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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-eighth Session

Rome, 13-14 September 2006

**AGREEMENT BETWEEN IFAD AND THE
OPEC FUND FOR INTERNATIONAL DEVELOPMENT**

For: Approval

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

Directors are invited to contact the following focal point with any technical questions about this document.

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RECOMMENDATION FOR APPROVAL

It is recommended that the Executive Board approve the provisions of the agreement entered into by IFAD and the OPEC Fund for International Development on 4 September 2006, in accordance with paragraph 4.05 of the agreement.

**AGREEMENT BETWEEN IFAD AND THE
OPEC FUND FOR INTERNATIONAL DEVELOPMENT**

1. On 4 September 2006, IFAD entered into an agreement with the OPEC Fund for International Development for the purpose of cofinancing the Marine Resources Management Programme in the Red Sea. The activities to be carried out under this programme are expected to be consistent with IFAD's strategic framework and, as such, both the funds to be received and the related outflows will be recorded as supplementary funds in IFAD's books of account.
2. The Executive Board is requested to approve the provisions of the agreement, as set forth in paragraph 4.05 of the agreement.
3. The agreement and relevant background information are attached as annexes.

AGREEMENT BETWEEN IFAD AND THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

Establishment. The OPEC Fund for International Development (OFID) was established in 1976 by the member States of the Organization of the Petroleum Exporting Countries (OPEC). The Fund was conceived at the Conference of the Sovereigns and Heads of State of OPEC Member Countries in March 1975.

Objectives. OFID's overall objective is to promote cooperation between its member countries and other developing countries as an expression of South-South solidarity. In particular, it supports the social and economic advancement of low-income countries.

Financial instruments. To attain its goals, OFID provides concessionary loans to help finance development programmes and projects, together with grants for technical assistance, food aid, research and emergency relief. In addition, it contributes to the resources of other development institutions whose work benefits developing countries. Of increasing importance is OFID's financing of private-sector activities in developing countries.

Financial resources. OFID's resources consist of voluntary contributions made by OPEC member countries and the accumulated reserves derived from its various operations. At the close of the year 2005, contributions pledged by member countries totalled US\$3,435 million, of which US\$2,455 million was directly contributed to OFID. The reserve account stood at US\$2,470 million.

Beneficiaries. All developing countries, with the exception of OFID member countries, are in principle eligible for assistance from OFID. Since starting operations in 1976, OFID has committed more than US\$7.6 billion in development financing, including US\$6.3 billion in loans for well over 1,000 programmes and projects. So far, 119 countries in all developing regions have benefited from OFID financing. About 330 operations are currently under way.

Overview development operations. OFID takes an integrated, participatory approach to development, focusing on actions that directly improve the living standards of the world's poorest people. Most of its work is in rural areas and includes initiatives not only in the agriculture sector but also in health, water supply and sanitation, education, energy, transportation, telecommunications, industry and private enterprise development. OFID has developed strong alliances with its partner countries, working with them to address areas of greatest need. Flexibility and responsiveness are among OFID's core principles, allowing for prompt action when new needs and opportunities arise. Recent examples include its participation in the Heavily Indebted Poor Countries Debt Initiative, its private-sector financing window and its special grant accounts for HIV/AIDS, food aid and the Palestinian Authority.

Partnership between IFAD and OFID. IFAD and OFID have worked together as partners to finance development programmes and projects in some of the poorest and most vulnerable communities in developing countries. This cooperation goes beyond simply combining financial resources. The two institutions share a common belief in the need to empower rural poor people to overcome poverty, and a conviction that to succeed, development programmes and projects must be built on the experience, insights and perspectives of rural poor people themselves. Support must respond to the needs of small-scale producers who, although food producers themselves, are among the hungriest and the poorest of the poor. At the same time, efforts to improve agricultural production must be part of an integrated approach to rural development, one that addresses the many dimensions of rural poverty. OFID is the largest cofinancier of IFAD-sponsored programmes and projects after the World Bank. Together, IFAD and OFID have cofinanced 59 operations in over 32 countries, and more joint initiatives are in the pipeline.

