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A. CLASSIFICATION

- [x] Meeting Material
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- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

B. SUBJECT: MR. JACQUES DIOUF
Venue: E1227 (Office)
Attendees: JDW, Diouf, Serageldin
Contact: Ms. Dela Riva - 202-653-2400
Assistant: Atsuko to arrange briefing & adv. attendees

DATE: 09/27/96

C. VPU

Corporate

- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

Regional

- [ ] AFR
- [ ] EAP
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- [ ] MNA
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Central

- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

Affilliates

- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [x] MDB/Other IO
- [ ] NGO
- [ ] Private Sector
- [ ] Part I
- [ ] Part II
- [ ] Other

E. COMMENTS:

JDW

The World Bank
Washington, D.C. 20433
U.S.A.

ISMAIL SERAGELDIN
Vice President
Environmentally Sustainable Development

June 30, 1995

Mr. James D. Wolfensohn:

Subject: Briefing Note on Bank/FAO Collaboration

Issues Statement:

You will be meeting Jacques Diouf, Director General of FAO, next week at the ECOSOC meeting.

The Bank has a number of collaborative activities with the FAO. However, there is one outstanding issue which Mr. Diouf may raise: The financing of the FAO/World Bank Cooperative Program (FAO-CP).

Bank managers working on agriculture have concluded that the financial arrangements for the program are no longer in the Bank's interest and the program should be gradually phased down. In contrast, Mr. Diouf still believes that the program should be expanded over time.

Background:

The FAO-CP: A collaborative agreement between FAO and the Bank, known as the "Cooperative Program" has been in existence since 1964. That agreement provides a framework for broad collaboration between the two institutions, but more specifically established a core staff within FAO to work directly with the Bank. The FAO unit (known as CP/FAO) primarily assists in the preparation of projects, sector work and supervision of Bank assisted projects. The agreement provides for FAO to contribute 25% to the costs of the program with the Bank. The size of the Bank's contribution in FY95 was $10.1 million, corresponding to about 53 staff years of support from FAO (about 40% provided by consultants). CP/FAO typically participates in about one third of the Bank-assisted projects prepared each year in the agriculture and natural resources sector.

Positive New Developments: Since Mr. Jacques Diouf took the position of Director General in January 1994, both FAO and the Bank have sought to expand collaboration and work program linkages with other parts of FAO. Several new areas of cooperation have subsequently developed, including a program to promote integrated pest management (IPM) to minimize pesticide usage in agriculture, joint efforts to promote food security in Africa, development of indicators to monitor trends in land quality at the national and global levels, the execution by FAO of a $4 million component of the Bank's Emergency Grant to Rwanda, and contributions to the preparation for the World Food Summit being organized by FAO for November 1996. Scope exists for further expanding this collaboration to the mutual benefit of both institutions. Areas currently under discussion include a Global Water partnership with UNDP and FAO and selected work in forestry. Attached is the most recent exchange of correspondence between Mr. Diouf and myself. This you may wish to discuss with Mr. Diouf.

The Budget Issue:

Changes are needed in the financial arrangements of the Cooperative Program, in line with the Bank's adoption of dollar budgeting. Following several letters to FAO, we have begun to phase out the system of funding the Cooperative Program through the Bank's administrative budget, at levels which were largely supply determined, i.e. by the size to which the program had grown, rather than by the demands from operational units for FAO assistance. By July 1, 1998 we plan to completely phase out the special budget allocation for FAO, but anticipate demand will continue to come from Bank operational units for FAO support. This would be paid for through the regular administrative budgets of individual Bank units. In the interim, the guaranteed level of Bank funding for FAO would ratchet down. The budgetary resources freed-up would be allocated to the Regions as discretionary funds (i.e., not necessarily for financing services from FAO). The guaranteed level of funding for FY96 that has been discussed with FAO is $8.4 million. Another $0.5 million would be provided by the Bank to finance services under the newly created IPM program mentioned above. The transition period (FY94 through FY98) is needed to allow FAO to adjust to the more market-oriented approach. The 1964 Cooperative Program Agreement also obligates the Bank to pay for FAO staff redundancies caused by any change made by the Bank in the financial arrangements. This we expect to avoid through the phasing down process.

Status of Official Correspondence:

The Bank has sent several letters to FAO advising them of the changes being introduced. There is attached a chronology of the correspondence between the Bank and FAO regarding the changes in the Cooperative Program. In the responses from FAO, Jacques Diouf has not specifically agreed to the changes. In particular, we understand, he did not want to discuss modifying the Cooperative Program Agreement during the first year or so of having taken over as DG of FAO.

Conclusion:

We believe it is time to again raise this matter with him and to continue with the changes in the financial arrangements that we have begun to implement.

(Mr. Alex McCalla, our Director of Agriculture and Natural Resources, will be visiting Rome on July 20 and 21 and would be happy to discuss any of these matters further.)

Sincerely,

Ismail Serageldin

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 27, 1995 04:43pm

TO: Ismail Serageldin (ISMAIL SERAGELDIN)

FROM: Alexander McCalla, AGRDR (ALEXANDER MCCALLA)

EXT.: 85028

SUBJECT: Briefing Note: Bank-FAO Collaboration - Appendix A

Ismail,

The following provides a chronology of the main correspondence and key points raised between the Bank and FAO regarding the changes in the Cooperative Program Agreement. Copies of the actual texts are being sent to you by paper mail.

March 12, 1992. Letter from Mr. Rajagopalan to Mr. Saouma suggesting a review of the arrangements between the Bank and FAO regarding the Cooperative Program (CP). As a result, Mr. Hjort visited the Bank on July 1992 and discussed the CP program with the Bank's staff. This was followed up during a visit by Mr. Rajagopalan to FAO in Rome.

April 13, 1993. Letter from Mr. Rajagopalan to Mr. Saouma advising that the Bank wished to change the financial arrangements of the Cooperative Program.

April 16, 1993. Mr. Saouma replied to Mr. Preston expressing some surprise and requesting further details and explained the possible financial consequences of an abrupt termination of the contract. This letter also refers to a meeting between Mr. Rajagopalan and Mr. Saouma on March 19, 1993.

April 28, 1993. Mr. Preston replied to Mr. Saouma that the Bank wanted to fundamentally alter, in a mutually satisfactory manner, the Cooperative arrangements regarding the CP program. Mr. Preston suggested that the CP collaboration would need to be organized on the basis of constantly changing market demands.

June 25, 1993. Letter from Mr. Saouma to Mr. Preston arguing some of the points in Mr. Preston's earlier letter of April 23, 1993 and appointing Mr. Andre Regnier and Mr. David Forbes-Watt to negotiate these issues further with the Bank.

January 19, 1994. Mr. Diouf (who took over the position of Director General, FAO, on January 1, 1994) wrote to Mr. Preston confirming the importance he attached to continuing the strong cooperation and suggesting a meeting with staff of the FAO Investment Center to strengthen arrangements for FAO-Bank cooperation.

March 4, 1994. Letter from Mr. Serageldin to Mr. Diouf referring to an agreement in principle to reinforce cooperation between FAO and the Bank albeit with a reduced guaranteed budget.

March 8, 1994. Mr. Regnier, replying on behalf of Mr. Diouf, expressed concern at the proposed reduction in the Bank's financial commitment to the CP, suggesting instead that cooperation could be strengthened by having a two-year jointly agreed program.

July 1, 1994. Mr. Serageldin wrote to Mr. Diouf as a follow-up to a meeting held the previous month. That letter confirmed that the Bank would maintain the funding over the period 1994-95 biennium at the FY94 level. That the FY95 budget allocation to CP would be $10.134 million, (in line with requests from the regions) and that additionally some $0.525 million (i.e., the difference with the FY94 allocation) would be available for a new type of collaboration; an IPM facility was proposed in line with other discussions that had been taking place. The letter reaffirmed the Bank's desire to change the financial arrangements such that by July 1, 1998, Bank financing of the joint work program would come from normal budgetary resources.

August 18, 1994. Mr. Diouf replied to Mr. Serageldin welcoming the confirmation of the Bank's allocation for FY95 and noting that he was aware of the Bank's wish to move from the established system of a priori allocations, and agreeing that the Bank's budget allocation for FAO as incremental to Bank divisional budgets was not adequate. The suggestion was for a two-year joint work program to be put in place. The letter also argued for a special global Bank allocation for FAO to provide a safety net for recruiting and maintaining expertise in FAO available on request from the Bank. (This relates to Paragraph 6 of the 1964 Cooperative Agreement which obligates the Bank to pay the costs of any staff redundancies caused by changes to the agreement introduced by the Bank. There was no time limit on this condition and the Legal Dept. has confirmed that the condition still stands. (ref. memo from Mr. Rigo, dated April 26, 1994.)

January 24, 1995. Mr. McCalla wrote to Mr. Regnier informing FAO of the impact the Bank-wide budget cuts would have on the FAO allocation for FY96 and reaffirming the Bank's intention to reduce the guaranteed level of funding to FAO, phasing it out entirely by July 1, 1998. For planning purposes, the proposed FY96 allocation for FAO was given as $8.5 million. The letter rejects the idea that the Bank take responsibility for a "global safety net" and stated that the Bank wished to change the Cooperative Program Agreement, and eliminating all staff liabilities for the Bank by July 1, 1998. The letter stated our desire to initiate the drafting of a new Cooperative Agreement.

There has been no reply from FAO on the matter since then.

June 14, 1995. Memo sent from AGR to Mr. Serageldin and to Messrs. Krishna (LEG) and Ahmed (PBD) proposing a follow-up letter to Mr. Diouf and a suggested amendment to the Cooperative Agreement. (The changes suggested by Mr. Krishna are currently being incorporated, however, further discussions are needed before finalizing the recommended changes.)

CC: Douglas Forno (DOUGLAS FORNO)
CC: INSTITUTIONAL ISC FILES (INSTITUTIONAL ISC FILES @A1@WBW

DRAFT (to be printed in Mr. Serageldin's letterhead)

June 27, 1995

Mr. Jacques Diouf
Director General
FAO
Via delle Terme di Caracalla
00100 Rome, Italy

Dear Jacques,

Thank you for your letter of 16 June. I am very pleased with our evolving partnership which is now much broader than it has been in the recent past.

Let me comment only briefly on the items you raised:

Global Water Partnership

I believe all is proceeding well on this front. We look forward to working with your Land and Water Division to work out the operational modalities.

Forestry

I agree with your approach and analysis in this area. We agree that the next step is for the World Bank, UNDP and FAO to discuss modes of collaboration and the identification of possible countries. We can take the leadership in setting up such a meeting, if you wish.

Integrated Pest Management

The Facility is approved at this end. What remains is a formal agreement between the Bank and FAO. I will write you a separate letter in this regard.

