

Document: EB 2012/LOT/P.6
Date: 2 November 2012
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

President's report

Proposed grant to Eritrea for the

National Agriculture Project

Note to Executive Board representatives

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Logical framework

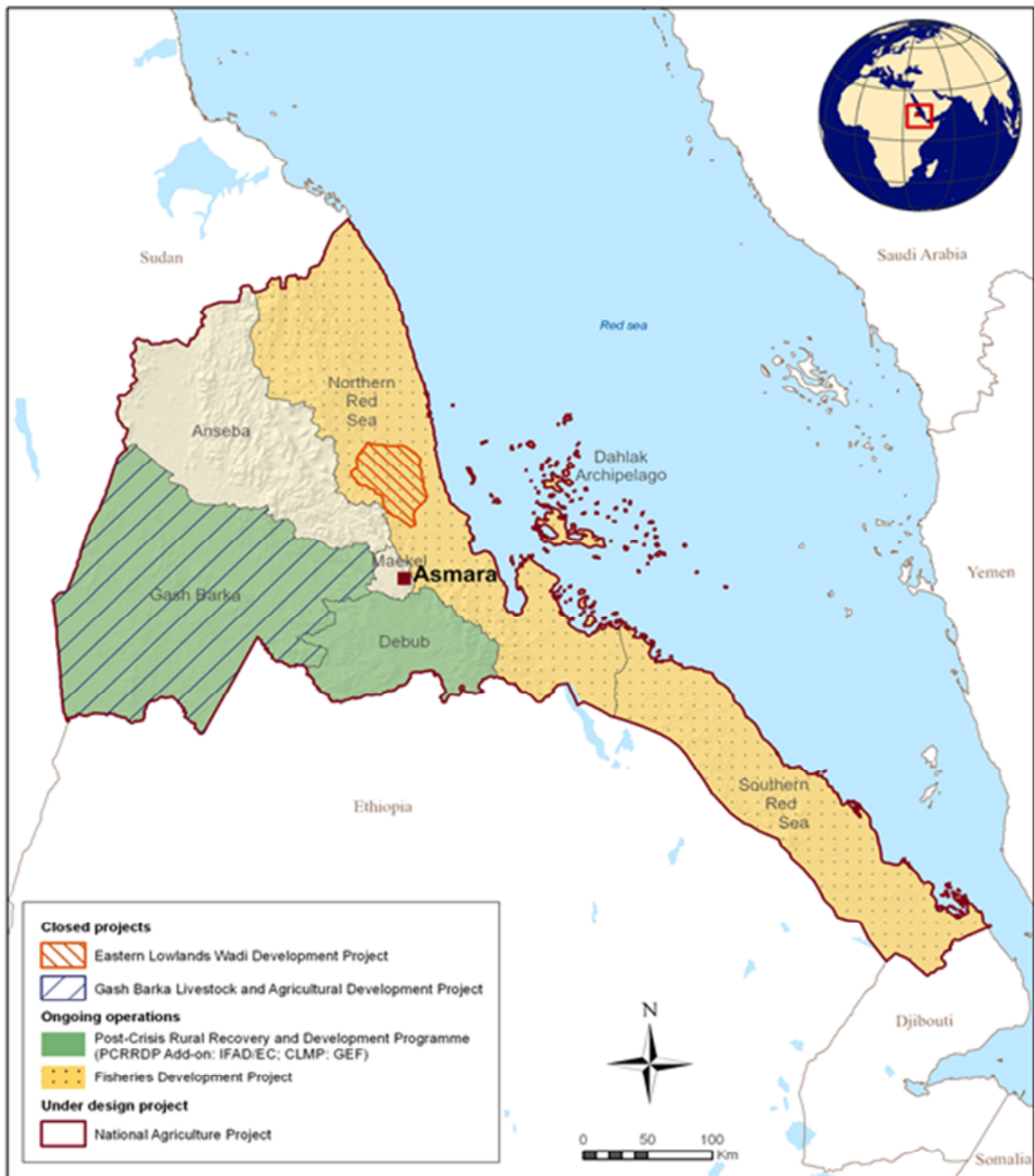
Abbreviations and acronyms

MLWE	Ministry of Land Water and Environment
MOA	Ministry of Agriculture
NARI	National Agricultural Research Institute
NSU	National Seed Unit
PSD	Planning and Statistics Division
VBSE	village-based seed enterprises
WHH	woman-headed household

Map of the project area

Eritrea

National Agriculture Project area and overview of IFAD operations in the country



23-6-2011



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.

