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Investing in rural people

## **Cooperation and Cofinancing Agreement between the Islamic Development Bank and IFAD**

### **Note to Executive Board representatives**

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Executive Board — 130<sup>th</sup> Session  
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**For: Approval**

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation contained in paragraph 10.

### **I. Introduction**

1. The Executive Board's approval is being sought for the President to negotiate and finalize a cooperation and cofinancing agreement with the Islamic Development Bank (IsDB) substantially in accordance with the provisions presented in the annex to this document. The signed agreement will be submitted to the Board for information at a subsequent session.
2. IFAD and IsDB signed a cooperation agreement on 3 May 1979 and framework cofinancing agreement on 13 February 2010 for a three-year period ending February 2019. A joint IsDB-IFAD action plan 2020-2022 has been drawn up for a renewed IsDB-IFAD cooperation and cofinancing framework agreement. The action plan will underpin the timely and effective implementation of the agreement.
3. Discussions between IFAD and IsDB have focused on the need for more strategic cooperation between the two organizations with a view to enhancing collaboration in areas of common interest and in countries in which both organizations are active. The new cooperation and cofinancing agreement is being proposed to address this need. The parties will endeavour to develop a common pipeline of projects for a five-year rolling programme for the period 2020-2024 in common Member States. The agreement includes a tentative cofinancing target of US\$500 million (US\$250 million from each institution). In the case of IFAD, this amount shall be subject to the three-year cycle of its performance-based allocation system. Staff exchange opportunities will also be considered under the agreement to facilitate its implementation.
4. The aim of the agreement is for IFAD and IsDB to cooperate in a number of areas of relevance to both organizations' mandates and strategies. These include: (i) generating and sharing information and knowledge to benefit from mutual experience and expertise; (ii) participation in knowledge-sharing high-level events and jointly organized meetings; (iii) identification of projects and programmes for cofinancing in common areas of interest; (iv) development of joint South-South and Triangular Cooperation (SSTC) initiatives, including by exploring synergies within both new and existing projects; (v) coordinating regional and country operations and harmonizing project design and implementation processes; (vi) staff exchanges and secondments; (vii) exploring possible financing instruments to mobilize additional resources for scaling up operations.

### **II. Islamic Development Bank**

5. IsDB is a multilateral development bank with a current membership of 57 countries. Its mission is to promote comprehensive human development by alleviating poverty, improving health, promoting education, improving governance and supporting prosperity.
6. The functions of the IsDB are to provide equity participation and grant loans for productive projects and enterprises. It also provides its Member States with financial and other forms of assistance for their economic and social development and to foster foreign trade among member countries.

7. The IsDB has an AAA rating; operating assets of more than US\$16 billion; and subscribed capital of US\$70 billion. The Bank is headquartered in Jeddah, with major hubs in Kazakhstan, Malaysia, Morocco and Senegal and gateway offices in Bangladesh, Egypt, Indonesia, Nigeria and Turkey.
8. From 1980 to date, the two institutions have cofinanced 20 projects in Albania, Azerbaijan, Gambia, Indonesia, Mali, Mauritania, Morocco, Pakistan, Senegal, Sudan, Tunisia, Turkey and Yemen.
9. There are opportunities to reach higher levels of cofinancing and increase non-lending activities between IFAD and IsDB. Both organizations have embarked on a new decentralized business delivery model to increase impact across Member States. Some of the future key areas of work will include strengthening and sharing knowledge and best practices on SSTC, particularly on common thematic areas and priorities such as youth employment and policy issues.

### **III. Recommendation**

10. 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 cooperation and cofinancing agreement between the Islamic Development Bank and IFAD in order to establish a cooperation framework that is substantially in accordance with the provisions presented in the annex to this document.

COOPERATION AND COFINANCING AGREEMENT

Between the

ISLAMIC DEVELOPMENT BANK

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

dated

COOPERATION AND COFINANCING AGREEMENT  
between  
ISLAMIC DEVELOPMENT BANK  
and  
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

COOPERATION AND COFINANCING AGREEMENT dated \_\_\_\_\_ between the Islamic Development Bank (hereinafter referred to as "IsDB"), and the International Fund for Agricultural Development (hereinafter referred to as "IFAD") (hereinafter referred to as the "Cooperation Agreement" or "the Agreement"). IsDB and IFAD will otherwise be jointly referred to as "Parties", and severally as "Party" where the context so requires in this Agreement.