Indicators of Sustainable Development

I will respond to your letter of 9 June separately. However, let me say that I share the two concerns you raised about indicators in general. That the work should assist countries in deriving their own indicators and that they should not be an end in themselves but rather an input into decision making.

Finally, I note that Mr. McCalla will be arriving in Rome on July 19 and will be available for meetings on July 20 and 21. I believe he has written you in this regard and I sincerely hope you and appropriate members of your staff will be able to further explore areas of cooperation with him.

Yours sincerely,

Ismail Serageldin
Vice President
Environmentally Sustainable Development

cc: Mr. Alex F. McCalla, AGRDR

Environmentally Sustainable Development
Office of the Vice President

Assigned To:

- Alexander McCalla ☑
- Anthony Pellegrini ☐
- Michel Petit ☐
- Andrew Steer ☐
- Alexander von der Osten ☐
- ESDVP: ______ ☐
- Other: ______ ☐

Copied To: (FOR INFO. ONLY)
I.S. - Important FYI ! JNB

Re-assigned To:

File Title:

Correspondence Date: 6/23/95

ESD Log No: 94-04235

Date Received: 6/23/95

Date Transmitted: 6/23/95

Subject: H.E. Dennis Brydges - Ltr. from Diouf dated June 16, 1995.
FAXED 23 June to A. McCalla - JNB

Action Required:

- Prepare Reply for I. Serageldin's Signature ☑
- Reply Directly ☐
- Attend Meeting ☐
- Appropriate Disposition ☐

Due Date: 27 June 1995

NOTE: PLEASE RETURN THIS GREEN SHEET WITH A COPY OF THE INCOMING AND THE REPLY/ACTION TAKEN TO DORY (S 7035). THE ORIGINAL COPY OF THE INCOMING SHOULD BE FILED IN YOUR OFFICE, AS APPROPRIATE.

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

6/23 5:45 p.m.

With the compliments of
Joan Martin-Brown
Advisor to the Vice President
Environmentally Sustainable Development

Alex McCalla

Pls call upon your arrival.

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

With the compliments of
Joan Martin-Brown
Advisor to the Vice President
Environmentally Sustainable Development

Alex McCalla –

Have you seen this? Re the note for JWolfensohn – Reply as necessary

Joanie

Food and Agriculture Organization of the United Nations

Liaison Office for North America

Telephone: Area Code 202
Director: 653-2400/1
Administration and
Personnel: 653-2398/9
Economics: 653-2458
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Library: 653-2402

95 JUN 23 PM 2:10
ESD
1001 22nd Street, Northwest
Washington, D.C. 20437

CABLE: FOODAGRI WASHINGTON
TELEX: 64255
FAX: 202-653-5760

23 June 1995

Dear Mr. Serageldin,

I am pleased to enclose herewith the original copy of Director-General Diouf's letter of 16 June concerning cooperation of the World Bank and FAO on issues of common concern.

Sincerely yours,

Dennis Brydges
Executive Officer
Officer-in-Charge

Mr. Ismail Serageldin
Vice President
Environmentally Sustainable
Development
The World Bank
Washington, DC

Enclosure

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The Director-General

Rome 16. VI. 1995

TCI-DG/95/ 801

Ismael
Dear Mr. ~~Serageldin~~,

Thank you for your constructive letter of 31 March which was received in my office in early May.

It strengthens my conviction that there is much to be gained by both the World Bank and FAO from strengthening our cooperation on issues of common interest. We share the same concerns over the growing pressures on global natural resources and the same sense of urgency in addressing the persistent problems of food insecurity still faced by far too many people. We can confront these issues much more effectively by pooling our resources and expertise rather than by working separately.

I have consulted with my colleagues on each of the topics touched upon in your letter with the objective of putting forward proposals of a highly operational nature for further collaboration. I am writing to you separately on the World Food Summit, but take up the other points in the following paragraphs.

Global Water Partnership

I reiterate FAO's interest in cooperating with the World Bank and UNDP as members of a Global Water Partnership. Initial discussions have taken place on this between the Land and Water Division and Mr. Brian Grover of the World Bank, but we still have to clarify how the Partnership will tie in with present structures and programmes, including the programme on Water for

Mr. Ismail Serageldin
Vice President
Environmentally Sustainable Development
The World Bank
Washington D.C.

Sustainable Development (WASAD). We look to the Partnership to contribute to the strengthening of regional and national capacities to manage water resources in an efficient manner, taking particular account of the role of water in enhancing food security and in contributing to sustainable rural development. I expect the staff of FAO's Land and Water Division to be fully involved in further work on the concept of the Partnership and in working out the operational modalities.

Forestry

We strongly support an intensified cooperative approach involving UNDP, the World Bank and FAO, targeting developing countries with large forest resources and aiming at strengthening their capacity in sustainable forest management. This is in line with the UNCED Agenda 21 call for the implementation of national forest action programmes. A review of the information available at FAO on progress made by countries in national programmes on forests and on the current support by the international community shows that some countries in Africa, Asia and Latin America are much in need of the kind of joint cooperative support which FAO, UNDP and the World Bank could offer. Examples of such countries are:

Africa:	Guinea, Uganda and possibly Angola
Latin America:	Mexico and Venezuela
Asia:	Cambodia. In addition, a review of the scope for and feasibility of such support to China and India, which are characterized by large and complex situations, deserves special attention.

It is clear that in all cases the willingness of each country will need to be ascertained and that it would be important to involve in an early dialogue other potential partners such as the bilateral donors and the European Union. FAO's Forestry Department would welcome an early opportunity to discuss the organization of collaborative activities in more detail with the World Bank and UNDP, and to arrive at a tentative selection of countries.

Integrated Pest Management

As I indicated in my letter of 28 April 1995, FAO is strongly committed to co-sponsoring the IPM Facility and we are anxious that this be launched as soon as possible.

Indicators of Sustainable Development

I welcome the importance accorded to this topic by the World Bank which, as stated in my letter to you on this matter of 9 June 1995, is also of high priority for FAO. We presently have indicator activities under way related to policy analysis, forest management and land quality. These are in addition to the substantial work we undertake relating to agricultural statistics.

I wish, however, to emphasize two concerns on this topic. First, that the work on indicators should directly assist countries in deriving their own national and local indicators which meet their particular needs and, second, that indicators should not be an end in themselves but lead to improved decision-making on resource use. Thus, indicator work must be accompanied by the establishment of decision-support tools and training that countries can use to undertake planning, technical analysis and consideration of alternative development scenarios.

I look forward to continued collaboration with you on this subject. Please advise your staff that Mr. Henri Carsalade, Assistant Director-General, Sustainable Development Department, serves as the overall focal point in the Organization for issues related to indicators of sustainable development.

I and my senior staff will be delighted to welcome Mr. Alex McCalla to Rome to explore these and other potential areas of mutual cooperation in greater depth.

Yours sincerely,

Best regards

Jacques Diouf

The World Bank
Washington, D.C. 20433
U.S.A.

ISMAIL SERAGELDIN
Vice President
Environmentally Sustainable Development

March 31st, 1995

Mr. Jacques Diouf
Director General
F A O
Viale delle Terme di Caracalla
00100 Rome, Italy

Dear Mr. Diouf,

I am writing to follow up on our constructive discussions at our lunch yesterday and to confirm our agreements on several key points. These are in the areas of:

- Global Water Partnership
- Forestry
- Food Security Summit
- Integrated Pest Management (IPM) Facility
- Indicators of Sustainable Development

Global Water Partnership

We agreed that FAO, UNDP and the World Bank would join with others to form a Global Water Partnership, to foster the conservation and more effective use of scarce water resources. This will involve pulling together our respective initiatives, for example within the UNDP-World Bank water and sanitation program, and IPTRID. We would welcome FAO's participation with UNDP and the Bank, and others in this important activity. I shall be writing to you separately to propose some specific joint activities which draw on the relative strengths of our two organizations.

Forestry

In regard to our discussions on forestry, we agreed on the need to work together in a number of specific countries, which have large forest resources, and a strong interest in developing capacity in forest management. In my recent meeting with Mr. Speth of UNDP, we agreed to identify a number of countries where a joint approach would be beneficial. FAO's participation in this effort, both in the identification of key countries and in the support and conduct of joint activities is welcomed. It would be helpful if FAO, UNDP and the Bank launch a tripartite program review on the occasion of the CSD Meeting in New York on April 12. I understand our respective staff have been discussing this proposed review and I am pleased at the progress which is being made. This would enable us to determine the outline and operational plans of our tripartite activities with the view to initiating activities in two or three countries this year.

Food Security Summit

I reiterate my strong support for the 1996 Food Security Summit, and welcome your strong leadership. I indicated I would be prepared to take a proposal forward to the Bank's Special Grants Committee, to enable the Bank to make a financial contribution to the Summit. I look forward to receiving details of your proposal for Bank funding.

In the lead-up to the Summit, I believe your idea of using the various related meetings as building blocks for the Summit and providing background documentation, rather than having a separate series of preparatory meetings is an excellent one, which saves valuable time and resources. In this light, IFPRI's 2020 Vision study could make a valuable contribution to the Summit and provide some useful background documentation. Also, the IFAD sponsored Hunger meeting in November 1995 would be another event, whose output would be very useful as another contribution towards the Summit. My colleagues and I will participate to the maximum extent possible in these lead-up meetings as well as in the Summit. As we agreed Mr. McCalla will participate in FAO's 50th Anniversary Seminar in Quebec in September. I regret that this event occurs at the time of the Bank's Annual Meetings, which makes my own participation most unlikely.

Indicators of Sustainable Development

In regard to our discussion on the development of indicators of sustainable development, for monitoring environmental progress, I am grateful for the valuable work which has been done by FAO and other United Nations agencies, in cooperation with the World Bank to develop a common framework. I stress our continued need to work together and to share responsibilities in this field. This is truly exciting policy-oriented work, which for the first time, is encouraging more analytically orientated work on compiling indicators of sustainable development. I see this as an important item for discussion at the forthcoming CSD meeting.

Integrated Pest Management Facility

I have written to you under separate cover on the Bank's willingness to cosponsor a new IPM facility with FAO, UNDP and UNEP. This is clearly an area where FAO has an enviable track record, especially on rice in Asia. IPM is an area where the Bank is increasing its investments. We are pleased to be able to support and expand our joint policy and technical work to extend the use of environmentally benign pest management strategies to a wider range of countries and commodities.

In conclusion, I was delighted with the constructive discussions, and the many opportunities for our two agencies to work together. In this light, I have asked Mr. McCalla to visit Rome, as soon as possible, to consolidate the above areas of collaboration and identify new opportunities.

