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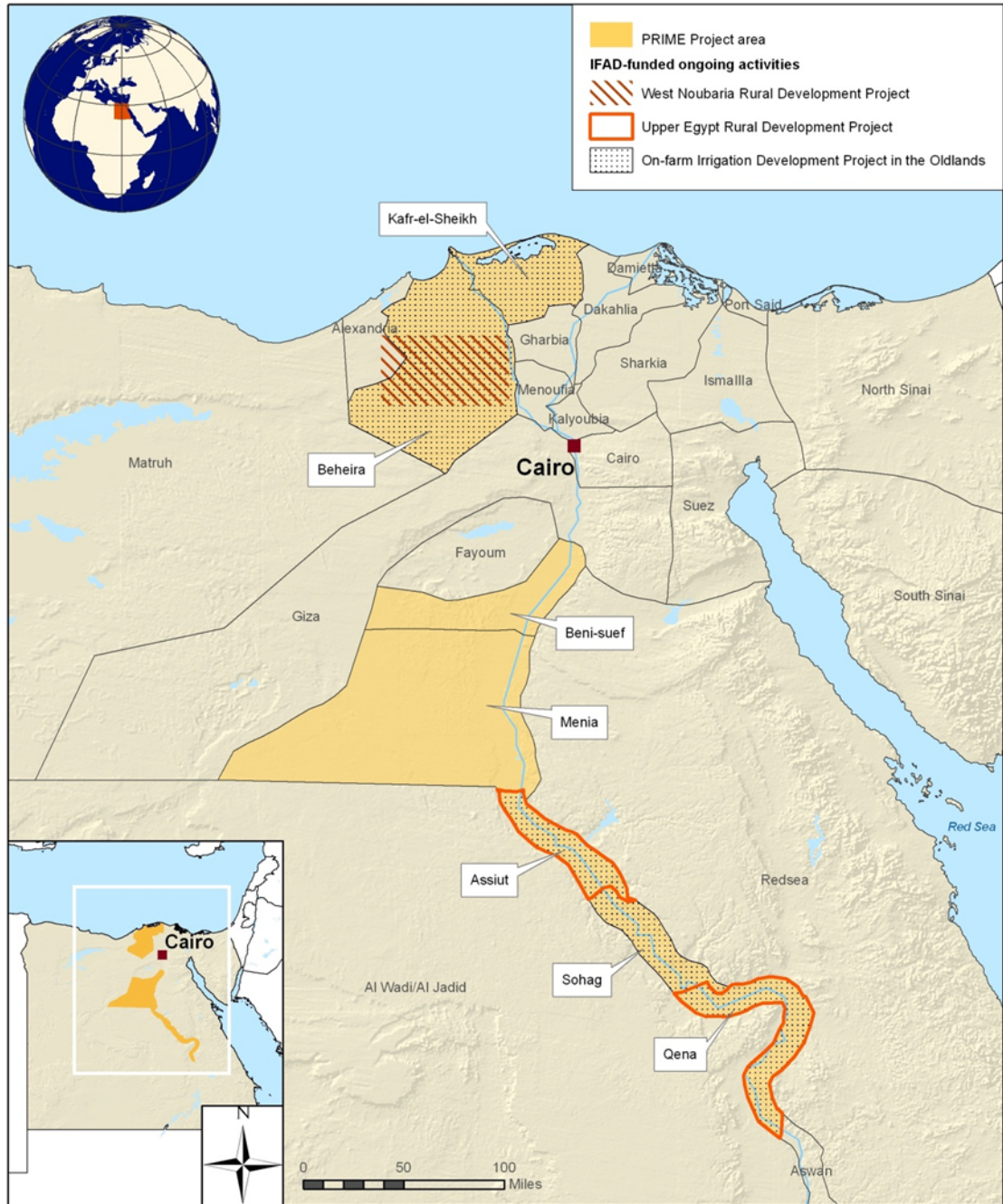
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Negotiated financing agreement: " Promotion for Rural Incomes through Market Enhancement Project "

(Negotiations concluded on 1 December 2011)

Loan Number: _____

Grant Number: _____

Project title: Promotion of Rural Incomes through Market Enhancement Project (the "Project")

The Arab Republic of Egypt (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") constitute an integral part of this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1.
 - A. The amount of the Loan is SDR 44 140 000.
 - B. The amount of the Grant is SDR 630 000.
2. The Loan is granted on intermediate terms as defined in Section 5.01(c) of the General Conditions.
3. The Loan Service Payment Currency shall be the US Dollar.
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal and interest shall be payable on each 1 March and 1 September.
6. The Borrower/Recipient has designated its Ministry of Finance for the purpose of handling, on behalf of the Borrower/Recipient, debt service payments with respect to the Loan and in accordance with this Agreement.

