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Investing in rural people

Supplementary Funds Agreement for the China-IFAD South-South and Triangular Cooperation Facility

Note to Executive Board representatives

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For: Information

Supplementary Funds Agreement for the China-IFAD South-South and Triangular Cooperation Facility

1. In accordance with President's bulletins PB/2013/12 and PB/2014/08 on the mobilization and management of supplementary funds, IFAD intends to accept a supplementary funds contribution in renminbi equivalent to US\$10 million from the Ministry of Finance of the People's Republic of China, and create a China-IFAD South-South and Triangular Cooperation (SSTC) facility to further complement and strengthen IFAD's engagement in SSTC.
2. The facility will pursue the overarching goal of exchanging and mobilizing knowledge, expertise and resources from the Global South to accelerate rural poverty alleviation, enhance rural productivity, advance rural transformation and promote investments between developing countries. The Facility will be devoted exclusively to smallholder agriculture and rural development, with specific attention to poverty reduction, fighting malnutrition and promoting rural youth employment in developing countries.
3. The supplementary fund agreement between IFAD and the Ministry of Finance of the People's Republic of China was signed on 12 February 2018 and shall become effective upon finalization and adoption of the implementation guidelines of the Facility, no later than 31 March 2018. It will remain in force and effect until 31 December 2021.
4. A scanned copy of the signed agreement is herewith attached for information.

SUPPLEMENTARY FUNDS AGREEMENT

BETWEEN

THE MINISTRY OF FINANCE OF THE PEOPLE'S REPUBLIC OF CHINA AND

THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

REGARDING

PROVISION OF FINANCING

FOR THE CHINA-IFAD SOUTH-SOUTH AND
TRIANGULAR COOPERATION FACILITY**WHEREAS:**

- A. The Ministry of Finance of the People's Republic of China (hereinafter "MOF PRC") and the International Fund for Agricultural Development (hereinafter "IFAD") share the common development objective to alleviate rural poverty and hunger and unleash the capacities of poor rural people by investing in smallholder agriculture;
- B. IFAD, MOF and the Ministry of Agriculture of the PRC signed a Memorandum of Understanding on 4 June 2016, with the objective of jointly contributing to the achievement of the United Nations Sustainable Development Goals, including through South-South and Triangular Cooperation (SSTC);
- C. IFAD and MOF PRC, intend to create a China-IFAD SSTC Facility (hereinafter "the Facility") to further strengthen IFAD's engagement in SSTC;
- D. MOF PRC has decided to provide a financial contribution (hereinafter "the Contribution") to finance the Facility, subject to the terms and conditions set forth in this Supplementary Funds Agreement (hereinafter "the Agreement");
- E. IFAD is prepared to accept the Contribution, including its administration, according to the provisions set forth in this Agreement.

NOW THEREFORE MOF PRC and IFAD (also referred individually as "Party" and together as "the Parties") hereto agree as follows:

I. THE CONTRIBUTION

1. MOF PRC will make available to IFAD, for the purpose of the Facility, the Contribution in the amount of USD 10 million equivalent RMB.
2. The Parties recognize and agree that the funds being given to IFAD by MOF PRC shall be considered and treated as supplementary funds under IFAD's governing rules and regulations.

III. GOVERNANCE AND STAFFING

9. The Facility will be part of the SSTC Unit in the Global Engagement and Multilateral Relations (GEM) Division within IFAD. The SSTC Coordinator of the SSTC Unit will also be the Manager of the Facility, working under the supervision of the Director, GEM. In addition, the Facility will have two Professional Officers (one responsible for the Facility's work related to Knowledge, the other for Partnerships and Investment Promotion) and one Administrative Assistant, hired by IFAD in line with HR Implementing Procedures and financed by IFAD. In addition, China will second one or more staff for the Facility, which will be financed through the funds provided under this Supplementary Funds Agreement.

10. The work of the Facility will be supported by an Advisory Panel, consisting of representatives nominated by MOF PRC and IFAD. The Advisory Panel will review the annual Strategic Guidance Note of the Facility, monitor the implementation of SSTC activities undertaken by the Facility, and suggest future priorities. The Advisory Panel will review the individual project proposals to be financed through the Facility and recommend their approval to the MOF PRC. The Advisory Panel will meet once or twice a year in its ordinary session(s), and GEM will serve as its secretariat.