Sincerely,

Ismail Serageldin
Vice-President
Environmentally Sustainable Development

The World Bank
Washington, D.C. 20433
U.S.A.

V. RAJAGOPALAN
Vice President
Sector and Operations Policy

March 12, 1992

Dr. Edouard Saouma
Director-General
Food and Agricultural Organization
of the United Nations
Via delle Terme di Caracalla
00100 Rome, Italy

Dear Dr. Saouma:

I am writing to you in connection with the FAO/World Bank Cooperative Program (CP). We attach considerable importance to this long-standing and fruitful relationship. As you know, this program is renewed on a bi-annual basis and the next extension is due to take effect on July 1, 1992. I would like to use this occasion to initiate a discussion of certain issues which are being raised with a view to reaching mutual understanding on how Bank-FAO collaboration can be further improved.

As you no doubt are aware, from time to time, questions have been raised both within the Bank and by some of our borrowers about the future of the program. I understand that the main concern of Bank agricultural staff and managers is their inability to access the full institutional expertise of FAO. The original idea of a 75:25 Bank-FAO cost sharing arrangement for the CP seems to have been based on the view that FAO's contribution of 25% would provide access to the rest of FAO's institutional expertise. However, over the years the CP seems to have become more and more removed from the mainstream of FAO activities. Under these circumstances, the value of the CP is increasingly being called into question by Bank staff. In light of this concern, I have been asked to discuss the present cost-sharing arrangement with FAO with a view to reducing the Bank's share.

Given the extent of questioning on this matter, it is believed that it would be useful for our two institutions to examine in a systematic way how we can collaborate more effectively. I have been asked by the President of the Bank to explore with FAO the possibility of such a review. This would enable us to address in a detailed and systematic fashion any problems that might exist with the CP but also to examine other areas of collaboration between our institutions with a view to making future collaboration more productive. Such an analysis should be initiated fairly soon so as to be completed well in advance of the next decision point (FY95) when negotiations are to again take place on the CP budget.

I would like to make use of the first mutually convenient opportunity to discuss these matters with you in person. In the meantime, it would be most helpful if you could nominate a suitable person to initiate discussions on these matters on your behalf.

Sincerely yours,

V. Rajagopalan

V. Rajagopalan
Vice President
Sector and Operations Policy

Cleared with the President's office, March 13, 1992.

MEMORANDUM OF UNDERSTANDING WITH RESPECT TO WORKING ARRANGEMENTS BETWEEN THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION

FAO and the Bank * have for many years been co-operating on an ad hoc basis on matters of common concern. Now that the Bank intends to put more emphasis than hitherto on schemes for improvement of agricultural production, which are of equal concern to FAO, this co-operation will have to be intensified. It accordingly appears desirable both to FAO and the Bank that working arrangements be agreed upon setting forth the principles to govern such co-operation.

These working arrangements, as agreed upon by the Director-General of FAO and the President of the Bank, subject to the approvals specified in paragraph 7 hereof, are as follows:

1. The Co-operative Program

FAO and the Bank will co-operate together in the following fields:

(a) Assisting countries of common membership in the identification and preparation of agricultural projects of types which fall within the framework of the economic development objectives and general policies of the Bank and FAO and which the Bank is willing to consider for financing (including projects for agricultural education falling within FAO's field of responsibility).

(b) Appraising projects of the foregoing types.

(c) Providing end-use supervision of the execution and operation of Bank-financed projects.

(d) Arranging for technical assistance required for the implementation of Bank-financed projects.

Assistance to Member Governments in agricultural planning is recognized as an important foundation for investment programs in the long term. Insofar as this type of activity is carried out by FAO as part of its Regular or other programs, it is the sole responsibility of FAO. However, in cases agreed with the Bank where FAO carries out this type of activity at the request of the Bank or in co-operation with the Bank, the activity will be part of the co-operative program.

2. Allocation of Functions within the Co-operative Program

(a) Assistance to Governments in Identification and Preparation of Projects

(i) At FAO initiative

FAO will bring to the notice of the Bank projects which appear suitable for Bank financing arising from FAO's activities, whether under its Regular or other programs. The Bank will advise FAO whether such projects are prima facie suitable for consideration for financing, and if so, what further action, if any, needs to be taken in order to prepare such projects for appraisal. Moreover, where, in the course of its own activities, FAO wishes the assistance of the Bank in determining whether a project is likely to qualify for Bank or other external financing, or what further steps are necessary to prepare it for appraisal, the Bank will provide such assistance.

* All references in this memorandum to the Bank shall be taken to include both the Bank and the International Development Association.

WS/69324

assuming staff resources permit, either by way of review of the project at Bank headquarters or by participating in the field work.

(ii) At Bank initiative

The general survey missions organized by the Bank may include among their functions the identification of promising projects in various sectors. The Bank normally look to FAO to provide, as part of the co-operative program, staff members or consultants to serve as advisers to such missions. These advisers will participate in defining priority fields and major projects for investment in agriculture in the framework of over-all development objectives. Missions of this type will be briefed by both the Bank and FAO and both organizations will review and comment upon the draft reports of such missions. In addition to these general survey missions, the Bank periodically sends smaller missions to a member country to review the country's economic situation and to assess the possibilities for Bank financing. Such economic missions usually make a preliminary selection among projects submitted by the government, and may sometimes suggest that the government work up a specific project for Bank consideration. The Bank will advise FAO of all such missions on which it is propcred to include an agricultural member, and will normally arrange for such missions to consult with FAO with regard to agricultural investment priorities and possible projects. In agreed cases, FAO will provide, as part of the co-operative program, a staff member or consultant to serve as agricultural adviser to such a mission.

Where, in the opinion of the Bank, a project not yet ready for appraisal is sufficiently promising to warrant further preparation, and the government in question has requested assistance in such preparation, FAO will normally provide such assistance as part of the co-operative program.

(iii) General

In all work connected with the identification and preparation of projects falling under the co-operative program, FAO and the Bank will maintain continuing consultation in order that they may agree on a work program and on the priorities to be assigned to different projects, and in order to minimize the possibilities of substantive disagreement. The support of headquarters facilities will at all times be given to Bank and FAO staff and consultants engaged in work under the co-operative program.

(b) Appraisal of Projects

The Bank will be responsible for the appraisal of projects, upon the basis of which its financing decisions are made. However, at the request of the Bank, FAO will provide, as part of the co-operative program, staff members or consultants to serve as agricultural advisers on Bank appraisal missions.

(c) End-Use Supervision of Bank-Financed Projects

The Bank will be responsible for the disbursement of funds and the end-use supervision of the construction and maintenance of physical facilities, and to this end will be responsible for such review as may be appropriate of the specifications, bids and awards of contracts, and for whatever inspections of the project are necessary in this connection. FAO will, in cases agreed with the Bank, assume responsibility as part of the co-operative program, to ascertain, both through field inspections and through review of periodic reports and to advise the Bank whether the agricultural objectives of the project are being achieved, and in particular whether the obligations undertaken by the borrower in this regard are being fulfilled. The results of FAO's end-use work in the agricultural aspects of Bank-financed projects will be made available to the Bank and, in the event that representations to the borrower should be necessary on agricultural matters, FAO and the Bank will consult together on how they might best be made.

(d) Technical Assistance in Project Implementation

In cases agreed with the Bank, FAO will provide or arrange for, and will exercise appropriate supervision over, technical assistance required for the direct implementation of a Bank-financed project.

3. Personnel

It is agreed that the co-operative program requires a team of specialized personnel of high calibre within the FAO secretariat which can devote itself continuously to this work (hereafter referred to for purpose of this Memorandum as "FAO team"). The Director-General of FAO will therefore make provision for such a team to be established as an identifiable group within the FAO secretariat. FAO and the Bank will agree from time to time on the appropriate size of the FAO team and on the types and classifications of positions to be included within the team, and the Director-General of FAO will consult with the Bank on the appointment of professional staff to the team.

The FAO team, although it will be devoted full time to work in connection with the co-operative program, will be an integral part of the FAO secretariat and will operate under the exclusive authority of the Director-General of FAO. Both FAO and the Bank agree that it is desirable that the hard core of the team should to the greatest possible extent be composed of existing FAO staff members. However, it is recognized that for a variety of reasons new staff and ad hoc consultants will be necessary, both in the initial phases of co-operation and as the program expands, although generally maximum care will be taken to secure continuity in employment. It is also recognized that it will be necessary and desirable from time to time to use FAO staff members outside the team for purposes of the co-operative program.

In cases where FAO intends to appoint an outside consultant to serve as agricultural adviser to a Bank mission, or to provide technical assistance in the implementation of a Bank-financed project, it will consult with the Bank as to the person to be appointed.

4. Financial Arrangements

(a) Subject to the qualifications set forth below, the direct costs of FAO in connection with agreed work under the Program, including salaries, allowances and other benefits and travel costs of the FAO team, of outside consultants and of other FAO staff members assigned to such work, will, until December 31 1965, be shared equally by FAO and the Bank up to a ceiling figure to be fixed from time to time by agreement between the two organizations.

(b) The travel and subsistence expenses of FAO staff members and consultants, while serving as members of Bank appraisal, general survey or other missions, will be borne or provided for by the Bank.

(c) FAO will pay for invisible overhead costs, including space, and for identifiable indirect costs (except as provided in sub-paragraphs (d) and (e)) involved in its participation in the co-operative program.

(d) The Bank will bear the cost of document reproduction and translation undertaken by FAO in agreement with the Bank.

(e) The cost of technical assistance directly required for the implementation of Bank-financed projects, including an amount for FAO's estimated administrative costs in arranging for such technical assistance in cases agreed with the Bank, will be paid for out of the proceeds of the financing or will be otherwise met by the Bank. The amount for estimated administrative costs will be 12 percent of the direct cost of such technical assistance, except where technical assistance is provided under contract between FAO and some outside entity, in which event the amount will be fixed by agreement between FAO and the Bank.

(f) It is recognized that the calendar years 1964 and 1965, which comprise FAO's present budgetary biennium, are a transitional period during which FAO's contribution is limited by its existing budget. For those years, the agreed ceiling figure for purposes of sub-paragraph (a) above, to be shared equally by the two organizations, will be $400,000 for the biennium. FAO's costs in excess of this amount will be met by the Bank, provided that FAO will not incur or commit itself to incur costs in excess of $800,000 (the presently estimated cost of the co-operative program) during the biennium without the prior approval of the Bank.

(g) Continuation of the Program beyond December 31, 1965, will be subject to mutual agreement in the light of experience and to the decision of FAO's 1965 Conference. If the Program is continued the direct costs of FAO for agreed work under the Program as defined in sub-paragraph (a) shall be shared in the proportion of 25 percent by FAO and 75 percent by the Bank, subject to the qualifications set forth in sub-paragraphs (b), (c), (d) and (e).

