



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Sixty-Fifth Session**

Rome, 2-3 December 1998

**WORLD BANK SUPERVISION CHARGES**

1. Article 7, Section 2(g) of the Agreement Establishing IFAD stipulates that “The Fund shall entrust the administration of loans, for the purposes of the disbursement of the proceeds of the loan and the supervision of the implementation of the project or programme concerned, to competent international institutions”. Except for projects directly supervised by IFAD (ref. Resolution 102\XX of the Governing Council of 21 February 1997), all ongoing IFAD projects are supervised by cooperating institutions on the basis of the respective loan agreements. The cooperating institutions’ responsibilities vis-à-vis IFAD are detailed in of the cooperation agreements, which are specific to each cooperating institution and set out the modalities and financial terms involved. In addition, an individual letter of appointment is sent to the cooperating institution selected for each project. As at the end of November 1998, IFAD is involved with ten international and regional cooperating institutions. The World Bank has been responsible for the supervision of 50 projects, which constitutes 20% of the total portfolio of 248 active projects.

2. The World Bank has been a major supplier of supervision services to IFAD under two headings: as supervisor of projects typically initiated by them and cofinanced by them and IFAD, and as cooperating institution for the supervision of IFAD-initiated projects. The World Bank has not charged IFAD for projects initiated by the World Bank and cofinanced by IFAD. It has, of course, charged IFAD for the supervision of IFAD-initiated projects. In this relationship both sides have benefited: IFAD from access to supervision services, which for a long time were not easily available from other institutions; the World Bank from hands-on experience in the implementation of poverty-alleviation projects.

3. Notwithstanding a high level of strategic collaboration between IFAD and the World Bank, expressing the growing convergence of institutional objectives with respect to poverty alleviation, the institutional relationship with regard to supervision of IFAD-initiated projects has been one of increasing difficulties. Specifically, the World Bank has sought in recent years to raise the level of payments by IFAD for supervision services for IFAD-initiated projects, eliminating what the World Bank has considered a subsidy element in the historical billing levels, as well as the difference between what IFAD budgets for World Bank supervision services and what the Bank reports as actual cost out-turns.



4. In January 1998, an IFAD mission headed by the then Vice-President, Mr J. Moody, visited the World Bank to seek a basis for normalization of the supervision relation on a sustainable financial and organizational base. During the meeting, the Bank indicated that it considered a normal rate for supervision of an average IFAD project to be USD 92 800 per annum, reflecting a new and higher level of unit input (and higher unit charge-out rates) than that foreseen in the 1996 agreement between IFAD and the Bank, which had set the average estimated cost of supervision per “full project equivalent (FPE)” at approximately USD 45 000 per annum. It was, however, understood by the Bank that the IFAD FY 1998 budget was already fixed and that no significant increase in average expenditure by IFAD could be envisaged in 1998. In the light of this reality, the Bank agreed to supervise the portfolio in 1998 commensurate with the budgetary provision -- with the understanding that no new IFAD-initiated project should be assigned to the Bank as cooperating institution (CI) under the prevailing charges.

5. Prior to scheduled discussions of supervision fees, in August 1998 IFAD was formally informed by the senior management of the World Bank of its position on this issue and its intention to charge IFAD on the basis of a “uniform pricing system” of about USD 7 020 per staff week. At the same time, the Bank indicated its policy of intensifying supervision efforts to, for example, an average of 24.5 staff weeks for regions such as Africa. The implication was that the new level of charges would be very much higher than historic levels, well beyond IFAD’s budgetary means, and also much higher than charges made by other comparable suppliers of supervision services. In this regard it should be noted that: (a) the annual charge-out rate of the United Nations Office for Project Services (UNOPS) for project supervision is approximately USD 45 000 per project per year (i.e., similar to the level agreed -- but not maintained -- between IFAD and the World Bank in 1996); and (b) ratings by country portfolio managers of CI performance put the World Bank and UNOPS on a par in the top-performing category, and UNOPS at an advantage in terms of low representation in the unsatisfactory category.

