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Investing in rural people

Arab Republic of Egypt

Promoting Resilience in Desert Environments
(PRIDE) Project

Negotiated financing agreement

Executive Board — 122nd Session
Rome, 11-12 December 2017

For: Information

Negotiated financing agreement: " Promoting Resilience in Desert Environments (PRIDE) Project"

(Negotiations concluded on 14 November 2017)

Loan Number: _____

Grant Number: _____

Project Title: Promoting Resilience in Desert Environments (PRIDE) Project ("PRIDE" or "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, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to 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 fifty three million two hundred thousand Euros (EUR 53 200 000).
 - B. The amount of the Grant is eight hundred sixty thousand Euros (EUR 860 000).
2. The Loan is granted on ordinary terms, and shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semiannually in the Loan Service Payment Currency, and shall have a maturity period of fifteen (15), including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.
3. The Loan Service Payment Currency shall be EUR.

4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal and interest shall be payable on each 15th March and 15th September.
6. There shall be two Designated Accounts (one for the Loan and one for the Grant).
7. The Borrower/Recipient shall provide counterpart financing for the Project in an amount equivalent to thirteen million nine hundred fifty thousand United States dollars (USD 13 950 000).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Land Reclamation (MALR).
2. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The Central Project Management Unit (CPMU) referred to in paragraph 9 of Schedule 1 to this Agreement shall have been duly established with required key staff.
 - (b) The draft PIM referred to in paragraph 13 of Schedule 1 to this Agreement shall have been submitted and approved by the Fund.
 - (c) A fully functional accounting software, subject to no objection by the Fund, shall have been installed at CPMU and Sustainable Development Centre for Matrouh Resources (SDCMR) of the Desert Research Center (DRC).
2. This Agreement is subject to ratification by the Borrower/Recipient.
3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister of Investment and International Cooperation
Ministry of Investment and International Cooperation
8 Adly Street, Cairo

For the Fund:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

THE ARAB REPUBLIC OF EGYPT

Authorized Representative
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Project Area.** The Project will be implemented entirely in the Matrouh Governorate (the "Project Area") along the coastal rain-fed areas, in the Siwa Oasis and in the irrigated areas in Al Alamein.
2. **Target Group.** The target group in the Project Area is estimated to be around 450,000 people or 60,000 households. Beneficiaries by intervention have been mapped during the design, and PRIDE is expected to directly benefit about 36,000 HHs or 216,000 individuals.
3. **Goal.** The development goal of the Project will be to reduce poverty and enhance food and nutrition security in rural areas through remunerative, sustainable and resilient livelihoods.
4. **Objective.** The development objectives of the Project will be to build the resilience of poor rural households to the harsh climate conditions in the Project Area by improving their productive capacities, assist communities to enhance the productive potential of the newly reclaimed lands and assist women and children from poor households to improve their nutritional and socio-economic profile.
5. **Components.** The Project's development objectives will be achieved with two components.
 - 5.1. **Component 1: Climate Resilient Livelihoods.** This component will consist of four sub-components; (i) Water for Agriculture and Watershed Management; (ii) Enhancing Connectivity; (iii) Livestock and Rangeland Development and (iv) Crop Production.
 - 5.2. **Component 2: Integrated Nutrition-Sensitive Investments.** This component will consist of three sub-components: (i) Water for Health (ii) Empowerment of Women for Nutritional Change (iii) Social Infrastructure.
6. The components have both been designed to address the two key vulnerabilities in the region: vulnerability to climate change and under-nutrition. The allocation of resources will be divided between the rain-fed areas of Matrouh and irrigated areas in Al Alamein on the basis of needs and demands in the area. An initial allocation of resources between the two has been specifically earmarked and indicated in the budget based on the projected needs; this could be updated during the Project life as agreed between IFAD and the implementing agency based on needs and Project performance.
7. **Outcomes:** Two outcomes are expected from the Project: (i) Increased economic mobility and changes in economic status due to increased production, income, consumption and food diversity; and (ii) Improved access to social sector services.

II. Implementation Arrangements

8. **Approach.** The Project will be implemented over seven years to allow for the initiation and proper implementation and consolidation of activities, especially since activities will build on community-led participatory approaches. In the Matrouh coastal areas, the Project will build on the experiences of the previous World Bank-financed project and will be implemented through the Desert Research Centre (DRC). In the irrigated areas in Al Alamein, the Project's activities will be implemented through a central Project Management Unit (PMU) based in Cairo. Activities will be implemented in

coordination with other agencies involved in the Government's 1.5 Million Feddan initiative.

9. Organizational framework. The Project shall be implemented through a two-tiered institutional structure at the Central and Governorate level. At the central level, the Ministry of Investment and International Cooperation will represent the Borrower/Recipient and the Ministry of Agriculture and Land Reclamation (MALR) will be the Lead Project Agency. A central PMU will be established in Cairo situated in the MALR; the central PMU will also coordinate activities in irrigated areas in Al Alamein. At the Governorate of Matrouh level, the Desert Research Center will be the executing agency of the Project for the other rain-fed areas. The two-tier institutional arrangement aims to lessen the approval layers for faster decision-making and consequently more efficient Project implementation.

10. Monitoring and Evaluation. The Project Monitoring and Evaluation System and processes will be established and managed in accordance with established IFAD procedures by the Project team with support from IFAD. The Logical Framework provides indicators for implementation along with their corresponding means of verification.

11. Supervision. The Project will be directly supervised by IFAD. The Country Programme Manager and his in-country team will provide on-going implementation support to the Project. In addition, a core team from IFAD headquarters will undertake a mission on an annual basis to assess overall management arrangements and performance including financial and procurement aspects and monitoring and evaluation. Supervision missions will also include specific expertise on nutrition and climate change. Based on field team's findings, the supervision team will make an overall assessment of the progress, visit the Project Governorate and determine the areas requiring implementation support.

12. Mid-Term Review. A mid-term review will be carried out towards the end of third Project Year. The review will cover, among other things: (i) physical and financial progress as measured against AWPBs; (ii) performance and financial management of contracted implementing parties; (iii) appropriateness of project structure and design, in particular the allocation of activities between the coastal rain-fed areas and the new lands.

13. Project Implementation Manual (PIM). The PMU shall prepare a draft PIM covering all activities of the project, acceptable to the Fund and submit it for approval to the project steering committee (PSC). When so approved, a copy of the PIM shall be provided by the PMU to the Fund. The PIM may be amended when necessary with the approval of the Fund in order to introduce clarification in procedures, eliminating constraints for Project implementation.

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 the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category. All amounts are net of taxes and other contributions, except in the category "Investment Capital".

Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in EUR)
I. Works	25 700 000	-
II. Goods and Services	9 810 000	50 000
III. Consultancies, and Workshops and Training	5 540 000	724 000
IV. Investment Capital	3 990 000	-
V. Operating Costs	2 840 000	-
Unallocated	5 320 000	86 000
TOTAL	53 200 000	860 000

2. Start-up Costs. Withdrawals in respect of eligible expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall be permitted up to an overall amount of EUR 255 000. These funds are intended to provide for (i) the purchase and installation of an appropriate accounting software and MIS system, and the purchase of basic equipment such as computers, photocopiers and printers (EUR 180 000) under Category II; and (ii) technical assistance for the Sustainable Development Centre for Matrouh Resources (SDCMR) of the Desert Research Center (DRC) and preparation of the Project Implementation Manual (EUR 75 000) under Category III.