(h) The Bank and FAO will agree on the procedures for payment of funds from the Bank to FAO, and for accounting to the Bank by FAO, in connection with the co-operative program, including if possible provision for a working fund out of which the expenses of the program can be met.

5. <u>Relations with other Agencies</u>

Where the Bank looks to any outside agency for assistance in connection with agricultural projects, that agency will normally be FAO. However, there may be cases where, because of the type of project involved or because of special circumstances, it would be appropriate and desirable for the Bank to look to some other agency, public or private, to perform some or all of the functions which FAO would ordinarily perform under these Working Arrangements. It is agreed that in all such cases the Bank will consult FAO on the action it proposes to take. It is also agreed that the Bank will not subject FAO's advice on agricultural matters within its competence and covered by the co-operative program to review by any outside agency.

6. <u>Modification and Termination</u>

These Working Arrangements may be modified or supplemented at any time by mutual agreement between the two organizations. Each organization may, after reasonable notice, terminate the arrangements, provided that, if they are terminated by the Bank, the Bank will reimburse FAO for the financial consequences of cancelling personnel commitments entered into for purposes of the co-operative program.

7. <u>Effectuation of the Arrangements</u>

The Working Arrangements will become operative on an interim basis when this Memorandum of Understanding is signed by the Director-General of FAO and the President of the Bank, but the continuation thereof will be subject to the approval of the Boards of Governors in the case of the Bank and IDA, and of the Council in the case of FAO. It is contemplated that the necessary approvals will authorize payment by the Bank to FAO retroactively to 1 March 1964 of expenses incurred for purposes of the co-operative program which would have been eligible for payment if these Working Arrangements had been effective on that date.

30 March 1964 (signed) George D. Woods

President, International Bank for Reconstruction and Development and International Development Association

2 April 1964 (signed) B. R. Sen

Director-General, Food and Agriculture Organization of the United Nations

STRICTLY CONFIDENTIAL

CP/FAO Transitional Arrangements

Draft Proposal

Objectives

The over-riding objective for the Bank is to move from a take or pay contract arrangement to a pay as you go, market based system. The need for a transitional arrangement stems from the the following;

i) the Cooperative Agreement between the Bank and FAO requires that the Bank pay compensation to staff affected in the event of termination of the Cooperative Agreement; An amount estimated to be $8.2 million.

ii) FAO is locked into a very tight budget situation for the next several years, which would virtually make it impossible to redeploy staff if the program were to be terminated without some assurance of continued funding.

iii) FAO needs some time to test the market to determine/develop the long term sustainability of an "advisory service"; and

iv) the Bank has considerable dependance on the continued existance of the capability within CP/FAO, at least for the next 2 to 3 years until work underway comes to fruition. The Cooperative program has also been used to leverage TCP funds available within FAO for project preparation by Governments. An estimated $0.5 million was tapped in conjunction with the preparation of Bank projects in 1993.

Transition Objectives

This draft proposal has been developed with the following points in mind;

i) that it should be budget neutral for the Bank.

ii) creates an incentive for FAO to move rapidly to a competitively based system for the supply of its services; and

iii) provides increasingly greater flexibility for Bank operational staff in contracting services.

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The Director-General

Rome 16. IV.1993

DG/93/295

Dear Mr. Preston,

I write to request clarification of your position on the future of the FAO/WB Cooperative Programme.

My Deputy, Mr. Hjort, received a communication from Mr. Rajagopalan on 13 April 1993, informing that the Bank does not wish to continue beyond 1 July 1994 its long-standing financial commitment made, a priori at the beginning of each biennium, to jointly finance the Cooperative Programme. At the same time, the communication expresses the wish to develop collaboration with all the programme departments of FAO.

I wish to inform you that Mr. Rajagopalan made no mention of Bank plans to discontinue the Cooperative Programme during his meeting with me on 19 March 1993; however, he so indicated to my Deputy immediately after our meeting.

This ambivalent communication is also confusing. If you in fact have taken a unilateral decision with respect to the Cooperative Programme, I need to know it specifically from you so that the resulting action can be planned and implemented with a minimum of disruption to the work we jointly undertake on behalf of our Member Nations. I would also appreciate knowing the reasons for your decision, as the FAO governing bodies would certainly wish to be informed of these.

Mr. Lewis Preston
President
The World Bank
Washington

Via delle Terme di Caracalla, 00100 - ROME Cable: FOODAGRI ROME Telex: 610181 FAO I Telephone: 57971

The non-guaranteed (fungible) portion of the FY94 base, ie 10% (FY95), 25% (FY96) and 50% (FY97) would be made available to the Agriculture Divisions as part of their general budget envelope. The balance would be maintained as a non-fungible component of the budget of individual agriculture divisions. The individual non-fungible divisional allocations would be made according to contracts initiated at the commencement of each FY for the transition period, with quarterly adjustments to be made by each Region among its agricultural divisions.

Additional Issues/questions

i) the above proposal is based on using 1994 as the base in current dollars. FAO would clearly want the base to be in constant dollars.

ii) if a transitional arrangement is to be agreed, ie to help FAO maintain an "advisory service", should not this be "in lieu of" the provisions of paragraph 6 of the Bank FAO Co-operative Agreement, or should the Bank's obligations ratchet down at a faster rate than proposed.

iii) what would be the nature of a new agreement or memorandum of understanding between the Bank and FAO. The IFAD/FAO agreement might provide a starting point for what the Bank would want, although any transitional arrangements would need to be added.

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The Director-General

Rome 25.VI.1993

DDC-DG/93/496

Dear Mr. Preston,

I wish to refer to your letter of 28 April, 1993, concerning the future of the FAO/World Bank Cooperative Programme.

I note your confirmation that the Bank has decided that the existing Cooperative Programme arrangement, as set out in the 1964 Memorandum of Understanding between our two institutions, needs to be fundamentally altered as from 1 July, 1994. Essentially, as we understand it, this would mean that Bank operating divisions would no longer be assigned, *a priori*, a fixed amount of services to be utilized under the Cooperative Programme. Consequently, in contrast to the present arrangement, no financial commitment to the Programme would be made by the Bank as a whole, at the beginning of each biennium.

As you will appreciate, such a situation could place FAO in an unacceptably exposed financial position vis-à-vis its Cooperative Programme establishment, which has been built up in agreement with Bank management over almost thirty years. I could not recommend to the forthcoming FAO Conference in November 1993 that FAO assume the entire financial risk of underwriting such a large unit, heretofore 75 percent cost-shared by the Bank, with no certainty as to its future viability in a demand-driven environment.

At the present time, there are some 62 Professional and 48 General Service posts established in the Cooperative Programme. Fifty-one of the staff hold "Continuing" contracts with FAO. Should their positions have

Mr. Lewis T. Preston
President
The World Bank
Washington

to be eliminated, they would be entitled, among other payments, to Terminal Indemnities. The approximate total costs, US$ 11.5 million, are indicated in detail in the enclosed table, of which we estimate a potential liability of the Bank of around US$ 8.2 million, in accordance with paragraph 6 of the current Memorandum of Understanding.

I would prefer that the Bank not take such a drastic course of action, especially at a time when our member countries continue to require the kinds of specialized advice and impartial assistance available through the Cooperative Programme, which has built up an impressive record of success in cooperating with the Bank in generating agricultural investment in developing countries. Renewed emphasis on government ownership and government responsibility for project preparation, and the need for flexible assistance for this, fits well with the kinds of supportive activities which FAO undertakes, and where it often has comparative advantage over alternative sources of such assistance.

At the most recent series of regular programming meetings between the Cooperative Programme's management and the Bank's corresponding Sector Operating Divisions, which took place from May 3 to 14 in Washington, an informal but systematic survey of all concerned divisions revealed a continuing strong demand for the Programme's services, even in the assumed absence of previously fixed allotments. Prospects for continuing collaboration would therefore appear to exist, though this would have to be verified by testing the market for longer term sustainability over a number of years. Such a transition period would also allow for any necessary adjustments in staffing to be made with a minimum of disruption. This would reduce the total costs which might be involved, and the Bank's related potential liability.

I believe it important that FAO and the Bank discuss, as early as convenient, the possibilities and necessary conditions for a changed, yet continuing and financially viable Cooperative Programme as from July 1994. In this connection, we would wish to explore with the Bank arrangements which could be contemplated to safeguard FAO, over a suitable period of time, against the financial risks involved.

As concerns access by the Bank to other parts of FAO, and *vice versa*, this is a matter which I consider most important in order to ensure a genuinely cooperative arrangement between our institutions. We intend to pursue the matter vigorously, on one hand through the better accessing of FAO's technical divisions through the Cooperative Programme if it is to continue, and on the other hand through specific joint activities in substantive and technical areas in which complementarity of action is clearly in the interests of member countries.

In this connection, I call to your attention paragraph 6 of the 1964 Memorandum of Understanding, by which the Cooperative Programme was established and which specifies the obligations of the Bank in the event that the arrangement is terminated by the Bank. The financial consequences associated with the termination of the Cooperative Programme staff, being verified, will be several million dollars.

The indication that the Bank wishes to terminate the FAO/World Bank Cooperative Programme, after 30 years of good experience and a well-trained staff complement of 62 professional and 51 general service, is clearly at odds with recent developments. Since receipt of Mr. Rajagopalan's letter of more than a year ago (12 March 1992), we have devoted considerable time and effort to the exploration of measures that could be taken to enhance collaboration, not reduce it.

Over the past year we noted with particular interest your statements concerning closer cooperation between the World Bank and the UN agencies, and closely followed developments in the Bank related to the preparation and discussion of the report "Effective Implementation: Key to Development Impact". The letter of March 1992, your statements and the report encouraged us to believe that there was a sincere desire on the part of the Bank to enhance cooperation and collaboration.

In particular, the conclusions of the Report led us to believe that the Bank would ensure a clearer separation between the preparation and appraisal of investment projects. We therefore suggested that the Bank consider an expansion in the capacity of the FAO Investment Centre so that it could prepare, in cooperation with our Member Nations, all the projects for Bank financing that fall within our mandate. Project appraisal for such projects would remain a Bank task. In addition to avoiding the conflict of interest associated with the Bank's preparing and appraising some projects, it was believed that the proposed approach would enhance the quality and impact of Bank projects in the broad field of food and agriculture, and facilitate the development of the capacity to prepare food, agriculture, forestry and fishery investment projects by our Member Nations.

These and related initiatives for enhanced collaboration between our Organizations, building on the strengths of our Cooperative Programme, would, I believe, lead to a more efficient and effective process for the identification and preparation of food and agriculture investment projects and to a higher payoff from such projects for the benefit of our Member Nations.