THE PARTIES TO THIS COOPERATION AGREEMENT:

RECOGNIZING that IFAD, a specialized agency of the United Nations having its seat in Rome, Italy, is an international financial institution dedicated to finance agricultural and rural development with the objective to mobilize additional resources to be made available on concessional terms for agricultural development in developing countries;  
CONSIDERING that the IsDB, is an international financial institution whose purpose is to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly by participating in various development activities including agricultural development;

ACKNOWLEDGING that IsDB and IFAD collaboration dates back to 3 May 1979, when they signed a Cooperation Agreement (the 1979 Cooperation Agreement) to establish the basis for close cooperation between the two Parties to promote their common objectives in countries of their common interest;

NOTING the evolving needs of member countries of both Parties, and the development lessons learnt from the respective experience of each of the Parties to this Agreement, and for the purposes of strengthening the effectiveness, impact, efficiency and sustainability of the development operations of each of the Parties to this Agreement, through their collaboration, IsDB and IFAD consider it desirable to renew and further their cooperation in all areas of common interest with this Agreement which will supersede the 1979 Cooperation Agreement and the Framework Cofinancing Agreement dated 13 February 2010;

CONSIDERING that the Parties have the following areas of common interest:

- a) Agricultural and rural development projects, including Agribusiness Value Chains Development;
- b) Improved access to markets and rural financial services;
- c) Improved access to employment opportunities;
- d) Building resilience to climate change and natural disaster risk, ensuring sustainable development models;
- e) Development of Human and Institutional Capacity of joint focus countries
- f) South-South and triangular cooperation/Reverse Linkage;
- g) Water for rural development and agriculture;
- h) Development of community based/grassroots level approaches;
- i) Collaboration between Parties on Science, Technology and Innovation in the common Member Countries to achieve SDGs and socio-economic growth; and
- j) Policy dialogue.

DETERMINED to provide, through their joint efforts and within the limitations of their respective mandates, policies and resources, the delivery of coordinated and consistent services to their respective member countries, in a cost-effective and efficient manner.

HAVE REACHED THE FOLLOWING UNDERSTANDING:

ARTICLE 1  
PURPOSE

1.1. The purpose of this Agreement is to facilitate collaboration between the Parties to ensure that agricultural and rural development programmes contribute to the achievement of common goals of poverty eradication and food and nutrition security. This Agreement encourages the Parties to exploit synergies and complementarities, including through joint South-South and Triangular Cooperation (SSTC) initiatives, to increase impact on targeted populations and enhance the effectiveness of each Party in programme financing and cofinancing, capacity-building, policy dialogue and knowledge management, as well as dialogue and advocacy at national, regional and global levels; and to establish the working arrangements necessary for the implementation of this Agreement.

1.2. The Parties would endeavour to develop a common pipeline of projects for a five-year rolling program for the period 2020-2024 in the common member countries. The common pipeline is based on a shared understanding of a vision, strategic framework and best practice concepts on development financing. The estimated total financing requirements from both Parties toward the common pipeline is approximately up to five hundred million United States dollars (US\$500,000,000). IsDB would target an amount equivalent to up to two hundred and fifty million United States dollars (US\$250,000,000), and IFAD would target an amount equivalent to up to two hundred and fifty million United States dollars (US\$250,000,000). In the case of IFAD, this amount shall be subject to the envelope allocated for agriculture and rural development as part of its 3-year performance-based allocation system (PBAS). Each Party would review this amount from time to time against its available resources and will give favourable consideration toward increasing it whenever possible. The Parties would consider all suitable opportunities to leverage this cofinancing platform to mobilize additional funds from other parties acceptable to both Parties.

1.3. Promptly following the effectiveness of this Agreement, the Parties shall agree on a framework cofinancing agreement to further structure and guide the collaboration agenda, together with a strategic pipeline of projects and knowledge products.

ARTICLE 2  
AREAS OF COOPERATION

Under this Agreement the Parties will explore opportunities for collaboration in the following areas:

2.1 Generating and sharing Information and knowledge to benefit from mutual experiences, and expertise regarding rural development approaches, economic and business information of targeted groups, management, implementation and risk mitigation modalities.

2.2 Participation in knowledge-sharing high-level events and mutually organized meetings.

2.3 Identification of projects and programmes for cofinancing in common areas of interest, including agriculture, rural development and food security, and in accordance with respective policies of each Party.

2.4 Development of joint SSTC initiatives, including by exploring joint synergies within existing projects, or within new projects. SSTC will be used to promote technical cooperation and investment promotion, and cofinancing mechanisms to promote this cooperation modality will be sought.

2.5 Coordinating the Parties' regional and country operations and harmonizing the Parties' project design and implementation processes.

