

first fiscal year of IFAD was submitted to the Council through the Executive Board. The Council adopted the budget, including a special contingency element of 7 per cent, bringing the total

amount to \$6,535,000 for 1978. Total initial resources of IFAD for financing agricultural projects and programmes amounted to \$1,022,145,591, the amount of initial contributions.

Annex I. AGREEMENT ESTABLISHING THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

(Entered into force on 30 November 1977)

PREAMBLE

Recognizing that the continuing food problem of the world is afflicting a large segment of the people of the developing countries and is jeopardizing the most fundamental principles and values associated with the right to life and human dignity;

Considering the need to improve the conditions of life in the developing countries and to promote socio-economic development within the context of the priorities and objectives of the developing countries, giving due regard to both economic and social benefits;

Bearing in mind the responsibility of the Food and Agriculture Organization of the United Nations within the United Nations system, to assist the efforts of developing countries to increase food and agricultural production, as well as that organization's technical competence and experience in this field;

Conscious of the goals and objectives of the International Development Strategy for the Second United Nations Development Decade and especially the need to spread the benefits assistance to all;

Bearing in mind paragraph (f) of part 2 ("Food") of Section I of General Assembly resolution 3202(S-VI) on the Programme of Action on the Establishment of a New International Economic Order;

Bearing in mind also the need for effecting transfer of technology for food and agricultural development and Section V ("Food and Agriculture") of General Assembly resolution 3362(S-VII) on development and international economic co-operation, with particular reference to paragraph 6 thereof regarding the establishment of an International Fund for Agricultural Development;

Recalling paragraph 13 of General Assembly resolution 3348(XXIX) and resolutions I and II of the World Food Conference on the objectives and strategies of food production and on the priorities for agricultural and rural development;

Recalling resolution XIII of the World Food Conference which recognized:

- (i) the need for a substantial increase in investment in agriculture for increasing food and agricultural production in the developing countries;
 - (ii) that provision of an adequate supply and proper utilization of food are the common responsibility of all members of the international community; and
 - (iii) that the prospects of the world food situation call for urgent and co-ordinated measures by all countries;
- and which resolved:

that an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries;

The Contracting Parties have agreed to establish the International Fund for Agricultural Development, which shall be governed by the following pro-

Article 1 Definitions

For the purposes of this Agreement the terms set out below shall have the following meaning, unless the context otherwise requires:

- (a) "Fund" shall mean the International Fund for Agricultural Development;
- (b) "food production" shall mean the production of food including the development of fisheries and livestock;
- (c) "State" shall mean any State, or any grouping of States eligible for membership of the Fund in accordance with Section 1 (b) of Article 3;
- (d) "freely convertible currency" shall mean:
 - (i) currency of a Member which the Fund determines, after consultation with the International Monetary Fund, is adequately convertible into the currencies of other Members for the purposes of the Fund's operations; or
 - (ii) currency of a Member which such Member agrees, on terms satisfactory to the Fund, to exchange for the currencies of other Members for the purposes of the Fund's operations.

"Currency of a Member" shall, in respect of a Member that is a grouping of States, mean the currency of any member of such grouping;

(e) "Governor" shall mean a person whom a Member has designated as its principal representative at a session of the Governing Council;

(f) "votes cast" shall mean affirmative and negative votes.

Article 2 Objective and functions

The objective of the Fund shall be to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States. In fulfilling this objective the Fund shall provide financing primarily for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies, taking into consideration: the need to increase food production in the poorest food-deficit countries; the potential for increasing food production in other developing countries; and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives.

Article 3 Membership

Section 1—Eligibility for membership

(a) Membership of the Fund shall be open to any State member of the United Nations or of any of its specialized agencies, or of the International Atomic Energy Agency.

(b) Membership shall also be open to any grouping of States whose members have delegated to it powers in fields falling within the competence of the Fund, and which is able to fulfil all the obligations of a Member of the Fund.

Section 2—Original Members and non-original Members

(a) Original Members of the Fund shall be those States listed in Schedule I, which forms an integral part of this Agreement, that become parties to this Agreement in accordance with Section 1 (b) of Article 13.

(b) Non-original Members of the Fund shall be those other States that, after approval of their membership by the Governing Council, become parties to this Agreement in accordance with Section 1 (c) of Article 13.

Section 3—Classification of Members

(a) Original Members shall be classified in one of three categories: I, II or III as set forth in Schedule 1 to this Agreement. Non-original Members shall be classified by the Governing Council, by a two-thirds majority of the total number of votes, with the concurrence of such Members, at the time of the approval of their membership.

(b) The classification of a Member may be altered by the Governing Council, by a two-thirds majority of the total number of votes, with the concurrence of that Member.

Section 4—Limitation of liability

No Member shall be liable, by reason of its membership, for acts or obligations of the Fund.

Article 4 Resources

Section 1—Resources of the Fund

The resources of the Fund shall consist of:

- (i) initial contributions;
- (ii) additional contributions;
- (iii) special contributions from non-member States and from other sources;
- (iv) funds derived from operations or otherwise accruing to the Fund.

Section 2—Initial contributions

(a) Each original Member in category I or II shall, and any original Member in category III may, contribute to the initial resources of the Fund the amount expressed in the currency specified in the instrument of ratification, acceptance, approval or accession deposited by that State pursuant to Section 1 (to) of Article 13.