FYI

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

LEWIS T. PRESTON
President

April 28, 1993

Dr. Edouard Saouma
Director-General
Food and Agriculture Organization
Via delle Terme di Caracalla
00100 Rome
Italy

Dear Dr. Saouma:

Thank you for your letter of April 16, 1993, concerning the future of the FAO/World Bank Cooperative Program. I am pleased to respond to the questions raised in the letter.

Mr. Rajagopalan's letter to you of March 12, 1992, initiated a series of discussions with FAO staff with the objective of determining "how Bank-FAO collaboration can be further improved". Since then, Messrs. Rajagopalan and Petit have met with FAO staff to lay the groundwork for this improved collaboration. Mr. Hjort's visit to the Bank on July 30-31, 1992, served to better acquaint him with some of the problems with the Cooperative Program from the perspective of the Bank's operational staff. The minutes of that meeting, which were provided to FAO, clearly set forth the Bank's hope that it could draw upon the high quality expertise in the non-FAO/CP part of FAO and not to be limited solely to that routinely tapped through the Cooperative Program. The minutes further record that at the end of the meeting it was suggested that FAO might make proposals for improvement of collaboration between the Bank and FAO. While they have received no such written proposals to date, Messrs. Rajagopalan and Petit, during their recent visit to Rome, noted from their discussions with various Program Department representatives (many at the Assistant Director-General level) that increased collaboration appeared feasible.

It is indeed the case that after serious and careful consideration of the matter, we are of the view that the Cooperative Program as envisaged in 1964 needs to be fundamentally altered. A different arrangement needs to be devised, in a mutually satisfactory manner, that is more in line with the present day requirements of the Bank and its members and which can facilitate more effective future cooperation between our two organizations. The reason for this view is that there has been a growing tension between a more and more decentralized Bank, where many task managers are involved in decisions regarding Bank activities in individual countries and for various sectors, and an obligation for them to employ the resources of the Cooperative Program based on a financial commitment made by the Bank as a whole at the beginning of each biennium. This problem will be exacerbated, we believe, by the changes in our procedures and processes that we want to bring about as a follow-up to the Report on "Effective Implementation" quoted in your letter. We are indeed convinced that "government ownership" of the projects that we support is critical to their success. Given that the responsibility for preparation of projects must be shouldered by governments, Bank staff must be in a position to help in a flexible manner, responding quickly to changes in the specific circumstances of the situation. Such a role does not lend itself well to a formal arrangement for cooperation with a third party, involving a fixed division of labor planned and agreed to well in advance.

I would like to inform the Executive Directors of the Bank and IDA soon of the Bank's intention in this matter. But I want to make clear that I believe our member governments have much to gain from continued collaboration between our two organizations. That is why Mr. Rajagopalan suggested a systematic examination of this matter more than a year ago. With respect specifically to the FAO Investment Center, the Bank looks forward to continuing collaboration with the Center, albeit in a different manner than heretofore. Among other things, this collaboration will need to be organized more on the basis of constantly changing market demands and complemented by access to expertise in other parts of FAO.

There is still time to come to an understanding on the means for future collaboration well before July 1, 1994, so that the transition to a new arrangement can take place over a period of time. This would help minimize the personnel and financial consequences that are implied in the changes being proposed. We look forward to further discussion with FAO staff in the hopes of finding a mutually satisfactory arrangement for moving forward.

Sincerely,

(Signed) Lewis T. Preston

Lewis T. Preston
President

Cleared with and cc: Mr. Raj Krishna, LEGOP
cc: Messrs. S.Sandstrom, V. Rajagopalan, I. Serageldin, A. Choksi, M. Petit, and S. Lateef

Transition Formula

FY95: The Bank would undertake to compensate FAO for not less than 90% of the present (base) value of the Bank's contribution to the Cooperative Program ($10.6 million in 1994). Bank Operational Units would contract directly with "CP/FAO", the charges for services to be at a flat rate of $450/day (current FAO estimates) plus travel expenses. Payment would be from a non-fungible fund, equivalent to 90% of the present value of the Bank's contribution to the Cooperative Program.

FY96 The same procedure as for FY95 would be followed, except that the Bank would undertake to gaurantee contracts, up to the value of 75% of the FY94 base.

FY97 The same procedure as for FY95 would be followed, except that the Bank would undertake to guarantee contracts up to the value of 50% of the FY94 base.

FY98 There would be zero guarantee from the Bank.

Re: Paragraph 6 of the 1964 IBRD/FAO Agreement

(..."if..terminated by the Bank, the Bank will reimburse FAO for the financial consequences of cancelling personnel commitments entered into for the purpose of the co-operative program")

The Bank's obligations in respect of Paragraph 6 of the 1964 Cooperative Agreement would ratchet down at the same rate as for the guarantee contract level. However, the base against which such obligations would be determined, would be reduced annually over the "transition period" according to the number of staff employed by the FAO/Cooperative Program as of March 31,1993 (ref. Mr. Rajagapolan's letter formally advising FAO that the Bank would like to "change the modalities of (our) relationship with FAO.") minus i) the number of CP/FAO staff reaching the normal retirement age and ii) the number of staff whose fixed term contracts reach the expiry date in effect as of March 31,1993 (without allowance for extensions/renewals). Preliminary estimates of the Bank's obligations under the above are; FY95:$8.2m x 90% = $7.4m, and by FY97:$5m x 50% = $2.5m. (FAO is putting together the exact data).

The "transitional" process would be reviewed annually between the Bank and FAO in March of each year, commencing March 1995, at which time such matters as i) FAO charge-out rates for the coming FY would be determined, and ii) the prospects for the continued operation of the FAO "advisory service" would be reviewed in the light of the Bank's obligations under Paragraph 6 as described above.

Bank Budgetary Mechanisms

At this juncture, accordingly, I need a clear response from you as to your intentions regarding our Cooperative Programme. I need it both in order to set in motion the action for its eventual closure, if that is indeed your decision, and in order to make my proposals to the FAO governing bodies for our future work in this area.

My Outline Programme of Work and Budget for 1994-95 has already been considered by the Programme and Finance Committees. The Summary Programme of Work and Budget will be considered by these Committees in May and the FAO Council in June. Both these documents were prepared on the basis of a continuing Cooperative Programme.

I would appreciate having your response with respect to the future of the Cooperative Programme prior to the meeting of the Programme and Finance Committees scheduled for 11-20 May, so that the Committees and Council may be informed of the decision initiated by the World Bank, its implications for the Cooperative Programme and the proposals I would wish to submit in the context of FAO's Programme of Work and Budget for 1994-95.

In these circumstances, I would appreciate your giving this matter priority attention.

Yours sincerely,

Edouard Saouma

For the detailed discussions which I believe are now necessary on these matters, I wish to inform you that I am designating Mr. André Regnier, Assistant Director-General of FAO's Development Department, to undertake the appropriate contacts with Bank counterparts. He will be assisted in this by the new Director of the Investment Centre, Mr. David Forbes Watt, who brings to this task an intimate knowledge of FAO as a whole, as well as seven years' experience as a senior officer in the Cooperative Programme itself.

Yours sincerely,

Edouard Saouma

Attachment

ESTIMATED TERMINATION PAYMENTS
FAO/WB COOPERATIVE PROGRAMME

(as of 30 June, 1994)

Description	D and Prof. Posts	GS Posts	Total
	....	US$	
Termination Indemnity	2,284,958	1,367,717	3,652,675
Accrued Repatriation Grant	906,915	81,711	988,626
Accrued Annual Leave	747,128	241,014	988,142
Separation Payments for GS Staff		1,304,562	1,304,562
Sub-total	3,939,001	2,995,004	6,934,005
Salary Increments accrued by 30.06.94	196,950	149,750	346,700
Post Adjustment Factor	196,950	0	196,950
Salary Increase for GS Staff	0	149,750	149,750
Sub-total	393,900	299,500	693,400
Total Terminal Emoluments	4,332,901	3,294,504	7,627,405
Repatriation travel and removal of household goods			635,800
Reduction of staff in Divisional management			455,600
Reduction of management support staff			2,784,000
GRAND TOTAL			11,502,805

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The Director-General

Rome 19. I. 1994

DDC-DG/94/29

Mr. President,

Upon assuming responsibility as Director-General of FAO, I wish to confirm to you the importance which I attach to continuing strong cooperation between our two institutions in promoting investment in the food and agricultural sectors. This is an area to which I assign the highest priority, in particular to achieve greater food security and increased food production in food-deficit countries - as well as to open up viable and environmentally sustainable development opportunities in the rural sectors of our member states.

In almost 30 years, the Bank and FAO have cooperated in the preparation of over 550 approved agricultural investment projects, generating total investments of US$40 billion, of which US$28 billion has been advanced from Bank loans and IDA credits. A productive and efficient track record in such cooperation has been built up, which remains at a high level, and is unique within the United Nations system.

As you may know, the subject of FAO's cooperation with the Bank is currently under review, and I have already had very positive discussions about this in December with a number of your Vice-Presidents. In my view it will be important to continue to have efficient and predictable collaborative arrangements, which provide for a dynamic and constructive relationship between FAO and the Bank in meeting the critical agricultural investment challenges of the future.

In order to advance the discussions on this subject beyond the present informal exchanges, I have asked my Assistant Director-General for Development, Mr. A. Regnier, accompanied by the Director of the FAO Investment Centre, Mr. D. Forbes Watt, to visit Washington in the period 21-23 February, subject to your confirmation of the convenience of this date.

Mr. Lewis T. Preston
President
The World Bank
Washington D.C.

Based on the working level consultations held so far, Messrs. Regnier and Forbes Watt would exchange views with senior Bank officials, including in particular Mr. Serageldin, Vice Presidents of different regions and other senior officers concerned, on the framework and possible details of strengthened arrangements for FAO/World Bank cooperation, to enable an early conclusion of this outstanding issue and arrive at a long term joint programme.

I should also like to inform you that I look forward to visiting the Bank in the near future, in order to discuss the matter with you personally, as well as other areas of interest for our two organizations. I shall shortly be in touch with you about this visit, so that a mutually convenient date can be fixed.

Accept, Mr. President, the assurance of my high consideration.

Jacques Diouf

The World Bank
Washington, D.C. 20433
U.S.A.

ISMAIL SERAGELDIN
Vice President
Environmentally Sustainable Development

Mr. Jacques Diouf
Director-General
Food and Agriculture Organization
of the United Nations
Via Delle Terme di Caracalla
00100 Rome, Italy

March 4, 1994

Dear Jacques,

It was a real pleasure to meet you in your new responsibilities, and I would like to thank you for the especially warm welcome that you gave me and my colleagues at FAO. I look forward to seeing you when you come to Washington next week.