7. There shall be three Project Accounts for the benefit of the National Project Coordination Unit (NPCU), the Agricultural Research and Development Fund (ARDF), and the Social Fund for Development (SFD) in banks proposed by the Borrower/Recipient and acceptable to the Fund.

8. The Borrower/Recipient shall provide counterpart financing for the Project in accordance with the AWPB in cash and in kind.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Land Reclamation.

2. The following are designated as additional Project Parties: the Agricultural Research Centre (ARC), Agricultural Research and Development Fund (ARDF), and Social Fund for Development (SFD).

3. The Project Completion Date shall be the eighth anniversary of the date of entry into force of this Agreement, which, in accordance with Section 13.01 of the General Conditions, is the date when both the Fund and the Borrower/Recipient have signed it.

Section D

The Loan shall be administered and the Project supervised by the Fund.

Section E

1. The following is designated as additional general condition precedent to withdrawal: a Framework for Collaboration Agreement between the National Project Coordination Unit and the Project Parties shall have been finalized, in accordance with Schedule 1 paragraph 6 hereof.

2. The following is designated as a specific condition precedent to withdrawal under Category II (Credit Facility) for the financing of Component 2 (Rural Finance) of the Project: two separate Subsidiary Loan Agreements shall have been finalized between the Borrower/Recipient and SFD and ARDF in accordance with Schedule 1 paragraph 8 hereof.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President
International Fund for Agriculture Development
Via Paolo di Dono 44
00142 Rome, Italy

For the Recipient:

The Minister of Planning and
International Cooperation
8 Adly Street
Cairo, Arab Republic of Egypt

This agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

ARAB REPUBLIC OF EGYPT

Authorised Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Project goal and target group. The goal of the Project shall be to contribute to the reduction of rural poverty and to the increase in food security in Egypt. The development objective is to increase income and food security of the target group in the seven Governorates of Qena, Sohag, Assiut, Menia and Beni Sueif in Upper Egypt and Beheira and Kafr-el-Sheikh in Lower Egypt. The target group shall include smallholder farmers, landless labourers, women, unemployed youth, small and medium entrepreneurs.

2. Project objective. The objectives of the Project shall be the following: (i) increase in farm-gate prices for small-holder farmers through better organization, negotiation, information and access to markets (ii) reduction in production losses through access to finance for use of new technology, access to post-harvest, transport and processing facilities and integration in the agriculture value chain; and (iii) increase in assets and employment through enhanced opportunities for on and off-farm rural employment.

3. Project Components. The Project shall consist of three components: (a) Marketing Support Component; (b) Rural Finance Component; and (c) Project Management and Coordination Component.

(a) The *Marketing Support Component* shall have four sub-components (i) Organising and strengthening Farmer Groups/Associations; (ii) Market Intelligence; (iii) Value Chain Linkages; and (iv) Market-Oriented Production.

(b) The *Rural Finance Component* shall have three sub-components (i) Market Based Credit Research & Development; (ii) Credit Facility; and (iii) Strengthening Financial Intermediaries.

II. Implementation Arrangements

4. Lead Project Agency. The Ministry of Agriculture and Land Reclamation (MALR) shall be the Lead Project Agency and shall have overall responsibility for Project implementation.

5. Project Steering Committee. The Minister of Agriculture and Land Reclamation shall establish a high ranking inter-ministerial Project Steering Committee (PSC) for overall policy decisions and guidance at the national level. The PSC shall be chaired by the Minister of MALR or his representative, with members including, but not necessarily limited to, representatives of the Project area Governorates, the Ministry of Planning and International Cooperation (MOPIC), the Agricultural Research and Development Fund (ARDF), the Social Fund for Development (SFD) and representatives from the private sector. The PSC shall meet at least once quarterly, and on an ad hoc basis as and when necessary. It shall have the primary responsibility of guiding the Project implementation activities and in all matters of policy regarding the Project. Specifically, the PSC shall: (i) ensure that Project activities are in compliance with the Government's policies; (ii) approve the consolidated Project AWPB; (iii) oversee the section of the technical assistance for the marketing support component; (iv) oversee the effective coordination between the marketing support and rural finance components; (v) decide about innovative measures to use Project resources such as the establishment of a venture

capital fund for equity investments in agro-industries; (vi) ensure that Project interventions are coordinated with other development programmes and projects; and (vii) oversee and monitor the systematic implementation of the Project and recommend changes where necessary in coordination with IFAD.

