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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan and grant to the Arab Republic of Egypt for the**

### **On-farm Irrigation Development Project in the Oldlands**

Executive Board — Ninety-eighth Session  
Rome, 15-17 December 2009

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

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## **Abbreviations and acronyms**

CDA	community development associations
MALR	Ministry of Agriculture and Land Reclamation
MA	marketing associations
MWRI	Ministry of Water Resources and Irrigation
SBM	small businesses and microenterprises
SFD	Social Fund for Development
WUO	water users' organizations

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Arab Republic of Egypt for the On-farm Irrigation Development Project in the Oldlands, as contained in paragraph 37.

# Map of the project area

## Arab Republic of Egypt

### On-farm Irrigation Development Project in the Oldlands



**Source:** Map compiled by IFAD  
 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

## Arab Republic of Egypt

### On-farm Irrigation Development Project in the Oldlands

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Arab Republic of Egypt
<b>Executing agency:</b>	Ministry of Agriculture and Land Reclamation
<b>Total project cost:</b>	US\$72.1 million
<b>Amount of IFAD loan:</b>	SDR 29.6 million (equivalent to approximately US\$47.0 million)
<b>Amount of IFAD grant:</b>	SDR 630,000 (equivalent to approximately US\$1.0 million)
<b>Terms of IFAD loan:</b>	20 years, including a grace period of 5 years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually
<b>Contribution of borrower:</b>	US\$15.3 million
<b>Contribution of beneficiaries:</b>	US\$8.8 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD





# Proposed loan and grant to the Arab Republic of Egypt for the On-farm Irrigation Development Project in the Oldlands

## I. The project

### A. Main development opportunity addressed by the project

1. The project is designed to assist the Government in successfully meeting the twofold challenge of increasing water productivity and improving the livelihoods of rural poor households while complementing other donors' operations.

### B. Proposed financing

#### Terms and conditions

2. It is proposed that IFAD provide to the Arab Republic of Egypt a loan in the amount of SDR 29.6 million (equivalent to approximately US\$47.0 million), on intermediate terms, and a grant in the amount of SDR 630,000 (equivalent to approximately US\$1.0 million) to help finance the On-farm Irrigation Development Project in the Oldlands. The loan will have a term of 20 years, including a grace period of 5 years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually.

#### Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for Egypt under the PBAS is US\$48.0 million over the 2007-2009 allocation cycle. The total loan and grant amounts fall within the three-year allocation.

#### Relationship to national medium-term expenditure framework criteria

4. Egypt's medium-term commitments are consistent aligned with the medium-term expenditure framework set out in the Sixth Five-Year Plan for socio-economic development, which covers the period 2007/2012. Given the country's fiscal vulnerabilities, the contingency plan set out by the Government, in case of additional budget pressures, is to postpone non-priorities while protecting social spending. The project is a top priority in the investment plans of the Government. The loan and grant yearly disbursements are aligned with the Government's fiscal budget.

#### Country debt burden and absorptive capacity of the State

5. The country's handling of its external debt has improved in terms of both debt volume and debt servicing. Real GDP growth rate is estimated by the World Bank at 7.3 per cent for 2007/2008, aided by a strong rebound in exports and a surge in private investment, both of which reflect the success of ongoing reforms. Egypt is among the world's 10 most active reformers for the fourth time. Total debt to GDP and total debt service ratio remain manageable, at 23.3 per cent and 5.0 per cent respectively for 2007. Total annual disbursements from all ongoing projects in the country average SDR 1.6 million. The Government has a good repayment record on IFAD loans.

#### Flow of funds

6. The IFAD loan and grant will be channelled through a standard IFAD financing agreement between IFAD and the Government. The part of IFAD financing destined to the rural enterprise and microfinance development component, which will be implemented by the Social Fund for Development (SFD), will be channelled through subsidiary financing agreements between the Ministry of International Cooperation and the SFD. The remainder of IFAD financing will go directly to the National Project Coordination Unit, to be then channelled to the Governorate Project Coordination Units in accordance with the annual workplan and budget.