11. The annual Strategic Guidance Note will illustrate the strategic priorities of the Facility (e.g. thematic areas and regional/country priorities) and will be developed at the beginning of the year, in cooperation with IFAD divisions and departments – in particular the IFAD SSTC/Knowledge hub in Beijing - complementing SSTC activities undertaken through IFAD loan- and grant-funded activities.

12. Other provisions on the governance and staffing will be detailed in the Implementation Guidelines.

IV. SELECTION OF PROJECTS AND ACTIVITIES

13. The criteria for the selection of projects and activities to be funded may be found in the Facility's Implementation Guidelines.

14. Both Parties agree to keep each other informed and consult on key issues arising out of this Agreement.

V. FINANCIAL PROVISIONS

15. The Contribution will be provided by MOF PRC to IFAD in 2 instalments in RMB, to be deposited in an account the details of which will be communicated in time, as follows:

- In 2018, USD 5 million equivalent RMB; and
- In 2019, USD 5 million equivalent RMB

16. MOF PRC shall specify the purpose of payment in order to identify credit on receipt and shall notify IFAD of each deposit in writing. Upon notification from the MOF PRC of each deposit, IFAD shall acknowledge receipt of the funds in writing.

17. In order to contribute to the defrayment of the cost of administering the Supplementary Funds, IFAD will deduct from the Contribution and will retain for its own account an up-front charge of 6 per cent of each received instalment from the total Contribution. Any financial interest generated by the contribution will be re-invested in the implementation of the Facility's work plan.

18. IFAD shall maintain separate records and ledger accounts in respect of the Contribution deposited by MOF PRC under this Agreement and the disbursement thereof.

19. IFAD's disbursements shall be subject to the condition that sufficient funds shall have been deposited by MOF PRC with IFAD and IFAD shall have been notified of such deposit in writing. IFAD shall have no obligation to extend any financing under this Agreement if no funds are available.

20. In the event of default by IFAD in the fulfilment of its obligations under the present Agreement, may terminate this Agreement and claim, in whole or in part, the reimbursement of the Contribution. In case of termination by MOF PRC, IFAD shall not be obliged to repay any funds committed to third parties before the date of receipt by the Director of the Office of the Partnership and Resource Mobilization in IFAD of the notice of termination.

21. Any balance of the Contribution remaining unspent upon completion of the activities and settlement of all commitments, entered into under the project proposal, shall be refunded to MOF PRC or otherwise dealt with as mutually agreed.

VI. PROCUREMENT AND REPORTING

22. Procurement of goods and services for the purpose of the Facility shall be carried out in accordance with IFAD's Guidelines including but not limited to Project Procurement Guidelines, General Conditions for Agricultural Development Financing, and IFAD's Handbook on consultants and other persons hired by IFAD under a non-staff contract.

23. In accordance with IFAD procedures for supplementary funds, the accounting records of the Contribution will be audited on an annual basis by an external audit firm as part of IFAD's consolidated financial statements. At the request of MOF PRC, after consultation and in agreement with IFAD, IFAD may require its external auditors to perform a specific audit of the Contribution governed by this Agreement. In this case, the related costs shall be borne by the Facility.

24. Within one hundred and eighty days from year end closing (31 December), IFAD shall provide MOF PRC with the financial report related to the Contribution extracted from the IFAD annual consolidated financial statements.

25. All records and accounts related to the Contribution shall be expressed in currency USD.

26. IFAD shall provide MOF PRC on annual basis with a progress report informing on the progress of the projects and activities financed by the Facility during the respective year under this Agreement.

27. IFAD shall promptly inform MOF PRC of any event which, in the opinion of IFAD, interferes or threatens to interfere with the successful implementation of such project or activity.

28. Upon request, IFAD will provide a list of planned reviews and evaluations to allow MOF PRC's representatives participation to visit and study various activities of relevance for MOF PRC's follow-up of its Contribution.

29. Additional narrative reporting on the Facility's activities that is not expected to be significant, may be requested on an ad hoc basis by MOF PRC or IFAD. The costs of such reports will be borne by the Facility.