2.6 Staff exchanges and secondments, subject to the mutual agreement of both Parties.

2.7 Exploring possible financing instruments to mobilize additional resources for scaling up of both Parties' operations.

2.8 All other areas that may be agreed upon between the Parties from time to time.

### ARTICLE 3 COMMUNICATION

3.1 The Parties will consult each other on matters arising out of this Agreement and on other matters of common interest.

3.2 The Parties will exchange relevant information and data on areas of common interest, and collaborate on the collection, analysis and diffusion of such information, subject to any arrangements that may be deemed mutually necessary or applicable in accordance with their respective disclosure of information policies.

3.3 The Parties will maintain close dialogue and organize annual meetings/retreats to ensure a coherent approach and to identify areas of competence and complementarity, and will meet whenever appropriate, notably to:

- (i) identify programmes or projects for cooperation;
- (ii) draft action plans and related documentation for the implementation of such programmes or projects; and
- (iii) conduct reviews, including joint work, of programmes and projects of mutual interest.

3.4 The Parties may exchange information and collaborate through other means to enable them to realize the purposes of this Agreement. This is 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.

### ARTICLE 4 REPRESENTATION

4.1 A Party to this Agreement will be free to invite the other Party to attend seminars, symposia, workshops or conferences of mutual interest, convened or otherwise supported by such Party.

ARTICLE 5  
MISCELLANEOUS

5.1 The Parties may enter into such supplementary arrangements or agreements within the scope of this Agreement as may be appropriate.

5.2 Any relevant matter for which no provision is made in this Agreement shall be determined in a manner mutually acceptable to the Parties and in this regard, each Party shall give full consideration to any proposal advanced by the other Party.

ARTICLE 6  
EFFECTIVENESS, DURATION, AMENDMENT, TERMINATION AND OTHER MATTERS

6.1 This Agreement shall enter into force on the date of its signature by both Parties subject to Article 6.6 below and will remain in effect subject to Article 6.2 below.

6.2 This Agreement shall remain in effect until 31 December 2024 or either Party notifies the other Party of its intention to terminate this Agreement through written notice of termination (hereafter the "Termination Notice") six months in advance to the other Party; or superseded by another agreement. The termination of this Agreement shall not affect contractual obligations that have been separately entered into by either or both Parties under this Agreement.

6.3 This Agreement may be amended only by mutual written agreement of both Parties hereto.

6.4 The Parties may make this Agreement publicly available in accordance with their respective disclosure of information policies.

6.5 This Agreement shall enter into force after each Party has satisfied its necessary legal and/or administrative requirements. With reference to the termination requirements set forth in Section 6.1 of the 1979 Cooperation Agreement and in Section 3.02 of the 2010 Framework Cofinancing Agreement, both Parties agree that the entry into force of this Agreement shall ipso facto terminate, without any further written notice, the 1979 Cooperation Agreement and the 2010 Framework Cofinancing Agreement. Notwithstanding any provisions of this Agreement, both Parties agree that provisions of the 1979 Cooperation Agreement and the 2010 Framework Cofinancing Agreement shall apply to all ongoing projects implemented under the 1979 Cooperation Agreement and the 2010 Framework Cofinancing Agreement.

6.6 Nothing in this Agreement 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 Agreement.

6.7 Nothing in this Agreement will constitute nor be construed as a waiver, renunciation or other modification of any of the privileges, immunities and exemptions granted to the IsDB and IFAD, respectively for IsDB under its Articles of Agreement and for IFAD under the Agreement Establishing IFAD, 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.



6.8 Any dispute arising out of, or in connection with, the interpretation or application of any provision of this Agreement will be settled amicably through consultations or by another mutually agreed mode of settlement.

ARTICLE 7  
CHANNEL OF COMMUNICATION AND NOTICES

7.1 Either Party may, by written notice to the other Party, designate additional or alternative representatives or focal points in derogation from this Article.

FOR IsDB

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7.2 Any notice, request or other communication under this Agreement shall be deemed given in writing where delivered by hand, mail, electronic mail or fax, as the case may be, by either Party to the other at the address specified in Article 7.1, or any other such address as either Party may notify to the other Party in the course of the duration of this Agreement.

[END OF ARTICLES]

IN WITNESS WHEREOF, the Parties, each acting through its duly authorized representative, have signed this Agreement on the date first above written. This Agreement is executed in two counterparts in the English language, each of which will be an original.

FOR AND ON BEHALF OF THE  
ISLAMIC DEVELOPMENT BANK

Bandar Hajjar  
President

FOR AND ON BEHALF OF THE  
INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

Gilbert Fossoun Hounbo  
President