**Supervision arrangements**

7. The IFAD loan and grant will be directly supervised by IFAD. There will be at least one full supervision mission and one follow-up mission every year. One of the missions will be scheduled to coincide with an annual review workshop.

**Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

8. No exceptions are foreseen.

**Governance**

9. The following planned measures are intended to enhance the governance aspects of the IFAD financing: (i) appropriate prior-review thresholds for procurement will be stipulated in the letter to the borrower; (ii) water users' organizations (WUOs) will participate in the procurement process; (iii) procurements will be carried out by the National Project Coordination Unit with technical representation of the implementing partners in each governorate; and (iv) direct supervision by IFAD will be in place.

**C. Target group and participation****Target group**

10. In accordance with the IFAD Targeting Policy, the project will target the following groups: (i) smallholders cultivating an average of 3 feddans;<sup>1</sup> (ii) landless labourers; (iii) unemployed young people; and (iv) woman-headed households.

**Targeting approach**

11. Targeting will be implemented through a three-tier approach: (i) geographical targeting to identify governorates where the incidence of rural poverty is high and irrigation/agriculture conditions are diverse; (ii) in these governorates, selection of irrigation command areas that meet certain technical criteria and are located where there is a predominance of landholdings of under 3 feddans; and (iii) self-targeted interventions promoting complementary activities that are of interest primarily to the project's target group.

**Participation**

12. In addition to participating in the selection of command areas through the WUOs, farmers will repay the full costs of *mesqa* (tertiary canals) and on-farm drainage improvement works by instalments over 20 years. They will also pay the cost of the *mesqa* pump over three years without interest, but together with an additional 10 per cent for administrative expenses. Farmers will also cover the full cost of pump operation and maintenance.

**D. Development objectives****Key project objectives**

13. The objective of the project is to improve the livelihoods of the target group through: (i) higher on-farm water use efficiency; (ii) improvements in agricultural productivity; (iii) marketing support for smallholders and the landless; and (iv) promoting employment and income-generation by supporting small businesses and microenterprises (SBMs).

**Policy and institutional objectives**

14. The project will contribute to the capacity-building of: (i) community-based organizations such as WUOs, community development associations (CDAs) and marketing associations (MAs); and (ii) public service providers, such as extension, research and irrigation services, and the SFD. Capacity-building will take the form of training, technical assistance and knowledge sharing.

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<sup>1</sup> 1 feddan is equal to 0.42 hectare.

**IFAD policy and strategy alignment**

15. The project objectives are fully aligned with the IFAD country strategic opportunities programme (2006), hence the emphasis on water resources management, particularly on-farm irrigation improvement and participatory water management, provision of rural financial services, support to SBMs and market linkages to further the creation of employment within an overall thrust of private sector development.

**E. Harmonization and alignment****Alignment with national priorities**

16. The project is fully consistent with the Government's poverty reduction strategy and agriculture and rural development strategy. The "Vision 2030" strategy calls for the promotion of more efficient and market-oriented agriculture that optimizes the use of land and water, takes advantage of export markets and builds the capacity of farmers' and users' organizations to manage resources directly and increase their market power.

**Harmonization with development partners**

17. The project is designed to build on and complement Government and donor activities to improve irrigation and support SBMs. Of particular relevance are the multi-donor Integrated Irrigation Improvement and Management Project led by the World Bank and the ongoing initiative to develop SBMs supported by the African Development Bank.

**F. Components and expenditure categories****Main components**

18. The project has four components: (i) irrigation and water management; (ii) agriculture competitiveness enhancement; (iii) rural enterprise and microfinance development; and (iv) project coordination and management.

**Expenditure categories**

19. The expenditure categories are: (i) works (61.6 per cent); (ii) means of transportation, equipment and materials (1.8 per cent); (iii) national technical assistance/consulting services (0.9 per cent); (iv) training (4.6 per cent); (v) revolving fund (16.1 per cent); and (vi) operating costs (15 per cent).

**G. Management, implementation responsibilities and partnerships****Key implementing partners**

20. The implementing partners will be the Ministry of Agriculture and Land Reclamation (MALR), the Ministry of Water Resources and Irrigation (MWRI) and the SFD.

