

**Partnership Agreement
between
the Government of Italy
and
the International Fund for Agricultural Development**

Partnership Agreement dated 12 November 2001 between the Government of Italy (hereinafter referred to as Italy) and the International Fund for Agricultural Development (hereinafter referred to as IFAD).

Whereas

Italy and IFAD share common development objectives to alleviate rural poverty and hunger, to unleash the capacities of poor rural people, to optimize development investments, rationalize costs and allow decentralized decision making where effective incentive mechanisms are possible;

Whereas

Italy and IFAD have been co-operating in the financing of development projects, programmes, studies and other activities of common interest;

Whereas

Italy wishes to make available development aid funds for the financing and co-financing of projects and programmes in countries which Italy considers to have a developmental priority;

Whereas

Italy further wishes to make available development aid funds to provide financing to IFAD and to recipient countries to support all aspects of the project cycle for projects to be financed by IFAD and for such other activities as are agreed between Italy and IFAD;

Whereas

IFAD is prepared to accept such financing, including the administration of the development funds, on the terms and conditions hereinafter set forth;

Now therefore the Parties hereto agree as follows:

Article I

Definitions

Section 1.01. Unless the context otherwise requires, the following terms have the following meanings:

(a) "IFAD-Administered Grant Cofinancing" (IGC) means the shared financing for a given project provided by Italy through IFAD in the form of a grant;

(b) "IFAD-Administered Credit Cofinancing" (ICC) means cofinancing where the financing provided by Italy is provided in the form of a loan through IFAD from Italy to the Recipient;

(c) "IFAD-Administered Credit Financing" (ICF) means financing where the financing provided exclusively by Italy is provided in the form of a loan through IFAD from Italy to the Recipient;

(d) "Consultant Supplementary Fund" programme (CSF) means the financing by Italy of the costs of technical assistance to a Recipient in respect of the identification, preparation, implementation or evaluation by the Recipient of a Project or such other activities as may be agreed between Italy and IFAD;

(e) "Sectoral/Thematic Studies" (STS) means studies to be undertaken on sectoral or thematic issues as may be agreed between Italy and IFAD;

(f) "IFAD-executed Support Services" (ISS) means the financing by Italy of the costs of technical, operational or management services as may be agreed between Italy and IFAD.

Article II

IFAD - Administered Credit Financing and Cofinancing

Section 2.01. If Italy decides to provide IFAD-Administered Credit Financing or Cofinancing Italy and

IFAD will enter into mutually satisfactory agreements to set forth the rights and obligations of Italy and IFAD with respect to the administration of such cofinancing. A special Revolving Fund would be established with IFAD to receive the reflows from such Credit Financing and Cofinancing projects. Such a Revolving Fund would be governed by the terms of this Agreement and its resources will be used for operations as agreed between IFAD and Italy.

Article III

Consultation and Selection of Projects

Section 3.01. Italy and IFAD shall consult with each other on all matters arising out of this Agreement. Italy and IFAD shall hold consultative meetings not less than once a year in order to promote a regular exchange of information. With respect to IGC, ICC, and ICF projects, an annual Consultative Meeting will be held to establish investment strategies for reflows accruing to the Credit Cofinancing Revolving Fund.

Section 3.02. Italy shall, once a year, inform IFAD of Italy's country and sector priorities for development assistance for the forthcoming year and of the estimated amounts of assistance expected to be available therefor. With the same regularity IFAD shall provide information on activities undertaken in each category identified in Section 1.01.

Section 3.03. Following the receipt of the information from Italy pursuant to Section 3.02, IFAD may submit proposals to Italy for financing pursuant to this Agreement, based on Italy's development assistance priorities.

Section 3.04. For ICC and ICF projects Italy will normally require receipt from the recipient country of a request for such financing from Italy, or receipt from IFAD of information satisfactory to Italy concerning the objectives of the Project or activity proposed to be financed by Italy prior to determining whether to approve such financing.

Section 3.05. Italy may also bring to the attention of IFAD other proposals for financing pursuant to this Agreement.

Section 3.06. Italy and IFAD shall make specific arrangements for each IGC and STS Grant. Italy will commit to the financing thereof by entering into an Agreement therefore, substantially in the form of the Attachment hereto. For each IGC activity, IFAD shall, as executor on behalf of Italy, enter into a Grant Agreement with the Recipient setting forth the terms and conditions applicable to the financing thereof. IFAD shall be solely responsible for the administration of each Grant Agreement.

Article IV

Commitment and Deposit of Funds

Section 4.01. Italy's commitment to provide funds to IFAD under this Agreement will be made in Euro or any other major currency agreed to by IFAD and Italy.

Section 4.02. Italy will deposit the funds to be transferred to IFAD under this Agreement into the Supplementary Fund Account in accordance with the provisions of the relevant Project Administration Agreements, as the same will be amended from time to time if required.

Article V

Administration of Funds

Section 5.01. IFAD will administer the funds provided by Italy under this Agreement in accordance with the provisions of the Agreement and the relevant Project Administration Agreement.

Section 5.02. 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 resources, in accordance with IFAD's policies and procedures.

Section 5.03. IFAD may invest and reinvest the funds provided by Italy under this Agreement pending their disbursement. IFAD will credit all income from such investment on an annual basis to the Italian Supplementary Fund Account, which IFAD may also invest. In order to assist in the defrayment of the costs of administration and other expenses incurred by IFAD under this Agreement, IFAD may deduct from the Italian Supplementary Fund Account an amount equal to:

(a) Ten percent (10%) of the Fund Accounts balance calculated on the basis of actual month end cash balances; and

(b) Such amounts as are required to reimburse IFAD for the costs of any audits by Italy pursuant to section 5.05.