Map compiled by IFAD

Eritrea

National Agriculture Project

Financing summary

Initiating institution:	IFAD
Recipient:	Eritrea
Executing agency:	Ministry of Agriculture
Total project cost:	US\$26.38 million
Amount of IFAD grant:	SDR 11.40 million (equivalent to approximately US\$17.28 million)
Contribution of recipient:	US\$5.40 million
Contribution of beneficiaries:	US\$3.70 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to Eritrea for the National Agriculture Project, as contained in paragraph 28.

Proposed grant to Eritrea for the National Agriculture Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. About 65 per cent of Eritrea's rural population are in the low-income category, and 37 per cent face high food insecurity. In good rainfall years, the country is only 60 per cent food-secure, and this figure falls to 25 per cent in years of low rainfall. Agriculture is the mainstay of the economy, accounting for about 24 per cent of GDP and almost all rural employment. The primary constraints on agricultural development include insufficient access to modern inputs, inadequate technical skills, weak institutional capacity and limited soil fertility. Overcoming these constraints will require the adoption of proven and affordable technologies, production and distribution of improved seeds, expanded and improved irrigation, innovative approaches to soil and water management and the promotion of sustainable natural resource management.

B. Rationale and alignment with government priorities and RB-COSOP

2. The project will focus on establishing an institutional and knowledge base to provide the necessary support for expanded future investments in smallholder agricultural development. The project is fully aligned with the Government's agricultural policies, particularly those related to the Eritrean Water Proclamation, No. 162/2010, and the National Adaptation Programme of Action.
3. The strategic objectives of the country strategic opportunities programme (COSOP) approved in 2006, are: (i) re-establishing independent livelihoods for crisis-affected rural households; (ii) sustainably increasing agricultural productivity and profitability; (iii) boosting rural incomes and reducing environmental degradation through training and extension services; and (iv) building institutional capacity and support to community-driven development initiatives. The project will contribute to all four strategic objectives of the IFAD COSOP.

II. Project description

A. Project area and target group

4. The project will be national in scope with activities in 34 sub-*zobas* (regions) spread across the country's six *zobas* and three agroecological zones. The total agricultural area covered by the project is estimated at 1.2 million hectares (ha). In accordance with the IFAD Policy on Targeting, the project will target poor and food-insecure households. Particular attention will be paid to woman-headed households (WHHs), which will receive priority in land allocation in new irrigation areas. Small livestock investments (sheep, goats and backyard poultry) will target: (i) women and WHHs; (ii) households cultivating small areas of rainfed crops (less than 2 ha) or small areas of irrigated crops (0.1 to 0.25 ha); (iii) pastoralist households with a maximum of five cattle and 10 sheep/goats; and (iv) landless and near-landless people (internally displaced people, expellees, returnees and demobilized soldiers).

B. Project development objective

5. The project's development objective is to raise sustainably smallholder agricultural productivity. By 2017, the project is expected to result in annual incremental food crop production of 85,653 metric tonnes (mt) of grain and 9,000 mt of fruit and vegetables. It is estimated that incremental livestock outputs will reach 55 mt of poultry meat, 4.03 million litres of milk, 2.2 million eggs and 28 mt of honey. Additional forage for livestock will amount to an estimated 163,420 mt while it is expected that the incremental livestock population will total 10,980 goats, 1,900 cows and 55,200 chickens.

C. Components/outcomes

6. The project will have three components.
- (a) **Agricultural Water Resources Development** will be implemented through the following activities:
- (i) watershed characterization, involving the use of geographic information systems (GIS) and satellite imagery to define the agricultural resource base by watershed and prioritize watersheds according to their agricultural potential;
 - (ii) improvement of meteorology and hydrometry systems, so as to provide real time information on rainfall, run-off and river flow;
 - (iii) agricultural infrastructure development, including improving soil and water conservation technologies in rainfed areas, expanding pressurized and spate irrigation coverage, and improving the design of existing systems.
- (b) **Integrated Agricultural Production**, which will be implemented through the following activities:
- (i) development of a national seed system, creation of a national seed unit (NSU), and strengthening of the National Agricultural Research Institute (NARI) to develop improved crop varieties and produce breeder and foundation seeds;
 - (ii) support to three seed-processing centres and enhancement of seed certification services;
 - (iii) support for the intensification of irrigated and rainfed crop production through the provision of fertilizers, agrochemicals, certified/improved seeds, conservation agriculture trials and improved extension;
 - (iv) promotion of small livestock investments for the lowest income earners and women with limited access to land. This will be complemented by improved animal health services, watering points, livestock feed production and stock route management.
- (c) **Project Support Services** will strengthen relevant national and *zoba* institutions. Capacity-building will include a training programme for staff involved in project-related activities.