**Implementation responsibilities**

21. In addition to being the lead project implementation agency, MALR will be responsible for *marwa* (quaternary canals) and on-farm irrigation improvement in full collaboration with the beneficiaries. MWRI will oversee any branch canal and main irrigation system interventions above the farm level. The SFD will be entrusted with the implementation of rural enterprise and microfinance development.

**Role of technical assistance**

22. Technical assistance will be used to build the technical and managerial capacities of the agricultural extension and irrigation advisory services and community-based organizations such as WUOs, CDAs and MAs.

**Status of key implementation agreements**

23. The National Project Coordination Unit will enter into an agreement with the following partners: (i) MALR for the implementation of irrigation improvements at the farm level; (ii) MWRI for the implementation of irrigation improvements above the farm level; and (iii) the SFD for the implementation of the rural enterprise and microfinance development component.

### **Key financing partners and amounts committed**

24. The total project cost is US\$72.1 million over eight years. The sources of financing are IFAD (a loan of US\$47.0 million, 65.2 per cent and a grant of US\$1.0 million, 1.4 per cent), beneficiaries (US\$8.8 million, 12.2 per cent) and the Government (US\$15.3 million, 21.2 per cent).

## **H. Benefits and economic and financial justification**

### **Main categories of benefits generated**

25. Irrigation infrastructure serving around 25,000 feddans (12,000 hectares) will be fully rehabilitated. Overall, 79,140 households will directly benefit from the project through expected improvements in water use efficiency, agricultural yield and production, better access to markets and generation of employment. Project investments are expected to generate seasonal and part-time employment for 21,260 men and women.
26. From an institutional perspective, the project interventions will: (i) build the capacity of agricultural extension and irrigation advisory services; (ii) form and train 230 new WUOs, including *marwa* committees, at the branch canal and *mesqa* levels, and reinforce existing ones; (iii) train and strengthen 46 CDAs as financial intermediaries to operate in rural areas; and (iv) establish 104 MAs and train them to enhance their technical, marketing and managerial capabilities, and their bargaining power to deal with traders and exporters. The impact of these interventions will be a significant gain in social capital through the empowerment of the poor and their local-level organizations.

### **Economic and financial viability**

27. The economic internal rate of return (EIRR) on the investments over 20 years is estimated at 18 per cent, without taking into account benefits derived from the income-generating activities financed through credit.

## **I. Knowledge management, innovation and scaling up**

### **Knowledge management arrangements**

28. The IFAD country presence officer in Cairo will organize yearly national project implementation workshops allowing project staff and other implementing partners in the five governorates to communicate and share lessons learned across projects. In addition, the project will make substantial use of the ongoing Cairo-based and IFAD-supported regional network (KariaNet) to learn from and share experience with IFAD projects in the Near East and North Africa region and with IFAD and its partners. It will also form linkages with initiatives implemented under the ongoing IFAD water grant to the International Center for Agricultural Research in the Dry Areas (ICARDA) and the International Development Research Centre (IDRC), and with the Programme for Capacity-Building in Managing for Results and Impact (CaMaRI) to secure continuous support in monitoring and evaluation.

### **Development innovations that the project will promote**

29. The project has a number of features that are innovative in the context of rural Upper Egypt: (i) introduction of a new integrated approach to irrigation system improvements in which user involvement from branch canal downward will ensure completion of improvements; (ii) establishment of WUOs at the branch canal and *mesqa* levels, with links to the farm-level *marwa* water management committees; (iii) replication of the IFAD-supported farming systems research approach, which is adjusted to local conditions to render it demand- and market-driven; and (iv) introduction of a participatory extension approach to maximize the benefits of irrigation improvements by bringing together, for the first time, extension staff from MALR and staff from the MWRI irrigation advisory services to deliver a harmonized message on crop and water use to the farmers.

**Scaling-up approach**

30. The main consideration of the Government and IFAD in designing this project is to replicate and scale up proven new models of on-farm irrigation improvement to achieve poverty reduction and higher water use efficiency in an area of over 5 million feddans in the Oldlands.

