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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-eighth Session

Rome, 13-14 September 2006

**COOPERATION AGREEMENT WITH
AGENCE FRANÇAISE DE DEVELOPPEMENT**

For: Approval

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

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RECOMMENDATION FOR APPROVAL

The Executive Board is invited to approve the recommendation regarding a Cooperation Agreement with the Agence française de développement (AFD), as contained in paragraph 2.

COOPERATION AGREEMENT WITH AGENCE FRANÇAISE DE DEVELOPPEMENT

1. The Executive Board is invited to note that IFAD intends to enter into a cooperation agreement with Agence Française de Développement (AFD), the development agency of the French Government.
2. In accordance with Article 8, Section 2, of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President of IFAD to negotiate and finalize a cooperation agreement with AFD along the lines of similar agreements already signed by IFAD and other institutions. The text of the cooperation agreement as negotiated and concluded would be submitted to the Board for its information at a subsequent session.
3. Relevant information on AFD and the purpose of the agreement are provided in the annex.

COOPERATION AGREEMENT WITH AGENCE FRANÇAISE DE DEVELOPPEMENT

Establishment. The origins of Agence Française de Développement (AFD) date back to the year 1941; it was created by General de Gaulle when he was a refugee in London as the Caisse Centrale de la France Libre. As a specialized financial institution, AFD's objective is to provide aid to developing countries and to the overseas territories and regions of France through public funding.

Activities. AFD defines its mission as acting as the central player in France's official development assistance system, intervening in all five continents to reduce poverty, finance economic growth and protect global public goods. Its activities are geared towards achieving the Millennium Development Goals.

AFD supports development projects and programmes in more than 60 countries worldwide. In 2005, AFD's financing commitments totalled EUR 2.2 billion, up 46% from 2004, with approximately EUR 1.7 billion for foreign countries and EUR 0.5 billion for France's overseas territories and departments; an additional EUR 350 million was committed on behalf of third parties. Africa is the major beneficiary of AFD's activities, receiving approximately 54% of the financing for foreign countries, followed by Asia (31%). Financing is provided in the form of loans (80%), grants (12%) and other instruments, such as guarantees, equity and budget support (8%). African countries have received more than two thirds of AFD grants. The year 2005 was also marked by a significant increase of 50% – bringing the total amount to EUR 334 million – in budgetary resources allocated by the Government of France to AFD as grant funds.

AFD supports public- and private-sector development and civil society networks, with a strong emphasis on the social sectors (health and education represent one third of all AFD commitments). AFD-financed projects deal with territorial and local development, infrastructure, urban development, support to the productive sector, modernization of financial systems, health and education, environmental protection (climate, biodiversity, social responsibility) and rural development. Sustainable development is one of the main objectives of AFD interventions.

In addition to its mainstream financing instruments, AFD is also host to three specialized agencies: (i) the Marseille-based Centre for Financial, Economic and Banking Studies, which provides training, institutional engineering, and the development of methodology transfer tools; (ii) the French Global Environment Facility, which promotes environmental protection within sustainable development projects in developing and transition countries; and (iii) PROPARCO, a subsidiary specializing in the financing and support of the private sector in the form of equity, guarantees and technical assistance.

Governance. As a public industrial and commercial entity entirely funded by the French State, AFD operates under the auspices of the Ministry of Foreign Affairs, the Ministry of Economy, Finance and Industry and the Ministry of Overseas Territories. AFD's supervisory board is chaired by Mr Jean-Didier Roisin, and its chief executive officer is Mr Jean-Michel Severino.

Structure. AFD has 1,629 employees worldwide. Approximately one third of them are recruited locally in the 41 country offices, most of them in Africa. One out of five employees works outside AFD headquarters.

Objectives of IFAD-AFD cooperation. The intention of closer cooperation between IFAD and AFD is to strengthen dialogue between the two organizations in the area of rural development policy and interventions with an eye to identifying options for cofinancing and for fostering partnership through harmonized development interventions. IFAD is in agreement with AFD's development principles

and objectives as defined in AFD's Strategic Orientation Project and the Strategic Framework for IFAD 2002-2006. The cooperation agreement would focus on the following areas:

- (a) harmonization of rural development and rural poverty reduction policies at the global and regional levels with the objective of building on the knowledge derived from the respective country programmes;
- (b) development of new cofinancing mechanisms;
- (c) design of joint programmes based on joint evaluation and appraisal missions;
- (d) strengthening the capacities of the rural poor and their grass-roots organizations;
- (e) support for agricultural commodity chains through the development of public-private partnerships;
- (f) more equitable access to natural resources and technology;
- (g) exchange of information and staff; in this regard, IFAD and AFD will encourage exchanges of experts under this agreement to promote cofinancing of projects and programmes;
- (h) participation in technical workshops to reflect on common issues and themes, such as decentralized financial systems, natural resource management, the environment and efforts to combat desertification, local development, decentralization policies, strengthening of local institutions and community-based organizations including farmer organizations, and partnerships with the private sector;
- (i) cooperation in agricultural research; and
- (j) collaboration between the parties with a view to creating a French supplementary fund at IFAD.

Within the framework of this agreement, IFAD and AFD will further strengthen their partnership and tap effectively their own resources and the resources of their partners to rise to the challenge of rural poverty reduction, especially in the world's poorest countries and regions, such as sub-Saharan Africa. The parties will cooperate to increase their impact at the country level to ensure stronger participation in coordination and cooperation under national poverty reduction strategies. In this context, IFAD and AFD will increase cooperation at the country level between IFAD activities and rural and agricultural development programmes financed by France.