III. Project implementation

A. Approach

7. The project will be implemented within the Government's decentralized institutional framework, in collaboration with the private sector. Overall management of the project will be the responsibility of the Ministry of Agriculture (MOA). Day-to-day implementation and coordination at the *zoba* level will be the responsibility of the relevant *zoba* administrations. The development process will be community-driven,

and will be undertaken through the existing *kebab* (small groups of villages) structure.

B. Organizational framework

8. Oversight responsibility will be assumed by the project's National Steering Committee, which will be chaired by the Minister for Agriculture. The Minister for Land, Water and Environment (MLWE) and the six *zoba* governors will also participate in the committee.
9. The International Center for Agricultural Research in the Dry Areas (ICARDA), the International Crops and Research Institute for the Semi-Arid Tropics (ICRISAT) and the International Maize and Wheat Improvement Centre (CIMMYT) are expected to provide technical support in the development of the national seed system. ICARDA will also provide the Government with technical support in catchment mapping and characterization. Development of saline-soil-tolerant crops in the northern and southern Red Sea coastal areas will be supported by the International Centre for Biosaline Agriculture.

C. Planning, monitoring and evaluation, and learning and knowledge management

10. The project will provide assistance to develop and disseminate the knowledge base for agricultural water and land resources and increase knowledge related to climate change, which is crucial for the development of smallholder agriculture in the country. A baseline study will be undertaken within the first six months of implementation. This will establish the benchmark for measuring project impact. The project's logical framework will provide the basis for monitoring and evaluation (M&E) under the supervision of the Planning and Statistics Division (PSD) of the MOA. The existing M&E unit in the PSD will have overall responsibility for monitoring and evaluation.

D. Financial management, procurement and governance

11. The overall responsibility for financial management and procurement will rest with the Administration and Finance Division (AFD) of MOA. The finance units of the *zoba* project coordination units will be responsible for accounting, financial management and local procurement at the *zoba* level. The Director of AFD will oversee project accounts, procurement and disbursements. IFAD funds will flow into a designated account at the Bank of Eritrea and then to the project's main operating account in the MOA, from where further transfers will be made to the NARI operating account and the six *zoba* operating accounts. Major disbursements will be audited by the internal auditors of MOA and *zoba* administrations. Project accounts, financial statements and records will be audited each fiscal year by qualified, independent, external auditors acceptable to IFAD, under terms of reference cleared by IFAD, and in line with the IFAD guidelines for audits.

E. Supervision

12. The project will be directly supervised by IFAD. Annual implementation support/supervision missions, with short follow-up missions at regular intervals, will be organized in collaboration with implementing partners to review progress and Results and Impact Management System (RIMS) data.

IV. Project costs, financing, benefits

A. Project costs

13. The total costs, over the six-year implementation period, are estimated at US\$26.38 million, comprising a base cost of US\$24.9 million and US\$1.4 million in contingencies. Foreign exchange cost is estimated at US\$5.5 million. Including contingencies, component 1 accounts for US\$10.8 million, or 41 per cent of total

costs; component 2 accounts for US\$13.2 million, or 50 per cent of total costs; and component 3 accounts for US\$2.4 million, or 9 per cent of total costs.

B. Project financing

14. The project will be financed by an IFAD Debt Sustainability Framework (DSF) grant of SDR 11.40 million (US\$17.28 million equivalent) or 65 per cent of total costs. The Government will provide counterpart funding equivalent to US\$5.4 million, or 21 per cent of total costs in local currency; this will cover mainly taxes and duties (US\$4.3 million). The beneficiary contribution will be equivalent to US\$3.7 million, 14 per cent of total costs and will be in the form of local currency, both in cash and in-kind. The financing plan by financier and component is shown in the following table.

Eritrea

National Agriculture Project

Components by financier

(Thousands of United States dollars)

	Government		IFAD		Beneficiary Contribution		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
1. Agricultural water resources development											
Watershed characterization	153	43.6	138	39.3	60	17.1	352	1.3	60	138	153
Improvement of meteorology and hydrometry systems	122	10.8	1 011	89.2	-	-	1 133	4.3	367	643	122
Agricultural infrastructure development	2 318	24.9	4 839	52.0	2 146	23.1	9 303	35.3	930	6 561	1 812
Subtotal Agricultural water resources development	2 593	24.0	5 988	55.5	2 206	20.5	10 787	40.9	1 358	7 343	2 087
B. Integrated agricultural production											
Development of national seed system	443	10.9	3 620	89.1	-	-	4 063	15.4	2 109	1 511	443
Intensification of crop production	841	20.5	2 428	59.3	826	20.2	4 094	15.5	409	2 844	841
Livestock production support	980	19.3	3 425	67.5	669	13.2	5 074	19.2	1 542	2 835	697
Subtotal Integrated agricultural production	2 264	17.1	9 473	71.6	1 495	11.3	13 232	50.2	4 060	7 191	1 981
C. Project support services	543	23.0	1 818	77.0	-	-	2 361	9.0	71	2 057	234
Total PROJECT COSTS	5 400	20.5	17 278	65.5	3 701	14.0	26 380	100.0	5 488	16 590	4 302