**J. Main risks****Main risks and mitigation measures**

31. The project faces three main risks: (i) lack of cooperation among project implementing agencies, mitigated through the establishment of joint task teams from MALR and MWRI in the Governorate Project Coordination Units, implementation agreements among the partners, and intensive direct supervision by IFAD; (ii) non-performance of contractors, mitigated through prequalification of contractors and preparation of small contract packages allowing fair competition among small contractors; and (iii) climate change resulting from global warming, mitigated through higher water use efficiency and introduction of heat tolerant varieties.

**Environmental classification**

32. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

**K. Sustainability**

33. The project design builds on lessons learned from IFAD projects in Egypt and the recent irrigation improvements implemented by the Government and donors. It has fully incorporated important design features ensuring exit strategies, which are centred on management of activities by local-level organizations and user groups, capacity-building, cost recovery, involvement of the private sector and strong institutional commitment. Regarding rural finance and the promotion of SBMs, the proposed project is designed based on assurances that internationally accepted best practices in microfinance adopted by the SFD will be implemented to ensure the sustainability of financial services in the project area.

**II. Legal instruments and authority**

34. A project financing agreement between the Arab Republic of Egypt and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.
35. The Arab Republic of Egypt is empowered under its laws to receive financing from IFAD.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

**III. Recommendation**

37. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on intermediate terms to the Arab Republic of Egypt in an amount equivalent to twenty-nine million six hundred thousand special drawing rights (SDR 29,600,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Arab Republic of Egypt in an amount equivalent to six hundred and thirty thousand special

drawing rights (SDR 630,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: "On-farm Irrigation Development Project in the Oldlands (OFIDO)"**

(Negotiations concluded on 12 November 2009)

Loan Number: \_\_\_\_\_

Grant Number: \_\_\_\_\_

Project Title: On-farm Irrigation Development Project in the Oldlands (OFIDO)  
(the "Project")

The Arab Republic of Egypt (the "Borrower")

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), the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 and approved by IFAD's Executive Board at its ninety-sixth session, as may be amended from time to time (the "General Conditions") constitutes, and all provisions thereof, an integral part of 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 (the "Financing"), which the Borrower 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 29 600 000.
  - B. The amount of the Grant is SDR 630 000.
2. The Loan is granted on intermediate terms.
3. The Loan Service Payment Currency shall be the currency of the United States of America.
4. The first day of the applicable Fiscal Year shall be 1 July.
5. The Borrower has designated its Ministry of Finance for the purpose of handling, on behalf of the Borrower, debt service payments with respect to the Loan and in accordance with this Agreement.

6. There shall be: (a) two Project Accounts, one for the Loan and one for the Grant, for Project operations for the benefit of the Lead Project Agency; and (b) a Project Account for the Loan for Project operations for the benefit of the Social Fund for Development (SFD) (hereinafter referred to collectively as "Project Accounts"). The Project Accounts shall be opened in a bank proposed by the Borrower and acceptable to the Fund.
7. The Borrower 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 (MALR).
2. The following are designated as additional Project Parties
  - (a) Agricultural Research Center (ARC);
  - (b) Executive Authority for Land Improvement Project (EALIP)
  - (c) Ministry of Water Resources and irrigation (MWRI); and
  - (d) 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.

### **Section D**

The Loan and Grant will be administered and the Project supervised by the Fund.

### **Section E**

1. (a) The following is designated as an 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 7 hereof.
 

(b) The following is designated as a specific condition precedent to disbursement under Category V (Revolving Fund) in what regards the financing of Component 3 (Rural Enterprise and Microfinance Development) of the Project: A Subsidiary Loan Agreement shall have been finalized between the Borrower and SFD in accordance with Schedule 1 paragraph 11.3 hereof.
2. (a) The following are the designated representatives of the Parties:
 

For the Borrower: The Minister of International Cooperation or any other person that the Minister may designate.

For the Fund: The President of IFAD.

(b) The following are the addresses to be used for any communication related to this Agreement:



For the Borrower:

Ministry of International Cooperation (MIC)  
8 Adly Street  
Cairo, Egypt

With copy to:

Ministry of Agriculture and Land Reclamation  
1 Nadi El-Said Street,  
Dokki, Giza  
Egypt

Social Fund for Development  
120 Mohie El-Din Abdou El Ezz St. Mohandessin,  
Giza,  
Egypt

For the Fund:

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

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.