6. National Project Coordination Unit (NPCU). The NPCU shall be headed by a National Project Coordinator (NPC) appointed by the Lead Project Agency and acceptable to IFAD. The NPCU shall report to the Minister of MALR and the Project Steering Committee. The NPC shall serve as the PSC secretary and the NPCU shall provide secretariat services to the PSC. The NPCU staff shall include at least: Project Manager, acceptable to IFAD, Marketing Advisor, Gender & Poverty Targeting Advisor, National Credit Coordinator, Financial Manager, M&E Officer, Accountant and support staff. The NPCU shall be responsible for coordination and liaison with implementing partners, overall project programming, preparation of AWPBs, financial management including disbursement, procurement, preparation for audits, etc. The NPCU shall recruit technical assistance providers and oversee and supervise their work. The NPCU shall be responsible for ensuring the systematic collection of baseline data, monitoring and evaluation, progress reporting and liaison with the Government and IFAD. The NPCU shall enter into a Framework for Collaboration Agreement with the Project Parties which shall be submitted to the Fund prior to its finalization for its no objection.

7. Governorate Project Coordination Unit (GPCU). At governorate level, seven Project Coordination Units shall be established and shall have the primary responsibility for preparation of Governorate-level AWPBs, selection of Project districts and villages, identification of farmer organizations and strengthening them, ensuring participation of women, working closely with technical assistance providers, coordination with ARDF and SFD and ensuring their participation in Project meetings and site visits, management of Project funds at the governorate level, monitoring and evaluation, etc. Each GPCU's staff shall include at least a Governorate Project Coordinator (GPC), who shall be a senior official, acceptable to IFAD, a Governorate Project Manager, acceptable to IFAD, an Agriculture Extension Officer for farmer organization, a Female Mobiliser, a Market Facilitation Officer, an M&E officer, a Governorate Credit Coordinator, an accountant and support staff.

8. Implementation. The National Project Coordination Unit at the National Level and the seven Governorate Project Coordination Units at the Governorate level shall coordinate the implementation of the Marketing Support Component and the following subcomponents of the Rural Finance Component: Market Based Credit Research & Development; and Strengthening of Financial Intermediaries. The ARDF of the Ministry of Agriculture and Land Reclamation and the SFD shall implement the Rural Finance Component. The ARDF and the SFD shall each be responsible for delivery of one-half of the funds for micro-loans (USD 42.0 million), small loans (USD 14.0 million) and medium-sized loans (USD 14.0 million). Both ARDF and SFD shall use their standard operational policies, practices and procedures, to be revised as when needed.

9. Project Implementation Manual (PIM). The NPCU shall prepare a draft Project Implementation Manual acceptable to the Fund and submit it for approval to the Lead Project Agency. When so approved, a copy of the PIM shall be provided by the Lead Project Agency to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.

10. Mid-Term Review (MTR). A Mid-term Review shall be conducted at the end of Project Year four, to assess the progress, achievements, constraints and emerging impact and likely sustainability of the project and make recommendation and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Lead Project Agency and IFAD.

Schedule 2*Allocation Table*

1. *Allocation of Loan and Grant Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and Grant and the allocation of the amounts of the Loan and Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	% of eligible expenditure to be financed
I. Studies, workshops and training		630 000	100% net of taxes and cofinanciers' contributions
II. Credit Facility	44 140 000		100% net of beneficiaries' contributions
TOTAL	44 140 000	630 000	

