



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-First Session

Rome, 6-7 December 2000

THE ARAB REPUBLIC OF EGYPT

PRESIDENT'S MEMORANDUM

SOHAG RURAL DEVELOPMENT PROJECT
EXTENSION OF LOAN EFFECTIVENESS (LOAN NO. 484-EG)

A. Background

1. At its Sixty-Fourth Session in September 1998, the Executive Board approved a loan of SDR 18.85 million (equivalent to USD 25 million) to the Arab Republic of Egypt on highly concessional terms for the Sohag Rural Development Project. The project is cofinanced by an International Development Association (IDA) credit in the same amount.
2. The Loan Agreement was signed on 10 December 1998 and was due to become effective 90 days later, on 10 March 1999. However, in response to requests from the Government of Egypt, IFAD has repeatedly extended the effectiveness date to allow the Egyptian authorities to complete procedures for ratifying the Loan Agreement. The last such extension, on 18 July 2000, extended the effectiveness deadline to 10 September 2000.
3. In order to secure the overall financing needs of the project and allow implementation to commence, both the IFAD Loan Agreement and the IDA Development Credit Agreement must be ratified. However, due to an oversight on the part of the Egyptian Authorities, to date, only the IDA Development Credit Agreement has been ratified. Parliament has since been dissolved and national elections are in progress in Egypt.



4. The Government of Egypt has been informed that, in accordance with IFAD's regulations, the Loan Agreement would be normally terminated in the event it does not become effective within 18 months of the original effectiveness deadline. Any decision by the Executive Board with regard to a further extension of the effectiveness date would depend on a satisfactory justification for the delay and on prospects for the Loan Agreement becoming effective within a reasonable period of time.

5. The Egyptian authorities have now informed IFAD that a draft Presidential Decree approving the Loan Agreement for the project has been signed, that the Government is fully committed to the project and that the loan is needed to cofinance project activities.

B. Recommendation

6. It is recommended that the Executive Board extend the effectiveness date of Loan 484-EG for the Sohag Rural Development Project to 10 June 2001 to allow sufficient time for the finalization of loan effectiveness.