\_\_\_\_\_  
For the Borrower

\_\_\_\_\_  
For the Fund

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

1. *Target Population.* The Project shall benefit the poorer strata of rural population in selected priority areas of the five Egyptian Governorates of Assiut, Qena, Sohag, Kafr El Sheikh and Beheira (the "Project Area"). This shall include primarily smallholders holding average of three feddans, tenants, sharecroppers and the landless people giving priority to unemployed youth and poor rural women and women household heads.
2. *Goal.* The goal of the Project is to improve the livelihoods of the rural poor in the Project Area through targeted interventions to enhance farms production potential and raise households' income.
3. *Objectives.* The objectives of the Project are: (a) improvements in the irrigation network, where priority will be given to areas cultivated by an overwhelming majority of farmers owning average of three feddan; (b) improvements in agricultural productivity on small holdings through an appropriate integrated research and extension system; (c) support to marketing for small holders and the landless; and (d) support for job creation and income generating micro and small enterprises for the poor, landless, women and youth through better access to rural financial services and capacity building.
4. *Components.* The Project shall consist of the following Components: (a) On-farm irrigation and water management; (b) Agriculture competitiveness enhancement; (c) Rural enterprise and micro finance development; and (d) Project coordination and management.

**Irrigation and Water Management.** The overall component objective is to increase agriculture production and farm incomes of the Target Population by improving on farm irrigation and water management. This is to be achieved through: (i) improved irrigation systems, including their design and supervision, at on-farm level for more rational use of irrigation water; (ii) enhanced water management practices for more equitable distribution of available water; and (iii) greater and more effective participation of users and stakeholders in water management for sustained irrigation and crop production.

**Agriculture Competitiveness Enhancement.** This component shall provide demand driven training and agriculture technical assistance to farmers individually and through the Marketing Associations (MAs), the Water User Organizations (WUOs) and Farmers' Organizations (FOs). It will support a participatory research/extension approach and on-farm farming system research.

**Rural Enterprise and Micro Finance Development.** The component shall provide necessary access to finance, capacity building and business advisory services for on and off farm micro and small enterprises to the rural households in Project Area villages.

**Project Coordination and Management.** The component provides for coordination and management of Project activities at governorate and national levels, and establishes, operates and maintains a strong monitoring and evaluation system to measure progress and impacts of the Project.

## II. Implementation Arrangements

### A. General

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

6. *Project Steering Committee (PSC)*. The PSC shall be chaired by the Minister of the MALR or his/her representative, with members representing the Project Area governorates, the Ministry of Water Resources and Irrigation (MWRI), the Ministry of International Cooperation (MIC) and the Social Fund for Development (SFD). The PSC shall have the overall responsibility for: (a) ensuring that Project activities are in compliance with the Borrower's policies; (b) approving selection of the proposed irrigation command areas for Project intervention; (c) approving consolidated Project Annual Work Plan and Budgets (AWPBs); (d) ensuring that Project interventions are coordinated where appropriate with other development programmes and projects; and (e) generally overseeing the systematic implementation of the Project.

7. *National Project Coordination Unit (NPCU)*. The NPCU shall be headed by a National Project Coordinator (NPC) appointed by the LPA. It shall report to the Minister of the MALR and to the PSC, and its staff shall include at least: a Project Manager, a Financial Officer, a Procurement Officer, a Monitoring and Evaluation (M&E) Officer, and Accountant and other ancillary staff. The NPCU shall have the overall responsibility for: (a) coordination and liaison with implementing partners; (b) overall Project programming; (c) financial management; (d) contracting implementing partners to execute Project activities; (e) monitoring and evaluation; (f) progress reporting; and (g) liaison with the Borrower and with the Fund. 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.

8. *Governorate Project Coordination Unit (GPCU)*. A small Project Coordination Unit at governorate level shall be established in each governorate. Each GPCU shall be located in the Governorate Directorate of Agriculture and shall report to the NPCU. It shall have overall responsibility for: (a) selection of Project intervention area; (b) contracting implementing partners at the governorate level to execute Project activities; (c) managing project funds at the governorate level; (d) monitoring and evaluation; and (e) reporting.