ANNEX I

Objectives of this IFAD-OFID agreement. The objectives of this agreement are to manage funds for a total of US\$600,000 to cofinance the Marine Resources Management Programme in the Red Sea, which was designed by IFAD and financed through a grant of US\$1 million. Details about the programme's overall goal and objectives are provided in annex II.



The OPEC Fund for International Development

MARINE RESOURCES MANAGEMENT PROGRAMME
IN THE RED SEA

GRANT AGREEMENT

BETWEEN

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

AND

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Vienna, September 4, 2006

The OPEC Fund for International Development

THIS AGREEMENT is made and entered into between the OPEC Fund for International Development, an international organization established by Agreement among its Member Countries (hereinafter referred to as "OFID"), and the International Fund for Agricultural Development (hereinafter referred to as "IFAD"), a specialized agency of the United Nations, established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference, with the purpose of eradicating rural poverty in developing countries.

WHEREAS, IFAD, working together with rural poor people, governments, donors, non-governmental organizations and many other partners focuses on country-specific solutions, which can involve increasing rural poor peoples' access to financial services, markets, technology, land and other natural resources.

WHEREAS, IFAD has proposed the implementation of a Programme which aims at improving the management of fisheries resources in the Red Sea by institutionalising comprehensive improvement in national and regional capacity to undertake effective fisheries management in the countries sharing the Red Sea (Djibouti, Egypt, Eritrea, Jordan, Saudi Arabia, Sudan and Yemen).

WHEREAS, OFID has decided to extend a Grant to co-finance the Program.

WHEREAS, the Parties recognize and agree that the funds being given to IFAD hereunder are not a grant to IFAD, but rather shall be considered and treated as supplementary funds under IFAD's structure and its governing rules and regulations, for IFAD to grant the funds to an Implementing Agency for the implementation of the Program; as such terms are defined herein.

NOW, THEREFORE, OFID and IFAD have agreed to the following:

ANNEX II

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ARTICLE I
THE PROGRAM

1.01 The purposes of the Programme are to provide the training and institutional building required to promote a regional policy dialogue for improved and sustained management of trans-boundary fishery resources of the Participating Countries through: (i) promoting the development of the fisheries sub-sector in the region; (ii) establishing a reliable and updated information base on the state of fishery resources to support a common policy framework on fisheries management in the region; (iii) the development of national institutional capacities to undertake all activities related to marine resources surveys and analysis; and (iv) develop and institutionalise the skills, capacities and procedures used in operational fisheries management.

1.02 IFAD shall make available the proceeds of the Grant through a grant to FAO (referred to hereafter as the Implementing Agency), which will undertake the implementation of the Program.

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ARTICLE II
OFID GRANT AND IMPLEMENTATION MODALITIES

2.01 OFID agrees to make available a Grant of Six Hundred Thousand Dollars (US\$ 600,000) to IFAD to co-finance the Program. The Grant coverage will be for the period as of September 2006 to September 2009. This period may, however, be extended by prior agreement between the parties if so justified by circumstances.

2.02 The disbursement and supervision procedures governing the Grant shall be as set out in Sections 2.03, 2.04 and 2.05 of this Article.

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2.03 The Grant shall be disbursed in various tranches, in accordance with the detailed budget for the Program to be presented by IFAD to the satisfaction and consent of OFID. The allocation of the Grant shall be reasonably distributed along the period of the Program and in accordance to the following:

(a) The first payment in the amount of Two Hundred Thousand Dollars (USD 200,000) will be disbursed upon the approval by OFID of the document, to be presented by the Implementing Agency, comprising the allocation of the proceeds of the funds spread over 3 years and separated by components, together with the total cost estimates.

(b) The remaining tranches will be effected upon the submission of an annual progress report prepared by the Implementing Agency and submitted to OFID by IFAD, satisfactory to OFID, covering the Program activities during the elapsed period and a statement of expenditures to be provided by the Implementing Agency on the utilization of the previous payment/s.