Allow me also to reiterate how happy I am that we have an agreement in principle on how to reinforce the cooperation between FAO and the World Bank. As I told you, we are delighted with the planned reorganization of FAO that would enable the Bank to benefit from a broader spectrum of FAO expertise. We, for our part, recognizing the strong wishes you expressed for some stability in the situation of the Cooperative program budget for FAO's transitional budget, the first under your leadership, have agreed to maintain the "guaranteed level" at the current level for the first year, FY95, and to move towards the new arrangements that would be more reflective of a "demand driven" approach only in the second year, FY96. That would mean that for FY96, the level of guaranteed budget would drop to 90%, tapering down thereafter in the next two years. Since the FAO budget is on a calendar year basis, this would de facto enable you to plan on a full 100% support for the first biennium, assuming that the first half of FY96 (which would be the last half of your second year of the biennium) would be at 100% and the second half would be at 80%, making an average of 90% for the year.

As you said, I am convinced that the experience of working with the reorganized FAO will probably increase the demand for the CP's services, and in all probability, this proposed reduction in the guaranteed level will not be activated. Nevertheless, this is the direction that we are moving to within the Bank itself, and it represents an essential part of the future philosophy of the Bank's management practices.

On the topic of the CGIAR, I would like to confirm that I do not wish to see the secretariat in Rome reduced, much less moved. I think it is essential to maintain and strengthen the links between the FAO and the CGIAR as well as those between the Bank and the FAO. I am therefore in the fullest accord with the position that you expressed to the visiting Oversight Committee members.

I look forward to seeing you during your visit to Washington.

With very best wishes,

Sincerely,

Ismail Serageldin
Vice President
Environmentally Sustainable Development

Food and Agriculture Organization of the United Nations

Liaison Office for North America

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Administration and
Personnel: 653-2398/9
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1001 22nd Street, Northwest
Washington, D.C. 20437

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8 March 1994

Dear Mr. Serageldin,

I would like to refer to your letter of 7 March to the Director-General, which he has asked me to reply to.

First, we are very pleased to note that FAO and the Bank share the same views on the question of the CGIAR. In particular, we look forward to cooperating with the Bank with a view to improving national research capacities in the developing countries.

As concerns the FAO/World Bank CP, we are appreciative of the Bank's intention to maintain the present strong level of cooperation, which, as you point out, may even increase in future. This would be in line with the active new approach to such collaboration taken by the Director-General in his proposals for restructuring FAO's technical cooperation.

We still think, however, that the idea of reducing the Bank's financial commitment to the CP to 80% by 1996 would not be in line with this new philosophy, or a revitalized partnership between the two institutions. Indeed, the best way to ensure that CP cooperation is demand-driven is by having a jointly-agreed programme for a full two-year period, in particular since we have responded to the Bank's main concern for greater access to FAO's expertise.

Mr. I. Serageldin
Vice President
Environmentally Sustainable Development
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

I am sure that these matters will be discussed further during the Director-General's visit to the Bank tomorrow.

Yours sincerely,

A. Regnier
Assistant Director-General
Development Department

TN

The World Bank
Washington, D.C. 20433
U.S.A.

ISMAIL SERAGELDIN
Vice President
Environmentally Sustainable Development

July 1, 1994

Mr. Jacques Diouf
Director General
FAO
Viale delle Terme di Caracalla
00100 Rome
Italy

Dear Mr. Diouf,

Further to our discussions, I am pleased to confirm that the World Bank plans to maintain the level of funding for its collaboration with FAO over the 1994-95 biennium at the FY94 level. Based on the joint work program developed during Mr. Forbes Watt's visit, the World Bank's specific budgetary allocation for project related activities under the traditional arrangements of the Cooperative Program for FY95 will be US$10,134,600. We are prepared to consider increased resources if demand from the Operational Divisions increases, and of course if FAO/CP is able to cope with such requests.

In addition, we would like to allocate US$525,000 to a new type of collaboration, in response to the wishes you have personally expressed. The opportunity we have in mind is a proposed IPM Facility and Trust Fund that staff of FAO, UNEP, UNDP and the World Bank are currently formulating in response to an earlier FAO request to expand the co-sponsorship of the Expert Panel on Integrated Pest Management. That Facility would assist in identifying and preparing investment opportunities to expand the uptake of IPM by facilitating the links with the technical expertise of FAO and others. We believe that such an arrangement could be a proto-type of the kind of collaboration we would like to foster between our Institutions.

In line with previous correspondence and discussions, the Bank is putting into place a budgetary process that would increasingly result in a more collaborative mechanism for developing agreements on joint work programs. The current financial arrangements whereby the Bank's budget allocation for FAO is largely incremental to Divisional budgets and non-fungible, does not provide the right incentives for developing the collaborative links that we are seeking to strengthen. Accordingly, we propose to gradually reduce the non-fungible FAO allocation in our budgetary process. By no later than July 1, 1998, we would expect that Bank financial contributions to our joint work program would come from normal budgetary resources of the Divisions, rather than from any special allocation for FAO. Over the same period, we would expect the staff liability provisions of the current Cooperative Program Agreement to also be eliminated. This will require changing the current agreement.

The new agreement should provide the framework for expanded collaboration on themes of joint interest, including greater professional level contact. We would also like to discuss practical modalities for joint programming of activities under this new collaboration.

I trust the above arrangements are satisfactory to you. At the same time we would welcome any additional suggestions you may have.

Yours sincerely,

Ismail Serageldin
Vice President
Environmentally Sustainable Development

Record Removal Notice

File Title	Barcode No.
President Wolfensohn - Briefing Book for President's Meetings and Events - Mr Jacques Diouf - September 27, 1996	30484970

Document Date	Document Type
26 April, 1994	Memorandum

Correspondents / Participants
To: Michel Petit
From: Andres Rigo, LEGOP

Subject / Title
World Bank/FAO Cooperative Agreement

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
S. Thompson	February 11, 2025

FAO file PL

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Assigned to: M.P.

Copied to: Rb. Smp

Re-assigned to:

Due – ESDVP:

Due – OUT:

File Title:

File Ref. No.: 94-01349

The Director-General

Rome 18.VIII 1994

DDC-DG/94/ 1069

Dear Mr. Serageldin,

I wish to respond to your letter of 1 July 1994, concerning the FAO/World Bank Cooperative Programme (CP) and the proposed new facility for Integrated Pest Management (IPM).

Regarding the CP, I welcome your confirmation that the Bank's budgetary allocation for FY95 will be close to previous levels at US$10,134,600, based on the joint work programme developed in April of this year. I also note that these resources could be increased should additional activities be agreed with Bank Operational Divisions, as is usually the case during the course of the financial year.

Concerning future CP arrangements, and in line with earlier correspondence, I am aware of the Bank's wish to move from the established system of *a priori* financial allocations for the joint programme to one where the resources for such work are drawn from the normal budgetary provisions of Bank units involved.

I share your view that the arrangement whereby the Bank's budget allocation for FAO is largely incremental to divisional budgets, is not adequate. I believe that a collaborative mechanism for developing agreements on a two-year joint work programme for review on a yearly basis, is more appropriate.

I am also convinced that such a new approach is compatible with a special global Bank allocation for FAO to provide the safety net for recruiting and maintaining the high-level permanent expertise available on request from the Bank. The non-fungible FAO allocation would therefore not be imposed on divisions at a fixed ratio and the staff liability provisions of the current Cooperative Programme Agreement would not need to be changed.

Mr. Ismail Serageldin
Vice President
Environmentally Sustainable Development
The World Bank
Washington D.C.

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ESD
VP'S OFFICE

I am confident that such an arrangement would be mutually beneficial, given the common commitment to broaden and intensify collaboration between our two Organizations to achieve the shared goal of increasing resource flows for sustainable food and agricultural development activities.

Finally, concerning the envisaged multi-agency IPM Facility and Trust Fund, I welcome your indication that the Bank would be willing to allocate some US$525,000 to assist in identifying and preparing investment opportunities to promote the uptake of IPM technologies in our member countries. I strongly support this type of collaborative effort towards which FAO can make a very substantial contribution.

Yours sincerely,

Best regards.

Jacques Diouf

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

January 24, 1995

Mr. A. Regnier
Assistant Director-General
FAO
Via della Terme di Caracalla
00100 Rome, Italy

Dear Mr. Regnier,

As a follow-up to the letter from Mr. Diouf of August 18, 1994 responding to the proposals we have been discussing for modifying the financial arrangements of the Cooperative Program between the Bank and FAO, I would like to raise several points for discussion. Indeed I plan to be in Rome on February 13 and 14, 1995, and would very much like to meet with you if you are available.

We particularly welcome the joint work programming approach suggested by Mr. Diouf in his letter. Indeed it is our feeling that there has already been an increase in the level of collaboration and professional contacts between our institutions e.g., in regards to FAO's execution of the Bank's Emergency Grant for Rwanda, the joint work programming being planned for Africa, and work on establishing the IPM Facility.

With regard to the financial changes proposed for our Cooperative Agreement, the Bank will be reducing the non-fungible or "guaranteed" level of funding to FAO over the next three fiscal years, and phase out this system completely by FY99 (i.e., from July 1, 1998). Over the same period, we would strive to strengthen the linkages between our two institutions and to put into place joint work programming mechanisms. As you will appreciate, the Bank's budget planning exercise for FY96 and beyond provides for a decrease in the administrative budget (a 6.5% reduction in FY96). The non-fungible budget allocation for FAO will also be affected by that budget cut. For planning purposes, therefore, it could be anticipated that for FY96, the guaranteed level of payment to FAO would be 90% of the budgeted amount, i.e., around US$8.5 million.

With regard to the suggestion for a global Bank allocation for FAO to provide a safety net for recruiting and maintaining high-level permanent expertise available on request from the Bank, we feel that FAO should bear the full responsibility for the size, quality and availability of its staff, and that it would not be appropriate for the Bank to continue to provide such a safety net. It is in this context that we wish to change the current

Cooperative Program Agreement, such that all staff liabilities are eliminated by July 1, 1998. Indeed, we would like to initiate the drafting of a new Cooperative Arrangement between the Bank and FAO, based on the mutually agreed principles of collaboration that have been discussed.

I look forward to being able to met with you in February to discuss these matters further.