9. *Mid-Term Review*. The LPA, MIC and the Fund shall jointly carry out a review of Project implementation no later than the end of the Project's fourth year. The review shall cover, among other things: (a) the implementation approach, targeting, effectiveness and progressing of the on-farm irrigation improvement and demand driven research and extension services; (b) the performance of WUOs, MAs and FOs in sustainable management of water delivery and maintenance; (c) the process of formation, financial management and performance of micro finance intermediaries; and (d) the effectiveness of NPCU and GPCUs in respect of Project implementation and coordination, planning and budgeting procedures and the flow of funds management.

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

## **B. Component management**

11. The Project shall finance a series of interventions under four main components:

### 11.1 Irrigation and Water Management Component.

The component shall include: (a) Rehabilitation and Development of On-farm Irrigation Systems (mesqas and marwas); and (b) Institutional Development and Capacity Building. The MWRI shall be responsible for the implementation of Mesqa improvements under contractual agreements with LPA through EALIP. The MALR shall be responsible for the implementation of Marwa and on-farm improvements in full collaboration with the Project Target Population. EALIP will be responsible, among other things, for the cost recovery of the Works.

### 11.2 Agriculture Competitiveness Enhancement

The Lead Project Agency through ARC and in collaboration with the Governorate Directorates of Agriculture in each Project Area Governorate shall be responsible for the implementation of the Agriculture Competitiveness Enhancement component, through specialised teams composed of extension staff (MALR) and irrigation advisors (MWRI).

### 11.3 Rural Enterprise and Micro Finance Development

The Social Fund for Development shall be responsible for the implementation/financing of the Rural Enterprises and Micro Finance Development component through its Small Enterprise Development Organization (SEDO) using banks as intermediaries and /or through direct lending from SFD (for small loans). The SFD's microfinance central sector finances micro loans through non governmental organizations and microfinance institutions (MFIs) and/or other channels in the various Governorates of the Project Area using their standard operational policies, practices and procedures as well as the Project regulations and guidelines. The Borrower shall enter into a Subsidiary Loan Agreement with the SFD for the implementation of this component, which shall be acceptable to the Fund.

### 11.4 Project Coordination and Management

Through this component Project activities included in the three components above shall be coordinated and managed at governorate and national levels by the NPCU and its five GPCUs.

## 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:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Percentage of Eligible Expenditures to be financed
I. Works	19 740 000		100% net of taxes
II. Means of Transportation, Equipment and Materials	670 000		100% net of taxes
III. National TA/ Consulting Services		30 000	100% net of taxes and other contributors
IV. Training		600 000	28% of total expenditure
V. Revolving fund	6 230 000		100% of total expenditure
VI. Unallocated	2 960 000		
<b>TOTAL</b>	<b>29 600 000</b>	<b>630 000</b>	

The terms used in the Table above are defined as follows:

- “Works” means activities related to the Irrigation and Water Management Component of this Agreement.
- “Revolving Fund” means sub loans for Small Enterprises and microfinance, implemented by SFD.
- (c) “Means of Transportation” means vehicles, motorcycles, tractors, pick-ups and trucks.



## **Key reference documents**

### **Country reference documents**

Agricultural Development Strategy 2030

MALR – Executive Authority for Land Improvement Projects (EALIP)

SFD. Law 141/2004 on the Development of Small Enterprises & Its Executive Regulations

Multi Donor Assessment of SFD

### **IFAD reference documents**

Project design document (PDD) and key files

Country Strategic Opportunities Programme

Administrative Procedures for Environmental Assessment

Project Completion Reports for the East Delta Newlands Agricultural Services Project (Loan 440-EG) and the Sohag Rural Development Project (SRDP) (Loan 484-EG) – April 2009

Country Programme Evaluation Report – July 2005

Upper Egypt Rural Development Project Design Report – April 2007

Egypt: Smallholder Contract Farming for High-Value and Organic Agricultural Exports - 2008

### **Other miscellaneous reference documents**

GTZ. Agricultural Water Management Project – Strategic Paper No. 1 – January 2007 and The Training Curriculum, 2<sup>nd</sup> Edition - 2007