(c) IFAD shall present to OFID a final report prepared by the Implementing Agency and submitted to OFID by IFAD, upon completion of the Program covering all implemented activities of the Program.

(d) The transfers shall be made to an IFAD bank account to be designated by IFAD to OFID.

(e) All financial accounts and statements shall be expressed in Dollars of United States of America.

(f) IFAD shall maintain or cause to be maintained records adequate to reflect, in accordance with consistently maintained appropriate accounting practices, the operations, resources and expenditures in respect of the Program and shall make such records available to the Fund Management upon request.

(g) OFID shall have the right to require that all financial transactions and financial statements be subject to IFAD's external audit. Such Audit reports will be sent to OFID after the close of IFAD's financial year.

(h) Accrued interest earned on the Grant shall be utilized for the exclusive benefit of the Program, and all funds, which remain unutilised after completion of the activities, shall be promptly returned by IFAD to OFID, or be otherwise disposed of in

ANNEX II

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consultation with OFID after full liquidation of any outstanding obligations.

2.04 No adjustments to the Program activities and timeframe shall be made except after prior consultation between IFAD and OFID.

2.05 OFID shall be availed of every opportunity to participate in the reviews and technical evaluation of the Program and shall have the right to send its own representatives on field missions in the areas covered by the Program it being understood that any costs relating to visits by the Fund's own agents shall be covered by OFID.

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ARTICLE III
PUBLICITY

3.01 The Implementing Agency shall be informed about the source of funding. In that regard, IFAD hereby acknowledges that it is aware that OFID is the development finance institution of OPEC Member States concerned with the provision of financial support to programmes and projects aimed at socio-economic development in developing countries, particularly the low-income countries.

3.02 OFID shall be fully identified as a sponsor of the Program in reports related to it. OFID's name shall be mentioned and OFID's logo, whenever possible, shall be included in press reports and in any information material prepared by or for the beneficiary country in connection with activities undertaken within the framework of the Program.

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The OPEC Fund for International Development

ARTICLE IV
SUPPLEMENTARY PROVISIONS

4.01 It has been agreed that there shall be close collaboration between the parties on all matters related to the implementation and supervision of the Program and other matters directly related to or directly connected therewith. However, any such matter which falls outside the scope of this Agreement shall be determined in a manner mutually acceptable to OFID and IFAD but shall only take effect following the exchange of written confirmation between the parties.

4.02 This Agreement may be terminated by either party by written notice to the other party and shall terminate sixty days after receipt of such notice. The obligation assumed by parties under this Agreement shall survive the termination of the Agreement to the extent necessary to permit the orderly conclusion of activities, the withdrawal of personnel, funds and property, the settlement of accounts between the parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers.

4.03 Any controversy or claim arising out of, or in accordance with this Agreement or any breach thereof shall, unless it is settled by direct negotiation, be settled in accordance with the UNCITRAL Arbitration Rules as at present in force. Where, in the course of such direct negotiation referred to above, the parties wish to seek an amicable settlement of such dispute, controversy or claim by conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy or claim.

4.04 Nothing in or relating to this Agreement shall be deemed a waiver of any privileges and immunities of OFID or IFAD.

4.05 The date of this Agreement shall be the date on which it is signed and dated by the authorised representative of the Parties. This Agreement

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shall enter into force as of the date hereof upon approval by IFAD's Executive Board of the terms and conditions set forth in this Agreement.

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IN WITNESS whereof the Parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed and delivered in two sets in the English language, each considered an original and both to the same and one effect as of the date of the Agreement pursuant to Section 4.05 of this Agreement.

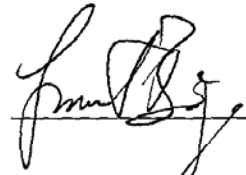
**For the OPEC Fund for
International Development:**

**For the International Fund for
Agricultural Development:**

Signature:



Signature:



Name: Suleiman J. Al-Herbish

Name: Mr. Lennart Båge

Title: Director-General

Title: President