Logical framework

Narrative Summary	Objectively Verifiable Indicators	Monitoring Mechanism & Information Sources	Assumptions/ Risks
A. PROJECT GOAL			
<ul style="list-style-type: none"> - To contribute to the reduction of rural poverty in seven governorates of Lower and Upper Egypt. - (52% of the rural population of Egypt was estimated to be living below the poverty line). 	<ul style="list-style-type: none"> - Percentage of households with improvement in household asset ownership in targeted Governorates; compare male and female headed (RIMS mandatory impact indicator: 3rd level); - Percentage of households with improved incomes; (RIMS 2nd level indicator); - Reduction in the prevalence of malnutrition for children under five (RIMS mandatory impact indicator: 3rd level). 	<ul style="list-style-type: none"> - Household income, Expenditure and Consumption Surveys of Egypt; - Egypt Integrated Household Survey; - Egypt Poverty Assessments; - Nutritional Surveys of Egypt. 	<ul style="list-style-type: none"> - Political stability; - Government continues its commitment to poverty reduction and transformation of the agriculture sector in Egypt.
B. PROJECT OBJECTIVE			
<p>The <u>development objective</u> is improved production and profitability in horticulture, livestock and medicinal plants and herbs for 50,000 rural households, including small farmer households, women, unemployed youth and small and medium entrepreneurs.</p>	<ul style="list-style-type: none"> - At least 75% of the targeted 50,000 HHs report increased incomes from better access to markets and financial services (RIMS 2nd level); - 40% increase in average HH incomes; - 20% reduction in production losses (RIMS 2nd level); - 40 to 80% % of the households adopt improved cropping patterns on 50% of their landholding; - 50% of the households reduce their cost of production through introduction of improved technologies, market linkages and better integration in value chains. 	<ul style="list-style-type: none"> - Baseline and socio-economic surveys (gender-disaggregated); - Project RIMS annual reporting and impact surveys, PCR; - Project surveys at baseline, mid-term and Completion; - Annual surveys of HHs. 	<ul style="list-style-type: none"> - Favourable government policies; - Prices are relatively stable.
COMPONENTS OUTCOMES AND OUTPUTS			
COMPONENT 1: MARKETING SUPPORT			
OUTCOME:			
<p>Increased farmers' ability in obtaining better and more stabilised farmgate prices for their products.</p>	<ul style="list-style-type: none"> - 20,000, farmers organized in 500 associations; - 6,000, farmers provided livestock training; - 10,000 farmers provided horticulture training; - 4000, farmers provided Global GAP training; - 2000 Certified under GlobalGap. 	<ul style="list-style-type: none"> - Progress Reports; - Annual Reports; - M&E Reports. 	<ul style="list-style-type: none"> - Minimum disruption of the agriculture sector by incidence of disease or extreme weather events.
OUTPUTS:			
<ul style="list-style-type: none"> - 500, Farmer Organizations /Associations strengthened with a membership of 20,000 of whom 4600 are women; - 2000 members provided organization training of whom 300 are women; - Members from 500, organizations provided training in market intelligence, horticulture and livestock 	<ul style="list-style-type: none"> - No. of smallholder farmers organized by gender; - No of members trained in organization development by gender; - No of farmers trained in improved production techniques; - No of farmers trained in market intelligence; - No of farmers audited for GlobalGAP; - No of farmers certified; - No of farmers linked to markets by gender. 	<ul style="list-style-type: none"> - Progress Reports; - Annual Reports; - M&E Reports; - TF/CF Reports; - RIMS survey. 	<ul style="list-style-type: none"> - Farmers' organisations functions and roles recognised by authorities.

Narrative Summary	Objectively Verifiable Indicators	Monitoring Mechanism & Information Sources	Assumptions/ Risks
production; – 4000 farmers qualified in Global Gap Audit and 1000 certified; – 5000 market linkages established for smallholder farmers from which 1000 are women.			
COMPONENT 2: RURAL FINANCE			
OUTCOME 2.1:			
Farmers' production losses reduced.	– Number of people accessing technical advisory services facilitated by project.	– Progress Reports; – Annual Reports; – M&E Reports; – RIMS survey.	– No deterioration in the existing markets for livestock and crops.
OUTPUTS:			
– About 30,000 clients of whom 40% accessed to more than one loan; – Repeat loans taken by 25% of about 1,123 clients for small enterprise development loan2.1.3 Repeat loans taken by 10% of about 174 medium sized clients.	– Number of research-for-development extension/dissemination events attended by target HHs.	– Progress Reports; – Annual Report; – Case studies.	– Identified commercial banks and NBFIs interested in participating in the Project.
OUTCOME 2.2:			
-Increased access to rural finance by target groups along the selected value chains; -Increased assets and employment for target beneficiaries.	– Number of new jobs created by project SMEs and share of employment by women (RIMS 2) ; – % of assets increase for target beneficiaries ; – Portfolio at risk; outstanding balance of overdue loans (RIMS 2), – Number of intermediary financial institutions strengthened	– Evaluation Reports. – Progress Reports.	– Financially attractive investments available.
OUTPUTS:			
– About 6,000 women provided with loans for livestock production; – About 9000 unemployed youth provided with loans for off-farm activities of which 3,000 will be women.	– No of loans provided by gender; – Volume of loans provided by gender; – Loans by size; – Loans by enterprise.		– Free market rules maintained for crops and livestock.