30. At the end of the first biennium, an independent review of the Facility will be carried out. The costs of such review will be borne by the Facility.

VII. ANTI-CORRUPTION

31. IFAD has a mandate to enable the rural poor to overcome poverty, and the prevention of corruption in its operations is inherent in this role. IFAD is committed to promoting and adhering to the highest standards of probity and accountability in the use of its funding and takes a zero-tolerance stance towards cases of fraud and corruption in its activities and operations, both within the institution and under its projects and programmes. Any such practice will be ground for terminating this Agreement.

VIII. EFFECTIVENESS AND TERMINATION

32. This Agreement shall become effective upon finalization and adoption of the Implementation Guidelines, no later than 31 March 2018, and shall remain in force and effect until 31 December 2021, unless earlier terminated by either Party terminated in accordance with (a) and (b) below:

(a) Either Party has the right to terminate at any time this Agreement by giving the other Party a three months written notice.

(b) If either Party breaches any provision of this Agreement and if such breach is not cured within thirty (30) days after receiving written notice from the other Party specifying such breach in reasonable detail, the non-breaching Party shall have the right to terminate this Agreement by giving written notice thereof to the Party in breach, which termination shall go into effect immediately on receipt of the notice.

33. The Parties agree that in case of early termination of this Agreement, contractual obligations entered into for the purpose of the Project shall return to MOF PRC any unexpended portion of the Contribution following:

(a) satisfaction of all commitments and liabilities undertaken by IFAD hereunder prior to the receipt of the notice of termination (including but not limited to any liability arising out of contractual obligations entered into by IFAD with any consultant and/or third party); and

(b) the orderly conclusion of all activities that are ongoing under this Agreement at the time of receipt of the notice of termination.

IX. APPLICABLE LAW

34. The present Agreement and any document or arrangement relating thereto shall be governed by general principles of international law, to the exclusion of any single national system of law.

X. PRIVILEGES AND IMMUNITIES

35. Nothing in this Agreement shall be deemed as a waiver of or otherwise affect the privileges and immunities of IFAD under the Agreement Establishing the International Fund for Agricultural Development, the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations (1947), any other international treaty or convention, or under international customary law.

XI. GENERAL PROVISIONS

36. IFAD shall not be held liable for any delay or damages caused to the Facility due to a late deposit or a failure to deposit by MOF PRC of the funds due under this Agreement.

37. The Parties shall seek to resolve any dispute over the interpretation or application of any provision herein contained through negotiation or by such other means as the Parties shall mutually agree.

38. IFAD will exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own affairs, and will have no further responsibility to MOF PRC in respect thereof. IFAD will exercise the overall responsibility for the execution of the Facility, making every effort to ensure effective and timely delivery of inputs and production of outputs.

39. Any modification and amendment of the present Agreement shall be made in writing with the consent of both Parties.

XII. COMMUNICATIONS

40. All written communications required or permitted by this Agreement shall be directed to the following addresses:

The Ministry of Finance of the People's Republic of China (MOF PRC)
The International Financial and Economic Cooperation Development
Sanlihe Street Nansanxiang 3rd, Xicheng District
100820 Beijing, China

Tel: +86 1068553250
Facsimile: +86 10 68552467
E-mail: IFIDEVISIONIV@mof.gov.cn

The International Fund for Agricultural Development (IFAD)
The Office of the Partnership and Resource Mobilization
Via Paolo di Dono 44
00142 Rome, Italy

Tel: +39 06 54591
Facsimile: +39 06 5043463
E-mail: ifad@ifad.org

41. MOF PRC and IFAD shall advise one another of any change of address.

XIII. MISCELLANEOUS

This Agreement may be amended only by written agreement between the parties hereto.

In witness whereof, the Parties, being duly authorized thereto, have signed the present Agreement in English two original copies.

Ministry of Finance of
the People's Republic of China
(MOF PRC)

International Fund for Agricultural
Development (IFAD)



Chen Shixin
Director-General
Department of International Economic
and Financial Co-operation



Cornelia Richter
Vice-President

Rome, 12 February 2018

Rome, 12 February 2018