C. Summary benefit and economic analysis

15. The beneficiaries are smallholder farmers, agro-pastoralists and pastoralists. In general, smallholder farmers engaged in rainfed agriculture will benefit from improved production practices including enhanced soil and water management techniques, and increased access to improved and drought-tolerant seeds. The pastoralists and agropastoralists will benefit from improvements to communal rangelands, development of watering points and better animal health services. A total of 81,292 households (or 406,000 individuals) will directly benefit from the project, of which about 16,258 households are expected to be de facto/de jure woman-headed households. Furthermore, the staff of MOA, NARI, MLWE and district administrations will benefit from various training activities under the project. The economic rate of return is estimated at 21 per cent, over a 20-year period. The economic viability of the project is robust to adverse changes in project costs and incremental production. If costs are increased by 10 per cent, the economic rate of return will fall to 16 per cent. If incremental production falls by 10 per cent, the rate of return will fall to 15 per cent.

D. Sustainability

16. Post-project sustainability concerns have been addressed through the project design as follows:
- **Institutional sustainability.** Participating institutions at all levels – from the MOA, to *zoba*, to producer groups – will be strengthened and linkages will be developed to ensure effective implementation and institutional capacity-building. Implementation will be driven by communities and producer organizations, using the existing decentralized development planning framework.
 - **Financial sustainability.** The revolving accounts for input supply and animal health services will be expanded to cover all districts and ensure continued supply after project completion. A cost-recovery arrangement for irrigation development and livestock, introduced in past and current interventions, will be continued and refined to recover investment costs. Water users'

associations will cover the operational costs of irrigation schemes and will receive training to ensure sustained management.

E. Risk identification and mitigation

17. The two key risks and mitigation measures are:
- **Restrictive government control over private-sector operations.** Mitigating this risk will involve intensifying policy dialogue on market liberalization, improving government procurement capacity, increasing local availability of inputs and technology and using locally sourced raw materials.
 - **Inadequate/erratic rainfall and drought occurrence.** This risk will be mitigated by intensification of agricultural water conservation and rainfed area management, protection and improved management of watersheds, production and promotion of drought-tolerant varieties, expansion of irrigation, and better design and use of irrigation systems to increase agricultural output.

V. Corporate considerations

A. Compliance with IFAD policies

18. The project is in line with the IFAD Policy on Crisis Prevention and Recovery and will contribute to the Fund's strategic goal of combating poverty and hunger in rural areas, as set out in the COSOP for Eritrea. It is also aligned with the Fund's overarching goal of empowering the rural poor to earn higher incomes and improve their food security.

Gender

19. WWHs will receive priority attention in land allocation in new irrigation areas, while small livestock investments are exclusively targeted at women and WWHs. The National Union of Eritrean Women will assist in mobilizing women for participation in the project.

Environmental impact

20. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation and is not likely to have any significant negative environmental impact. The evaluation of project impact indicated a positive contribution to climate change adaptation and no net contribution to greenhouse gas emissions.

B. Alignment and harmonization

21. IFAD is a member of the Food Security Cluster in Eritrea. The Fund has partnered with ICARDA, ICRISAT, the International Centre of Insect Physiology and Ecology (ICIPE) and the Food and Agriculture Organization of the United Nations (FAO), on seed development, water management, apiculture development and climate change impact, and will closely coordinate its operations with the Improved Global Governance for Hunger Reduction Programme funded by the European Commission.

C. Innovations and scaling up

22. Key innovative features include: (i) the watershed characterization exercise with ICARDA; (ii) the focus on sustainable intensification and holding of an Ex Ante Carbon-balance Appraisal Tool (EX-ACT) trial; (iii) participatory technology generation and dissemination involving NARI, MOA, the agricultural divisions of *zoba* administrations and farmers; and (iv) village-based seed enterprises.
23. **Scaling up.** The scaling-up strategy is implicit in the design, rationale and approach of the project. The watershed selection criteria will establish the prioritization of watersheds in each *zoba* and successful agricultural development practices will be scaled up within watersheds and further afield as resources become available.