World Bank. Integrated Irrigation Improvement Management Project; Egypt Poverty Assessment Update – 16 September 2007; Upper Egypt-Challenges and priorities for Rural Development

UNDP, Egypt Human Development Report 2008

## Logical framework

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
Poverty reduction and improved livelihoods of small farmers, the landless, rural women and unemployed youth in the project area.	<ul style="list-style-type: none"> <li>40 000 Households with improvement in asset ownership index by end of project;</li> <li>Reduction in the prevalence of malnutrition for children under five;</li> <li>40,000 households with increased income and improved food security by end of project implementation;</li> <li>Reduction of gender gap rate in employment.</li> </ul>	<ul style="list-style-type: none"> <li>National Household Living Standard Surveys;</li> <li>Baseline and socio-economic surveys (gender-disaggregated);</li> <li>RIMS annual reporting and impact surveys; Project Completion Report.</li> </ul>	<ul style="list-style-type: none"> <li>Continued Government commitment to pro-poor macro-economic policies and institutional reforms;</li> <li>Social, economic climate remains conducive to market-based development.</li> </ul>
<p><b>Purposes/Objective by Component Irrigation and water management:</b></p> <ul style="list-style-type: none"> <li>Improvement of water use efficiency and more equitable water distribution;</li> <li>Increase agriculture production and farm incomes of the project target group.</li> </ul>	<ul style="list-style-type: none"> <li>command areas operating at a water efficiency level of not less than 70% by end of project implementation;</li> <li>50% of the 225 <i>mesqa</i> canal and 6 branch canal WUOs to be established are operational after 3 years and 100% at end of project;</li> <li>25% of female members represented in WUOs;</li> <li>30% farmers adopting modern irrigation on the 12,000 fd to be rehabilitated in Lower Egypt and 10% on 13,000 fd in Upper Egypt by end of project;</li> <li>% change in value of production per cubic meter of water;</li> <li>improved yields of main crops at the head and tail end of <i>mesqas</i>.</li> </ul>	<ul style="list-style-type: none"> <li>WUO budgets and accounts;</li> <li>Project monitoring reports;</li> <li>RIMS annual reporting and impact surveys;</li> <li>Annual Impact Assessment;</li> <li>Annual progress and supervision reports.</li> </ul>	<ul style="list-style-type: none"> <li>Annual O&amp;M for off-farm infrastructure is effective;</li> <li>WUO operations fully transparent;</li> <li>Effective cooperation between MALR and MWRI;</li> <li>Proposed Water Law approved by e Peoples' Assembly and enforced.</li> </ul>
<p><b>Agriculture competitiveness enhancement:</b></p> <p>As above, through promotion of demand-driven participatory farming system research and extension for crops, water and livestock.</p>	<ul style="list-style-type: none"> <li>Joint extension irrigation advisory teams operating after 3 years;</li> <li>30% of farmers engaged in HVCs and organic farming;</li> <li>At least 50% increase in crop and livestock production and returns per unit land and water by end of project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>RIMS annual reporting and impact surveys;</li> <li>Project monitoring reports</li> </ul>	<ul style="list-style-type: none"> <li>Economic policy conducive to private exporting of HVC and organic products.</li> </ul>
<p><b>Rural enterprise and micro finance development:</b></p> <p>Increased access to rural finance by target groups for micro-enterprises and MSEs.</p>	<ul style="list-style-type: none"> <li>45 intermediary institutions sustainable by end of project;</li> <li>Number and volume of loans provided by gender;</li> <li>104 MAs successfully linked with traders and exporters by end of project implementation;</li> <li>48 MSEs, 14,000 micro-entrepreneurs developed and 21,000 direct job created, by end of project implementation; and</li> <li>50% of loans provided for on-farm modern irrigation investments.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>MSE and MSE business records and books/tax documents;</li> <li>Participating MFI(s) Reports;</li> <li>Reports of complementary project activities.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>Conducive microfinance policy and macro-economic framework maintained; and</li> <li>Competence and enthusiasm of participating MFIs.</li> </ul>



