on this positive experience, IFAD and Mars began exploring an expansion of its collaboration to other countries. They now propose formalizing a strategic partnership through an MOU, focused on the objectives outlined above.
11. Corporate profile. Mars is a global manufacturer of confectionery, pet food and other food products with US\$33 billion in annual sales and 80,000 employees in 78 countries (2015). It is ranked as the sixth largest privately held company in the United States (Forbes). Mars operates in six business segments around the world: confectionery, chocolate, pet care, food, drinks and symbioscience (the company's life sciences division). Headquartered in Virginia, United States, the company is entirely owned by the Mars family, and is governed by a board of directors who are members of the Mars family. The Mars board of directors receives independent advice from external board advisers.
12. Partner suitability. IFAD has assessed Mars's environmental, social and governance performance following its internal due diligence process and has found that the company has effectively met the threshold for partnership as defined by this process.

³ EB 2013/109/R.32.

Sample memorandum of understanding with a private sector partner

MEMORANDUM OF UNDERSTANDING
between
[X] CORPORATION
and
THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

This Memorandum of Understanding (hereinafter referred to as "Memorandum") is entered into as of this [DATE] by and between XX, whose registered office is at..... (hereinafter referred to as the "Company") and the International Fund for Agricultural Development based at Via Paolo di Dono, 44, 00142 Rome, Italy (hereinafter referred to as "IFAD") (each a "Party" and collectively the "Parties"), for the purpose of [broadly state the objectives of the partnership].

WHEREAS The Company's mission is to [list the corporate mission as relates to sustainability goals];

WHEREAS The Company is committed to [company's sustainability goals related to IFAD and its target groups];

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 in developing Member States;

WHEREAS IFAD's mission is to enable poor rural people to overcome poverty, and is committed to increasing opportunities for smallholder farmers and their communities to improve their livelihoods;

WHEREAS IFAD has a long-standing tradition and mandate of cooperation with its Member States in pursuing their development priorities; the Company intends to contribute to IFAD's support for these priorities;

WHEREAS The Company and IFAD met to identify opportunities in which they could collaborate to better leverage the [.....] in support of rural populations in developing countries;

WHEREAS The Company and IFAD wish to improve their coordination on [...] for the benefit of smallholders in developing countries worldwide;

NOW THEREFORE, the Company and IFAD (the "Parties"), by entering into this Memorandum, have reached the following understandings:

I. OBJECTIVE

1. The objective of this Memorandum is to express the intent of the Parties for cooperation and outline a framework within which they may develop and undertake collaborative activities in order to pursue more effectively the goals identified below.

2. The Parties understand that the areas of collaboration may include, but are not limited to, the activities described in the Annex, which forms an integral part of this Memorandum.
3. Unless otherwise agreed upon, the activities referred to in the Annex shall be carried out according to the individual mutually acceptable agreements to be concluded between direct cooperation participants to each project or activity, and subject to such policies, procedures and approvals of each Party.

II. MODALITIES OF COLLABORATION

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 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 shall channel communications and information.

III. NAMES, MARKS AND LOGOS

1. The Parties understand that neither of them may use the other's trademarks, trade names, service marks or logos without obtaining the other's prior consent pursuant to a written agreement.
2. The Parties understand that neither of them may use the other's name in any manner whatsoever that conveys or suggests, directly or indirectly, endorsement or support of the Party or its products or services by the other Party. All uses by one Party of the other Party's name in any manner (other than casual or generally accepted uses) shall be subject to the written approval of the other Party.

IV. LIMITS TO MEMORANDUM OF UNDERSTANDING

Nothing in this Memorandum should be construed as: (a) an authorization to waive any right, or assume or create any contract or obligation of any kind in the name of, or on behalf of, the other or to make any statement that the Party has the authority to do so; (b) establishing a joint venture, agency, partnership, employment or other similar relationship between the Parties; or (c) a waiver of the privileges and immunities of IFAD or its officers and employees granted under the Agreement Establishing IFAD, the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations and any other international treaty or convention, or under international customary law.

V. NON-EXCLUSIVE RELATIONSHIP

1. This Memorandum reflects the views and intentions of the Parties to cooperate on a non-exclusive basis, expressed in good faith but without the creation of any legal obligation or the incurrence of liability on the part of either of them.
2. Nothing in this Memorandum shall constitute, or be construed as, an offer, promise or commitment with regard to any funding on the part of the Parties. Any such commitment shall be reflected in separate agreements that may be entered into by the Parties, subject to their respective policies and procedures.

3. This Memorandum does not represent any commitment on the part of either Party to give any preferred treatment to the other in any matter contemplated under this Memorandum or otherwise.

VI. NOTICES

For the purpose of facilitating the implementation of the objective of this Memorandum, all communication between the Parties shall be directed to the following liaison offices:

For The Company:

For IFAD:

VII. DISCLOSURE OF INFORMATION

The Parties may make this Memorandum publicly available in accordance with their respective policies on disclosure of information. The Company shall not make any reference to the collaboration under this Memorandum in its advertising of its products or services or in the solicitation of any contracts or other business, whether or not to be financed by IFAD, except as otherwise agreed in writing.

VIII. COMMERCIAL BENEFITS / CONFLICTS OF INTEREST

1. No activity undertaken pursuant to this Memorandum may be used for any commercial purpose by the Company or any of its affiliates; provided further that the Company may not seek to directly or indirectly benefit commercially from IFAD's involvement in such activity. However, publications resulting from such collaborative activities may acknowledge the collaboration of the Parties.
2. IFAD's collaboration with the Company on activities under this Memorandum is not intended to confer a special advantage or preference to the Company or any of its affiliates in competing with any other entity as regards the procurement of goods, works or services by IFAD or third parties, where such procurement results from or has a direct relationship to activities under this Memorandum.

IX. ENTRY INTO FORCE AND DURATION

1. This Memorandum shall enter into force on the date of its signature by authorized representatives of both institutions.
2. This Memorandum shall have a term of five (5) years from the date of its entry into force, and such term may be extended by the written agreement of the Parties, subject to such evaluations as the Parties deem appropriate.
3. This Memorandum may be amended by mutual written consent of the Parties.
4. This Memorandum may be terminated by either Party for any reason by giving two (2) months' advance written notice to the other Party.

IN WITNESS WHEREOF, the Parties hereto, each acting through its duly authorized representative, have signed this Memorandum in two (2) originals in the English language as of this date.

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ANNEXES

Annexes will include:

- (i) General summary of the agreed collaboration to be pursued during the term of the Memorandum;
- (ii) Results management framework on the partnership, including feedback and monitoring and evaluation mechanisms;
- (iii) Communication and working group structure.