D. Policy engagement

24. The project will support: (i) the establishment of a national framework for smallholder agriculture, laying the foundation for the medium- to long-term development of this segment of agriculture; (ii) community-focused development that responds well to the expressed needs of participating communities; (iii) the formulation of straightforward policies, with enhanced participation by the private sector and smallholders in decision-making and financing; and (iv) the building of a streamlined institutional framework that avoids conflict and enhances transparency and accountability.

VI. Legal instruments and authority

25. A project financing agreement between Eritrea and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as an annex.
26. Eritrea is empowered under its laws to receive financing from IFAD.
27. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a grant to Eritrea in an amount equivalent to eleven million four hundred thousand special drawing rights (SDR 11,400,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated Text
18/09/2012

GRANT NO. DSF-_____

FINANCING AGREEMENT

National Agriculture Project
(NAP)

between

THE STATE OF ERITREA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in _____

on _____

FINANCING AGREEMENT

Grant Number: _____

Project Title: National Agriculture Project (the "Project")

The State of Eritrea (the "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), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
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") 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 Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is SDR 11 400 000.
2. The first day of the applicable Fiscal Year shall be 1 January.
3. The Recipient shall provide counterpart financing for the Project in the amount of USD 1 098 000 to cover a portion of civil works, livestock inputs, technical assistance, trainings, workshops and studies, in addition to an amount approximately equivalent to USD 4 302 000 to cover duties and taxes for the Project in accordance with Annual Work Plans and Budgets (AWPBs) referred to in Section II, paragraph 1 of Schedule 1 hereto.

Section C

1. The Lead Project Agency shall be Ministry of Agriculture of the Recipient.
2. Additional Project Parties include but are not limited to service providers and institutions mentioned in Schedule 1.
3. The Project Completion Date shall be the sixth 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 Project National Steering Committee shall have been expanded to include the governors of the four new Zobas participating in Project (Northern Red Sea, Southern Red Sea, Maekel and Anseba).
 - b) Project coordination offices with composition and functions satisfactory to IFAD shall have been established, in Northern Red Sea, Southern Red Sea, Maekel and Anseba Zobas; and the Fund shall have determined that the National Project Coordination Office has been adequately strengthened to carry out its additional responsibilities for the Project.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Agriculture
PO Box 1048
Asmara, Eritrea

For the Fund:

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 six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

THE STATE OF ERITREA

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit about 81,292 households in the six Zobas of Eritrea (the "Project Area"). The Project shall target poor and food-insecure households. Particular attention will be given to women-headed households (WHHs) (an estimated 40 per cent of households in the Project area out of the total households targeted) which will receive priority in land allocation in new irrigation areas while small livestock investments (sheep, goats and backyard poultry) will target only women and WHHs; households cultivating small areas of rainfed crops (<2 ha) or small areas of irrigated crops (0.1-0.25 ha); pastoralist households with maximum of 5 cattle and 10 sheep/goats; landless and near landless people (Internally Displaced People, expellees, returnees and demobilized soldiers, etc.).
2. *Goal.* The goal of the Project shall be to positively contribute to rural household and national food security and to the alleviation of rural poverty.
3. *Objective.* The objective of the Project shall be to sustainably raise smallholder agricultural production and productivity.
4. *Components.* The Project shall consist of the following Components:

4.1 Component 1 – Agricultural Water Resources Development

(a) Watershed characterization: This Subcomponent is intended to provide detailed information on watersheds in all Zobas. This will inform an integrated watershed management approach to agricultural development, aiming to raise agricultural productivity while conserving the environment.

(b) Improvement of meteorology and hydrology systems: This Subcomponent is intended to provide real time information on water availability and delivery in conveyance systems enabling more efficient use of available water, erosion control and minimising flood damage to irrigation infrastructure, crops and human life

(c) Agricultural infrastructure development: This Subcomponent shall encompass the following activities: (i) Irrigation development including small-scale surface and pressurized irrigation and spate irrigation systems; (ii) Rainfed agriculture intensification in high potential areas identified through the watershed characterization exercise; (iii) Catchment protection through soil and water conservation measures to prevent land degradation and reduce siltation of irrigation and water storage infrastructure; and (iv) Capacity building to support the above activities.

4.2 Component 2 – Integrated Agricultural Production

(a) Development of a National Seed System: This Subcomponent will build on the work of the Post-crisis Rural Recovery and Development Programme to build a sustainable seed system to undertake: (i) variety introduction, evaluation and maintenance; and (ii) production of certified/improved seed including in village-level seed enterprises.