Sincerely,

AFMcCalla

Alex McCalla
Director
Agriculture and Natural Resources Department

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: June 20, 1995

TO: Mr. Ismail Serageldin, ESDVP

THROUGH: Alex F. McCalla, AGR

FROM: Douglas Forno, AGRTN

EXTENSION: 39406

SUBJECT: **FAO: Proposed Letter and Changes in Cooperative Agreement**

The attached letter is being sent to you in draft to seek your guidance as to whether we should again try to formalize the changes in the financial arrangements under the Cooperative Agreement. (Refer particularly to the third paragraph of the draft letter). The Legal Department and PBD are generally in agreement with the proposal to proceed with an amendment and we would seek their clearance of the proposed wording once your views are known.

The last letter received from Mr. Diouf (attached for reference) was August 18,1994, wherin he acknowledged the Bank's desire to change the financial arrangements, but asked for a "safety-net for recruiting and maintaining high-level permanent expertise available on request from the Bank". We responded to Mr. Regnier on January 24,1995 saying no to the safety-net and setting out the financial arrangements we planned to introduce. There has been no reply to that letter from FAO but subsequent work programming and budgeting arrangements by FAO and the Bank have followed the course laid out in our last letter.

An issue would be how the proposed draft letter would be perceived in light of the two-year breathing space I understand Mr. Diouf had requested i.e., through December 31,1995. The proposal, however, is to keep the broad principles of the Cooperative Agreement and to only change those sections dealing with personnel and financial arrangements. Note that in para. 5 of the proposed modified agreement, (see highlighted area), wording is proposed that does allow us to review the arrangements in the spirit of maintaining the broad collaboration between FAO and the Bank. For FY96, Bank Divisions have only CAMED FAO to the level of their non-fungible budget allocation. To what extent they will ratchet down their use of CP/FAO as the non-fungible allocation goes down remains to be seen. We will, however, be monitoring actual usage closely to gauge demand for CP/FAO along with their cost-effectiveness.

Attachments:

The World Bank
TERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
'ERNATIONAL DEVELOPMENT ASSOCIATION

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June 6, 1995

Mr. Jacques Diouf
Director-General
FAO
Via della Terma di Caracalla
00100 Rome, Italy

DRAFT

Dear Jacques,

I am pleased to confirm that the World Bank budget allocation for FAO in FY96 under the Cooperative Program will be US$8.408 million, in line with our most recent communication to Mr. Regnier (refer to letter from Mr. McCalla of January 24, 1995). Following the May, 1995 visit by Messrs. Forbes Watt and Section Chiefs, requests for FAO services remain strong at about 88% of the aggregate level of requests in FY95, i.e., before the change in the financial arrangements to begin putting the system on a more demand driven basis. The balance of funds, i.e. the difference between the FY96 figure and that of FY95 (US$10.1m) is to be returned to the regions as a fungible element of their budgets, except that, in line with our earlier communications, we have provided for US$ 0.5 m for the IPM Facility.

With regard to the overall level of collaboration between our two institutions, I believe there has been a significant improvement over the past 18 months. Some key areas in which mutual interests exist and where closer professional ties are being forged are in soil fertility management especially Land Quality Index work, pest management, IPM and locust control, forest management issues, irrigated agronomy, food and nutrition policy work, and the food security issues in Africa with which you have been personally very involved. We would like to continue strengthening the institutional and professional linkages and will continue to encourage Bank staff to do so.

In light of the above, the 1964 Cooperative Program Memorandum of Understanding between our two Institutions continues to embody the key elements of the broad based collaboration that we are seeking to strengthen. We would, however, propose some modification in sections of the Agreement referring to the financial arrangements and the implications on personnel in line with the changes we have been discussing. Accordingly, please find attached proposed modifications of paragraphs 3 through 6 of the Cooperative Program Agreement on which we would like to reach agreement with FAO in the near future. We would be pleased to schedule a mission from the Bank to discuss the proposed changes at your convenience.

I look forward to your views on the above and to our continued close collaboration.

Yours sincerely,

Ismail Serageldin
Vice President
Environmentally Sustainable Development

Proposed Modifications to:

Memorandum of Understanding with respect to Working Arrangements between the Food and Agriculture Organization of the United Nations and the International bank for reconstruction and Development Association

The following modifications are proposed:

3. Personnel

Para 1, delete last sentence < FAO and the Bank..........staff to the team>

Para 2, delete part of first sentence < although it will......with the co-operative program>

4. Financial Arrangements

Replace sub-paras (a) through (h) with the following;

Beginning January 1, 1994, transitional arrangements have been agreed in line with the World Bank's shift to dollar budgeting. Accordingly, the financial arrangements as set forth in the 1964 Memorandum of Understanding have been modified to provide for a transition from previous arrangements whereby the size, financial contribution and personnel implications of the World Bank's Program with FAO was agreed annually, to a more demand driven system in which World Bank operational divisions agree separately with FAO units on work programs and the financial arrangements for such. The new arrangement provides for the following;

(a) For the period of the transition, i.e., through June 30, 1998, the World Bank budget allocation for FAO would comprise both fungible and non-fungible components, with the proportion of the non-fungible component, that which constitutes a guaranteed payment to FAO, decreasing annually from being 100% non-fungible in FY 94, to 90% in FY95, 75% in FY 96, 50% in FY 97 and 0% in FY 98 and thereafter. Fungible components of the World Bank budget allocation for FAO would be made available as part of the Regional general administrative budget allocations.

(b) Beginning July 1, 1994, FAO and the World Bank would, by June 30 of each year, agree on a fixed-cost per staff week to be paid by the World Bank as its contribution to the cost of the Cooperative Program.

(c) FAO will record time spent in carrying out the Cooperative Program using World Bank task codes and agree on a procedure with the World Bank for the timely electronic transfer of such. Payment by the World Bank to FAO would be administered centrally and would be made on a monthly basis against such time recording by FAO.

(d) Around May and November of each year, FAO and the World Bank will conduct a review of work programs at the operational unit level to agree on, or revise as necessary, work programs for the Cooperative Program. Such work programs may, however, be subject to change from time to time, through a process of consultation and agreement between the respective operational units within FAO and the World Bank.

5. Relations with other Agencies

Delete this section

5. (new) Modification and Termination

These Working Arrangements may be modified or supplemented at any time by mutual agreement between the two organizations. Each organization may, after a reasonable notice, terminate the arrangements. However, in the spirit of maintaining the long-standing Cooperative Program while at the same time broadening the collaboration between the World Bank and all units in FAO, it is agreed that FAO and the World Bank will monitor the implementation of the revised Working Arrangements and seek to introduce further modifications as may be necessary to maintain and strengthen the collaboration between the two organizations.

6. Effectuation of the Arrangements

The modified Working Arrangements will become operative on an interim basis when this amendment to the Memorandum of Understanding is signed by the Director-General of FAO and the President of the World Bank, but the continuation thereof will be subject to the approval of the Boards of Governors in the case of the bank and IDA, and of the Council in the case of FAO.

MEMORANDUM OF UNDERSTANDING WITH RESPECT TO WORKING ARRANGEMENTS BETWEEN THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION

FAO and the Bank * have for many years been co-operating on an ad hoc basis on matters of common concern. Now that the Bank intends to put more emphasis than hitherto on schemes for improvement of agricultural production, which are of equal concern to FAO, this co-operation will have to be intensified. It accordingly appears desirable both to FAO and the Bank that working arrangements be agreed upon setting forth the principles to govern such co-operation.

These working arrangements, as agreed upon by the Director-General of FAO and the President of the Bank, subject to the approvals specified in paragraph 7 hereof, are as follows:

1. <u>The Co-operative Program</u>

FAO and the Bank will co-operate together in the following fields:

(a) Assisting countries of common membership in the identification and preparation of agricultural projects of types which fall within the framework of the economic development objectives and general policies of the Bank and FAO and which the Bank is willing to consider for financing (including projects for agricultural education falling within FAO's field of responsibility).

(b) Appraising projects of the foregoing types.

(c) Providing end-use supervision of the execution and operation of Bank-financed projects.

(d) Arranging for technical assistance required for the implementation of Bank-financed projects.

Assistance to Member Governments in agricultural planning is recognized as an important foundation for investment programs in the long term. Insofar as this type of activity is carried out by FAO as part of its Regular or other programs, it is the sole responsibility of FAO. However, in cases agreed with the Bank where FAO carries out this type of activity at the request of the Bank or in co-operation with the Bank, the activity will be part of the co-operative program.

2. <u>Allocation of Functions within the Co-operative Program</u>

(a) <u>Assistance to Governments in Identification and Preparation of Projects</u>

(i) <u>At FAO initiative</u>

FAO will bring to the notice of the Bank projects which appear suitable for Bank financing arising from FAO's activities, whether under its Regular or other programs. The Bank will advise FAO whether such projects are prima facie suitable for consideration for financing, and if so, what further action, if any, needs to be taken in order to prepare such projects for appraisal. Moreover, where, in the course of its own activities, FAO wishes the assistance of the Bank in determining whether a project is likely to qualify for Bank or other external financing, or what further steps are necessary to prepare it for appraisal, the Bank will provide such assistance.

* All references in this memorandum to the Bank shall be taken to include both the Bank and the International Development Association.

WS/69324

assuming staff resources permit, either by way of review of the project at Bank headquarters or by participating in the field work.

(ii) At Bank initiative

The general survey missions organized by the Bank may include among their functions the identification of promising projects in various sectors. The Bank normally look to FAO to provide, as part of the co-operative program, staff members or consultants to serve as advisers to such missions. These advisers will participate in defining priority fields and major projects for investment in agriculture in the framework of over-all development objectives. Missions of this type will be briefed by both the Bank and FAO and both organizations will review and comment upon the draft reports of such missions. In addition to these general survey missions, the Bank periodically sends smaller missions to a member country to review the country's economic situation and to assess the possibilities for Bank financing. Such economic missions usually make a preliminary selection among projects submitted by the government, and may sometimes suggest that the government work up a specific project for Bank consideration. The Bank will advise FAO of all such missions on which it is proposed to include an agricultural member, and will normally arrange for such missions to consult with FAO with regard to agricultural investment priorities and possible projects. In agreed cases, FAO will provide, as part of the co-operative program, a staff member or consultant to serve as agricultural adviser to such a mission.

Where, in the opinion of the Bank, a project not yet ready for appraisal is sufficiently promising to warrant further preparation, and the government in question has requested assistance in such preparation, FAO will normally provide such assistance as part of the co-operative program.

(iii) General

In all work connected with the identification and preparation of projects falling under the co-operative program, FAO and the Bank will maintain continuing consultation in order that they may agree on a work program and on the priorities to be assigned to different projects, and in order to minimize the possibilities of substantive disagreement. The support of headquarters facilities will at all times be given to Bank and FAO staff and consultants engaged in work under the co-operative program.

(b) Appraisal of Projects

The Bank will be responsible for the appraisal of projects, upon the basis of which its financing decisions are made. However, at the request of the Bank, FAO will provide, as part of the co-operative program, staff members or consultants to serve as agricultural advisers on Bank appraisal missions.