6. In October 1998, another IFAD mission led by the Vice-President, Mr J. Westley, visited the World Bank to strengthen development partnership and to negotiate and finalize the new supervision charges. During this mission it was indicated by the Bank that it required full cost recovery, involving an average actual cost level of approximately USD 120 000 per project per annum.

7. Upon the mission’s return to Rome, a very careful review was conducted of the IFAD-initiated projects placed with the World Bank, with a view to identifying those projects that could be transferred to other CIs charging a substantially lower rate without prejudice to project implementation. The criteria used for the selection of projects that would remain with the World Bank were the closing dates (to minimize disruptions to project implementation), and technical and policy considerations. The attachment provides a list of those projects for which IFAD is to be charged the new rates and which IFAD intends to keep with the World Bank (Table 1) and those which will be reassigned to other cooperating institutions (Table 2), effective 1 January 1999. This list has already been communicated to the World Bank. Regional divisions have already commenced bilateral discussions with international and regional cooperating institutions. UNOPS is expected to be the main receiver of the transferred projects and has already been informed of this possibility.

**Table 1: IFAD-Initiated Projects to Continue under World Bank Supervision \***

IFAD Division	Loan No.	Country	Name	Scheduled Closing Date
PA	273-NR	Nigeria	Katsina State Agricultural and Community Development	30/06/1999
PA	461-GH	Ghana	Root and Tuber Improvement	31/12/2004
PA	307-NR	Nigeria	Sokoto State Agricultural and Community Development	30/06/2001
PF	232-RW	Rwanda	Gikongoro Agricultural Development	31/12/1999
PF	324-TZ	Tanzania, United Republic of	Southern Highlands Extension and Rural Financial Services	31/12/1999
PF	365-ER	Eritrea	Eastern Lowlands Wadi Development	30/06/2001
PF	421-ET	Ethiopia	Informal Seed Component of the Seed Systems Development	30/06/2001
PF	442-UG	Uganda	Vegetable Oil Development	30/06/2006
PN	440-EG	Egypt	East Delta Newlands Agricultural Services	31/12/2004

\* discussions are ongoing regarding supervision billing arrangements for the following project:

PI	439-IN	India	Rural Women's Development and Empowerment	30/06/2002
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**Table 2: Projects to be Reassigned to Other Cooperating Institutions**

IFAD Division	Loan No.	Country	Name	Scheduled Closing Date
PA	290-CA	Central African Republic	Savannah Food Crops Rural Development	31/12/2000
PA	419-CI	Côte d'Ivoire	Marketing and Local Initiatives Support	30/09/2004
PF	338-MW	Malawi	Rural Financial Services: Mudzi Financial Services Sub-project	31/03/2001
PF	SR-S35-MW	Malawi	Agricultural Services: Smallholder Food Security Sub-project	31/03/2000
PF	377-ZA	Zambia	Irrigation & Water Use	31/12/2000
PF	410-MG	Madagascar	North-East Agricultural Improvement and Development	30/06/2003
PF	359-MZ	Mozambique	Niassa Agricultural Development	30/06/2003
PF	400-TZ	Tanzania, United Republic of	Mara Region Farmers' Initiative	30/06/2003
PF	433-TZ	Tanzania, United Republic of	Agricultural and Environmental Management	31/12/2003
PF	293-ZA/SRS-028-ZA	Zambia	Northwestern Province Area Development - Phase II	30/06/2000
PF	368-ZA	Zambia	Southern Province Household Food Security	31/12/2001
PF	438-ET	Ethiopia	Special Country - Phase II	31/12/2003
PI	326-PN	Papua New Guinea	North Simbu Rural Development	31/12/1999
PL	445-BO	Bolivia	Small Farmers Technical Assistance Services	30/06/2004
PN	347-AL	Albania	Northeastern Districts Rural Development	31/12/2000
PN	449-BA	Bosnia and Herzegovina	Small Farm Reconstruction and Development	31/12/1999

PA - Africa I Division

PF - Africa II Division

PI - Asia and the Pacific Division

PL - Latin America and the Caribbean Division

PN - Near East and North Africa Division