(b) Input supply: Under this Subcomponent access to organic and inorganic fertilisers, nitrogen and phosphorous in particular will be enhanced to maximise benefits of improved seed supply and water management. Agro-chemicals will be provided for the control of disease and pests in the production of fruits and vegetables.

(c) Technology generation and dissemination – Under this Subcomponent the system developed under the Post-crisis Rural Recovery and Development Programme will be expanded and primary focus will be placed on supplementary irrigation for rainfed and spate systems, trials of crops adapted to saline soils and commercialization and market-orientation of post-harvest handling, processing and marketing of produce from irrigated systems to increase profitability and return on investments.

(d) Livestock support – This Subcomponent shall include support for small stock operations (focused on goat breeding), small scale dairy, backyard poultry and apiculture as well as improvement to communal rangeland management (Voluntary Livestock Exclusion Areas (VLEAs), over-sowing with forage seeds and planting of forage trees) and animal health systems and capacity building in relation to food quality and safety.

4.3 Component 3 – Project Support Services and Capacity Building

- (a)** This Subcomponent shall include activities related to training communities and producers organisations to manage irrigation and infrastructure
- (b)** This Subcomponent shall include activities related to training of Government officials
- (c)** Project coordination
- (d)** Project management, monitoring and evaluation

II. Implementation Arrangements

1. **Ministry of Agriculture (MOA).** The Project shall be implemented within the Recipient's decentralized institutional framework and in collaboration with the private sector. The overall management of the Project shall be the responsibility of the Minister of Agriculture. The National Project Coordination Office (NPCO) already established in the MOA shall have responsibility for the coordination of Project implementation including preparation of the consolidated Annual Work-Plan and Budget (AWPB) based on the respective AWPBs from the MOA, the National Agricultural Research Institute and the participating Zobas; and production of 6-monthly and consolidated annual progress reports. The Administration and Finance Division of the MOA shall have responsibility for planning and coordination of procurement, accounts and financial management. The Planning and Statistics Division will conduct impact evaluation and knowledge management including production of annual evaluation reports, conducting the annual implementation review workshops, special/thematic studies and will prepare the Mid-Term Review and the Project Completion Report.

2. **Zoba Administrations.** The day-to-day implementation and coordination at the Zoba level shall be the responsibility of the respective Zoba administration, under the direction of the Governor. Each Zoba shall establish and operate a Zoba Project Coordination Office (ZPCO) which shall have the responsibility for the preparation of the Zoba AWPB, the six monthly and annual progress reports, and monitoring activities. Finance, accounting and local procurement shall also be entrusted to the ZPCO. The Agricultural Division of each Zoba administration shall implement the Watershed Characterisation and Agricultural Infrastructure Development Subcomponents of Components 1 and 2.

3. Within each Zoba, the development process shall be largely driven by the local communities through the Sub-zobas and Kebabi administrations through the Recipients decentralised participatory planning system, whereby Village Development Plans are consolidated into Kebabi plans, which are then consolidated into Sub-zoba plans, which are then consolidated into Zoba plans. The Sub-zoba Agricultural Divisions shall provide direct supervision of the Kebabi-based technical teams as well as prepare progress reports following Government guidelines. The same Sub-zoba Agricultural Divisions shall technically backstop Kebabi operations, including training, support to planning including preparation of Sub-zoba AWPBs. The Kebabi Administration shall also play a key role in conflict resolution.
4. **Agricultural Extension Department (AED) of MOA.** The AED shall provide technical backstopping to the Zoba administrations, and ensure that Project implementation is aligned with government policy and strategy. It shall collaborate with the Ministry of Land, Water and Environment in ensuring that agricultural production activities are carried out within the environmental guidelines and policies.
5. **Regulatory Services Department (RSD) of MOA.** RSD shall provide quality assurance and certification services for agricultural inputs and outputs including quarantine for imported plant products. It shall ensure necessary training for private and public institutions with regards to policies and regulations for quality control. It shall certify the quality of seeds and agro-chemicals before use.
6. **National Agricultural Research Institute (NARI).** NARI shall have direct responsibility for variety screening, evaluation and maintenance, producing breeder and foundation seeds, and training of the private sector in the production of foundation seed for an eventual transfer of that responsibility to them.
7. **Ministry of Land, Water and Environment (MLWE).** The MLWE's Zoba units shall have the responsibility for the implementation of the meteorology and hydrometry systems and ensuring the Project activities are within the environmental guidelines with technical backstopping from the respective departments of MLWE.
8. **Project National Steering Committee (PNSC).** The PNSC was established under the past IFAD assistance and will remain in place for the Project with the addition of the Governors of the four new Zobas. Its functions shall remain the same and shall include: (i) oversight of Project implementation; (ii) ensuring that the Project is implemented within the national policy and strategy framework; (iii) approval of the AWPB; and (iv) assistance in resolving conflicts and/or implementation bottlenecks. It will review and approve key reports before forwarding them to IFAD. The PNSC will meet on a 6-monthly basis.
9. **Zoba Project Coordination Committees (ZPCCs).** The ZPCCs operate at Zoba level and have already been established and are functional in Zoba Debub and Zoba Gash Barka. Similar committees shall be established in the four new Zobas with the same composition and functions. Their basic functions shall be to provide oversight of operation at Zoba level and to review and endorse the Zoba AWPB and key reports before forwarding to the National Project Coordination Office. The ZPCCs will meet on a quarterly basis.
10. **Eritrea National Seed Enterprise (ENSE).** Once in place as part of Component 2, the ENSE shall organise and supervise a network of out-growers to produce certified seeds, and organise seed processing and distribution. The ENSE, in collaboration with Zoba seed units, shall technically backstop private sector seed growers for production, processing and marketing of certified/improved seeds.