(c) End-Use Supervision of Bank-Financed Projects

The Bank will be responsible for the disbursement of funds and the end-use supervision of the construction and maintenance of physical facilities, and to this end will be responsible for such review as may be appropriate of the specifications, bids and awards of contracts, and for whatever inspections of the project are necessary in this connection. FAO will, in cases agreed with the Bank, assume responsibility as part of the co-operative program to ascertain, both through field inspections and through review of periodic reports and to advise the Bank whether the agricultural objectives of the project are being achieved, and in particular whether the obligations undertaken by the borrower in this regard are being fulfilled. The results of FAO's end-use work in the agricultural aspects of Bank-financed projects will be made available to the Bank and, in the event that representations to the borrower should be necessary on agricultural matters, FAO and the Bank will consult together on how they might best be made.

(d) Technical Assistance in Project Implementation

In cases agreed with the Bank, FAO will provide or arrange for, and will exercise appropriate supervision over, technical assistance required for the direct implementation of a Bank-financed project.

3. Personnel

It is agreed that the co-operative program requires a team of specialized personnel of high calibre within the FAO secretariat which can devote itself continuously to this work (hereafter referred to for purpose of this Memorandum as "FAO team"). The Director-General of FAO will therefore make provision for such a team to be established as an identifiable group within the FAO secretariat. FAO and the Bank will agree from time to time on the appropriate size of the FAO team and on the types and classifications of positions to be included within the team, and the Director-General of FAO will consult with the Bank on the appointment of professional staff to the team.

The FAO team, although it will be devoted full time to work in connection with the co-operative program, will be an integral part of the FAO secretariat and will operate under the exclusive authority of the Director-General of FAO. Both FAO and the Bank agree that it is desirable that the hard core of the team should to the greatest possible extent be composed of existing FAO staff members. However, it is recognized that for a variety of reasons new staff and ad hoc consultants will be necessary, both in the initial phases of co-operation and as the program expands, although generally maximum care will be taken to secure continuity in employment. It is also recognized that it will be necessary and desirable from time to time to use FAO staff members outside the team for purposes of the co-operative program.

In cases where FAO intends to appoint an outside consultant to serve as agricultural adviser to a Bank mission, or to provide technical assistance in the implementation of a Bank-financed project, it will consult with the Bank as to the person to be appointed.

4. Financial Arrangements

(a) Subject to the qualifications set forth below, the direct costs of FAO in connection with agreed work under the Program, including salaries, allowances and other benefits and travel costs of the FAO team, of outside consultants and of other FAO staff members assigned to such work, will, until December 31 1965, be shared equally by FAO and the Bank up to a ceiling figure to be fixed from time to time by agreement between the two organizations.

(b) The travel and subsistence expenses of FAO staff members and consultants, while serving as members of Bank appraisal, general survey or other missions, will be borne or provided for by the Bank.

(c) FAO will pay for invisible overhead costs, including space, and for identifiable indirect costs (except as provided in sub-paragraphs (d) and (e)) involved in its participation in the co-operative program.

(d) The Bank will bear the cost of document reproduction and translation undertaken by FAO in agreement with the Bank.

(e) The cost of technical assistance directly required for the implementation of Bank-financed projects, including an amount for FAO's estimated administrative costs in arranging for such technical assistance in cases agreed with the Bank, will be paid for out of the proceeds of the financing or will be otherwise met by the Bank. The amount for estimated administrative costs will be 12 percent of the direct cost of such technical assistance, except where technical assistance is provided under contract between FAO and some outside entity, in which event the amount will be fixed by agreement between FAO and the Bank.

(f) It is recognized that the calendar years 1964 and 1965, which comprise FAO's present budgetary biennium, are a transitional period during which FAO's contribution is limited by its existing budget. For those years, the agreed ceiling figure for purposes of sub-paragraph (a) above, to be shared equally by the two organizations, will be $400,000 for the biennium. FAO's costs in excess of this amount will be met by the Bank, provided that FAO will not incur or commit itself to incur costs in excess of $800,000 (the presently estimated cost of the co-operative program) during the biennium without the prior approval of the Bank.

(g) Continuation of the Program beyond December 31, 1965, will be subject to mutual agreement in the light of experience and to the decision of FAO's 1965 Conference. If the Program is continued the direct costs of FAO for agreed work under the Program as defined in sub-paragraph (a) shall be shared in the proportion of 25 percent by FAO and 75 percent by the Bank, subject to the qualifications set forth in sub-paragraphs (b), (c), (d) and (e).

(h) The Bank and FAO will agree on the procedures for payment of funds from the Bank to FAO, and for accounting to the Bank by FAO, in connection with the co-operative program, including if possible provision for a working fund out of which the expenses of the program can be met.

5. Relations with other Agencies

Where the Bank looks to any outside agency for assistance in connection with agricultural projects, that agency will normally be FAO. However, there may be cases where, because of the type of project involved or because of special circumstances, it would be appropriate and desirable for the Bank to look to some other agency, public or private, to perform some or all of the functions which FAO would ordinarily perform under these Working Arrangements. It is agreed that in all such cases the Bank will consult FAO on the action it proposes to take. It is also agreed that the Bank will not subject FAO's advice on agricultural matters within its competence and covered by the co-operative program to review by any outside agency.

6. Modification and Termination

These Working Arrangements may be modified or supplemented at any time by mutual agreement between the two organizations. Each organization may, after reasonable notice, terminate the arrangements, provided that, if they are terminated by the Bank, the Bank will reimburse FAO for the financial consequences of cancelling personnel commitments entered into for purposes of the co-operative program.

7. Effectuation of the Arrangements

The Working Arrangements will become operative on an interim basis when this Memorandum of Understanding is signed by the Director-General of FAO and the President of the Bank, but the continuation thereof will be subject to the approval of the Boards of Governors in the case of the Bank and IDA, and of the Council in the case of FAO. It is contemplated that the necessary approvals will authorize payment by the Bank to FAO retroactively to 1 March 1964 of expenses incurred for purposes of the co-operative program which would have been eligible for payment if these Working Arrangements had been effective on that date.

30 March 1964 (signed) George D. Woods

President, International Bank for Reconstruction and Development and International Development Association

2 April 1964 (signed) B. R. Sen

Director-General, Food and Agriculture Organization of the United Nations

FAO file PDF

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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January 24, 1995

Mr. A. Regnier
Assistant Director-General
FAO
Via della Terme di Caracalla
00100 Rome, Italy

Dear Mr. Regnier,

As a follow-up to the letter from Mr. Diouf of August 18, 1994 responding to the proposals we have been discussing for modifying the financial arrangements of the Cooperative Program between the Bank and FAO, I would like to raise several points for discussion. Indeed I plan to be in Rome on February 13 and 14, 1995, and would very much like to meet with you if you are available.

We particularly welcome the joint work programming approach suggested by Mr. Diouf in his letter. Indeed it is our feeling that there has already been an increase in the level of collaboration and professional contacts between our institutions e.g., in regards to FAO's execution of the Bank's Emergency Grant for Rwanda, the joint work programming being planned for Africa, and work on establishing the IPM Facility.

With regard to the financial changes proposed for our Cooperative Agreement, the Bank will be reducing the non-fungible or "guaranteed" level of funding to FAO over the next three fiscal years, and phase out this system completely by FY99 (i.e., from July 1, 1998). Over the same period, we would strive to strengthen the linkages between our two institutions and to put into place joint work programming mechanisms. As you will appreciate, the Bank's budget planning exercise for FY96 and beyond provides for a decrease in the administrative budget (a 6.5% reduction in FY96). The non-fungible budget allocation for FAO will also be affected by that budget cut. For planning purposes, therefore, it could be anticipated that for FY96, the guaranteed level of payment to FAO would be 90% of the budgeted amount, i.e., around US$8.5 million.

With regard to the suggestion for a global Bank allocation for FAO to provide a safety net for recruiting and maintaining high-level permanent expertise available on request from the Bank, we feel that FAO should bear the full responsibility for the size, quality and availability of its staff, and that it would not be appropriate for the Bank to continue to provide such a safety net. It is in this context that we wish to change the current

Cooperative Program Agreement, such that all staff liabilities are eliminated by July 1, 1998. Indeed, we would like to initiate the drafting of a new Cooperative Arrangement between the Bank and FAO, based on the mutually agreed principles of collaboration that have been discussed.

I look forward to being able to met with you in February to discuss these matters further.

Sincerely,

A. McCalla

Alex McCalla
Director
Agriculture and Natural Resources Department

cc: Mr. I. Serageldin

FAO file PS

Vw 12/1

DDC-DG/94/1069
UN 12/1; BK 101/2

12.VIII.1994

Dear Mr. Serageldin,

I wish to respond to your letter of 1 July 1994, concerning the FAO/World Bank Cooperative Programme (CP) and the proposed new facility for Integrated Pest Management (IPM).

Regarding the CP, I welcome your confirmation that the Bank's budgetary allocation for FY95 will be close to previous levels at US$10,134,600, based on the joint work programme developed in April of this year. I also note that these resources could be increased should additional activities be agreed with Bank Operational Divisions, as is usually the case during the course of the financial year.

Concerning future CP arrangements, and in line with earlier correspondence, I am aware of the Bank's wish to move from the established system of *a priori* financial allocations for the joint programme to one where the resources for such work are drawn from the normal budgetary provisions of Bank units involved.

I share your view that the arrangement whereby the Bank's budget allocation for FAO is largely incremental to divisional budgets, is not adequate. I believe that a collaborative mechanism for developing agreements on a two-year joint work programme for review on a yearly basis, is more appropriate.

I am also convinced that such a new approach is compatible with a special global Bank allocation for FAO to provide the safety net for recruiting and maintaining the high-level permanent expertise available on request from the Bank. The non-fungible FAO allocation would therefore not be imposed on divisions at a fixed ratio and the staff liability provisions of the current Cooperative Programme Agreement would not need to be changed.

Mr. Ismail Serageldin
Vice President
Environmentally Sustainable Development
The World Bank
Washington D.C.

I am confident that such an arrangement would be mutually beneficial, given the common commitment to broaden and intensify collaboration between our two Organizations to achieve the shared goal of increasing resource flows for sustainable food and agricultural development activities.

Finally, concerning the envisaged multi-agency IPM Facility and Trust Fund, I welcome your indication that the Bank would be willing to allocate some US$525,000 to assist in identifying and preparing investment opportunities to promote the uptake of IPM technologies in our member countries. I strongly support this type of collaborative effort towards which FAO can make a very substantial contribution.

Yours sincerely,

Jacques Diouf
(Director-General)