Section 5.04. IFAD shall maintain separate records and ledger accounts in respect of the funds deposited by Italy with IFAD under this Agreement, the funds credited to the Italy Supplementary Fund Account and the disbursements thereof. Within one hundred and eighty (180) days of financial year end, IFAD shall prepare a financial statement with respect to such funds and forward a copy to Italy. Each such financial statement shall be expressed in the currency in which the funds are maintained by IFAD. IFAD shall provide Italy annually with an attestation from IFAD's external auditors on the satisfactory performance of the procedures and controls used by IFAD in administering supplementary funds. The costs of such attestation shall be borne by IFAD.

Section 5.05. The financial reporting and auditing of the projects and activities financed by Italy under this Agreement shall be carried out in accordance with IFAD's normal practices and standards. In addition, upon request from Italy, IFAD shall cause the financial statements for individual Projects or activities financed by Italy under this Agreement to be audited by IFAD's external auditors and shall forward a copy of the auditors' report to Italy. The costs of any such audits shall be paid in the manner set forth in Section 5.03.

Section 5.06. Upon the closing or termination of each ICG project, CSF and STS activity, and any other activity financed under this Agreement for which Italy has provided funds to IFAD under this Agreement, IFAD shall promptly credit any unused balance of such funds in recipient countries to the Supplementary Fund Account.

Section 5.07. IFAD will exercise the same care in investing the funds under Section 5.03 as it does for its own account.

Article VI **Procurement**

Section 6.01. The funds to be administered by IFAD shall be used to finance expenditures for goods and services, as the case may be, in accordance with IFAD's Procurement Guidelines, terms and conditions of Grant or Loan Agreements, and IFAD's Human Resources Manual for Consultancy Services.

Section 6.02. The funds to be administered by IFAD for Consultant Supplementary Fund programmes shall be used to finance expenditures for goods and services, as the case may be, in accordance with IFAD's applicable procedures.

Article VII **Project Information and Supervision**

Section 7.01. The identification, preparation, supervision and evaluation of the Projects and/or activities which Italy finances or assists in financing pursuant to this Agreement shall be the responsibility of IFAD and shall be carried out by IFAD in accordance with IFAD's applicable policies and procedures.

Section 7.02. IFAD shall provide Italy with regular information on the progress of each project and STS activity and with information following the completion of disbursements therefor. IFAD shall promptly inform Italy of any event which, in the opinion of IFAD, interferes or threatens to interfere with the successful implementation of such Project or activity. Inordinate delays in disbursements for specific projects financed under this Agreement will be notified to Italy on an annual basis.

Section 7.03. Representatives of Italy shall be invited to participate in missions relating to projects financed or cofinanced by Italy and IFAD under this Agreement as IFAD, Italy and the Recipient may deem appropriate. IFAD shall keep Italy informed of the findings of such missions and regularly provide Italy with summaries of any supervision reports resulting from such missions, and shall furnish Italy with the findings of completion reports for projects financed or cofinanced by Italy under this Agreement subject to IFAD's policies on disclosure of information.

Section 7.04. IFAD shall promptly inform Italy of any significant modification to the terms of any grant agreement between IFAD and a Recipient with respect to a project or activity financed cofinanced by Italy under this Agreement, and of any contractual remedy that is exercised by IFAD under such grant agreement. To the extent practicable, IFAD shall afford Italy a reasonable opportunity to exchange views before effecting any such modification or exercising any contractual remedy.

Article VIII
Effectiveness; Termination

Section 8.01. This Agreement shall enter into force on the date of its signature by both parties.

Section 8.02. This Agreement shall remain in force for a period of five (5) years from the date of its signature except as Italy and IFAD may otherwise agree or unless earlier terminated by either party upon giving six (6) months prior written notice to that effect to the other party, provided that such termination shall not affect the rights and obligations of Italy and IFAD under this Agreement in respect of Project Administration Agreements entered into prior to the termination of this Agreement.

Prior to the fifth anniversary of this Agreement, Italy and IFAD shall consult with each other in order to determine whether this Agreement shall be terminated on such date or be extended for a further period.

Section 8.03. Upon termination of this Agreement, unless the parties hereto agree on another course of action and except as otherwise provided in any Project Administration Agreement any funds of Italy held hereunder by IFAD shall be returned to Italy and IFAD's functions pursuant hereto shall be considered terminated.

Section 8.04. Subject to the foregoing, promptly after termination of this Agreement, IFAD shall furnish Italy with a final report and a financial statement with respect to the funds deposited with IFAD by Italy under this Agreement.

Article IX
Communications

Section 9.01. The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Government of Italy:

Ministero degli Affari Esteri
Direzione generale per la cooperazione allo sviluppo
Piazzale della Farnesina, 1
00194 - Roma
Italy
Telephone: +39 (06) 3691 4217
Facsimile: +39 (06) 3235982

For IFAD:

International Fund for Agricultural Development
Economic Policy and Resource Strategy Department
Via del Serafico, 107
00142 - Roma
Italy
Telephone: +39 (06) 5459 2064
Facsimile: +39 (06) 504 3463

Article X
Miscellaneous

Section 10.01. This Agreement may be amended only by written agreement between the parties hereto.

In witness whereof, the parties hereto, acting through their duly authorised representatives, have signed this Agreement in Rome, Italy, as of the date first above written.

Dated 12 November 2001

Government of Italy
Giandomenico Magliano
Director General, DGCS
Italian Ministry of Foreign Affairs

International Fund for Agricultural Development
Lennart Båge
President of IFAD