11. Community Participation. The development process adopted by the Project shall be community driven. In order for this to function, the communities must identify and prioritise their problems and define development actions to address them. Each Kebabi administration has a Planning and Implementation Committee (PIC) to review and consolidate the Village Development Plans into a Kebabi plan. The PIC is headed by the Kebabi Administrator, assisted by the local Zoba assembly members. PICs shall receive technical support from the Sub-Zoba line agencies. The Kebabi plans shall be submitted to the Sub-Zoba Planning Committee (SPC) for review, approval and incorporation into the Sub-Zoba development plan. SPCs are composed of the Sub-Zoba development Administrator as the chairperson, heads of Sub-Zoba departments, local Zoba assembly members, National Union of Eritrean Women (NUEW), Kebabi Administrators, and civil society organisations. The Project shall provide financing for workshops and training as may be required and for capacity enhancement through training and payment of community development agents to be appointed by the council. Financing shall also be provided for the strengthening of the Kebabi technical teams.

12. Technical Partners in Implementation The European Commission (EC) is providing technical collaboration and co-financing under the PCRRDP-Add-on. It also has a national programme for food security which has similar objectives to the Project, and is being implemented under the same institutional framework as other IFAD assisted programmes. IFAD and the EC are also providing support in ICT to the MOA. The Global Environmental Facility is providing assistance in the Catchment and Landscape Management Project which compliments PCRRDP and is coherent with the integrated watershed management approach of the Project. Consultations on harmonization of policies, resource use and technical approaches which have been established between IFAD and EC will continue under the Project to ensure synergy and better impact on the development of the agricultural sector for enhanced food security and rural poverty alleviation. ICARDA has provided significant technical inputs in the design of the project, and consultations have been established with relevant CGIAR centres (ICRISAT, CIMMYT, CIP and ICBA) for technical support during implementation. All IFAD programmes/projects have established close working relations with the MLWE to ensure that the environmental and natural resource management aspects are addressed in a coordinated way.

Schedule 2

Allocation Table

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

Category	Grant Amount Allocated (expressed in SDR)	Percentage (net of govt. & beneficiary contributions)
I. Civil Works	3 050 000	100% net of tax
II. Vehicles, Motorcycles, Equipment and Materials	1 500 000	100% net of tax
III. Agricultural and Livestock Inputs	2 100 000	100% net of tax
IV. Technical Assistance, Training, Workshops and Studies	2 840 000	100% net of tax
V. Recurrent costs – operations and maintenance	770 000	100% net of tax
Unallocated	1 140 000	
TOTAL	11 400 000	

2. *Start-up Costs.* Withdrawals to meet the costs of starting up the Project incurred before the satisfaction of the general conditions precedent to withdrawal must be approved in advance by the Fund and shall not exceed an aggregate amount of USD 150 000.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. At all times during the Project Implementation Period the Recipient shall ensure that appropriate arrangements satisfactory to the Fund shall be made for the coordination of activities under the Project. The Fund shall provide its prior agreement and shall reserve the right to review coordination arrangements as often as required to ensure their effectiveness during implementation.
2. No later than two years after Project effectiveness, a national seed system shall be established and fully operational through private-public sector collaboration, including participation by non-state actors: smallholders (cooperatives, farmers associations), private companies and village-based seed enterprises in certified seed production and distribution.
3. Guidelines and progress of agricultural infrastructural development and maintenance, including irrigation development and management related to the Project shall be reviewed by the Recipient not later than Project Year 3 to improve performance and sustainability.

Logical framework

Narrative Summary	Performance Indicators	Means of Verification	Assumptions
<p>Goal To positively contribute to rural household and national food security and rural poverty alleviation.</p>	<ul style="list-style-type: none"> • HH with improvement in assets ownership index • Reduction in prevalence of child malnutrition • HHs or persons receiving Programme services • HHs with increased income and improved food security 	<ul style="list-style-type: none"> • Baseline & impact surveys • M&E and impact assessments • Gov. socio-economic/health survey and statistics • Project Completion Report 	<ul style="list-style-type: none"> • Political stability • No major drought • Enabling macro-micro policy • Policy and legal framework in place
<p>Development Objective To sustainably raise smallholder agricultural production and productivity</p>	<ul style="list-style-type: none"> • Increase in crop and livestock production • Increased yields of grains, fruit, vegetable and fodder • Reduction in livestock mortality and morbidity 	<ul style="list-style-type: none"> • M&E Reports • Project impact assessments, MTR, PCR • Zoba MOA annual estimates of crop/livestock production 	<ul style="list-style-type: none"> • Political stability • Higher access to farmer inputs • Technological generation and incentive policy in place
Project Outputs			
<p>Output 1: Agricultural Water Resources Development 1.1 Watershed Characterisation. 1.2 Improvement of Hydrometry and Meteorology System 1.3 Agricultural Infrastructural Development</p>	<ul style="list-style-type: none"> • Agricultural resource base defined by watershed for six Zobas • Hydrometry and meteorology system strengthened • Construction/rehabilitation of spate irrigation system design improved to enhance resilience in poor rainfall/drought years • Increased area of catchment protected • In new irrigation scheme – all women cultivating rain fed crops in the area taken over, and willing to participate are provided plots, and at least 40% of new users are women 	<ul style="list-style-type: none"> • Zoba watershed characterization reports • National Watershed Characterization Report • MLWE reports on hydrometry/meteorology • Real time weather information report by MLWE • Project evaluation reports of spate irrigation by Zoba Agricultural Division • Beneficiary evaluation report • Project report on agric. water resources develop. • Project impact assessments, MTR and PCR 	<ul style="list-style-type: none"> • Timely TA support from ICARDA • Collaboration between MLWE and MOA • MLWE staff capacity improved at Zoba level • Communities mobilized and maintaining infrastructure
<p>Output 2: Integrated Agriculture Production 2.1 Development of National Seed System 2.2 Intensification of Crop Production 2.3 Livestock Production</p>	<ul style="list-style-type: none"> • NSU, National Seed Board, Zoba Seed Units established and functional • Out-growers producing certified seeds trained and in production • Increased number of VBSEs – at least 40% owned by women • RSD strengthened and providing seed quality certification services • Larger area of irrigated cultivation under improved management • Input package including certified/improved seed fertilizers used in rainfed agriculture • CA promoted in Zobas (Debub, Gash Barka, N. Red Sea, Anseba) • Increased no. HH producing irrigated crop get extension services • No. HH in irrigation and rain fed/spate increase production/yield • Animal health services and feed enhanced through forage development • Communal rangeland improved with higher number of VLEAs 	<ul style="list-style-type: none"> • NARI report • NSU annual report (seed production in Eritrea) • National Seed System review workshop report • Zoba annual food production report • MOA-PSD annual food security report • PSD annual project evaluation report • Project M&E • Project impact assessments, MTR and PCR • AED annual Epidemiology report • Animal clinics and abattoirs' reports • Disease Surveillance report • Zoba Livestock Marketing report • Annual implementation Review Workshop reports 	<ul style="list-style-type: none"> • Political stability • Timely TA support secured • Improved crop varieties available • NSU and NARI assure adequate supply of breeder, foundation and certified seeds • Extension policy and strategy revised • No prolonged drought • Veterinary staff increased • Policy for livestock revolving account operation developed
<p>Output 3 – Project Support Services and Capacity Building 3.1 Technical Support and Capacity Building 3.2 Programme Coordination and Monitoring 3.3 Impact Evaluation and Knowledge management</p>	<ul style="list-style-type: none"> • Semi-annual monthly progress reports and annual audit reports produced timely 	<ul style="list-style-type: none"> • MOA and Zoba administration personnel record • Annual evaluation report • Technology generation/dissemination evaluation report • AWPB • MOA personnel report • PSD Reports • Annual implementation review workshop report 	<ul style="list-style-type: none"> • Staff released for training • Political stability and will • Inter-agency collaboration improved • Local institution available to undertake studies and reviews