

Document: EB 2017/LOT/P.14/Rev.1  
Date: 9 September 2017  
Distribution: Public  
Original: English

E



Investing in rural people

## President's report

# Proposed loan and grant to the Hashemite Kingdom of Jordan for the Small Ruminants Investment and Graduating Households in Transition Project

### Note to Executive Board representatives

#### Focal points:

#### Technical questions:

Rami Salman  
Country Programme Manager  
Near East, North Africa and Europe Division  
Tel.: +39 06 5459 2291  
e-mail: r.salman@ifad.org

Vrej Jijyan  
Programme Officer  
Tel.: +39 06 5459 2158  
e-mail: v.jijyan@ifad.org

#### Dispatch of documentation:

William Skinner  
Chief  
Governing Bodies  
Tel.: +39 06 5459 2974  
e-mail: gb@ifad.org

---

For: Approval

## Contents

Abbreviations and acronyms	ii
Financing summary	iv
Recommendation for approval	1
I. Strategic context and rationale	1
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities	2
II. Project description	3
A. Project area and target group	3
B. Project development objective	3
C. Components/outcomes	3
III. Project implementation	4
A. Approach	4
B. Organizational framework	4
C. Planning, monitoring and evaluation, and learning and knowledge management	5
D. Financial management, procurement and governance	5
E. Supervision	6
IV. Project costs, financing and benefits	6
A. Project costs	6
B. Project financing	7
C. Summary of benefits and economic analysis	7
D. Sustainability	8
E. Risk identification and mitigation	8
V. Corporate considerations	9
A. Compliance with IFAD policies	9
B. Alignment and harmonization	9
C. Innovations and scaling up	9
D. Policy engagement	9
VI. Legal instruments and authority	9
VII. Recommendation	10

## Appendices

- I. Negotiated financing agreement
- II. Logical framework

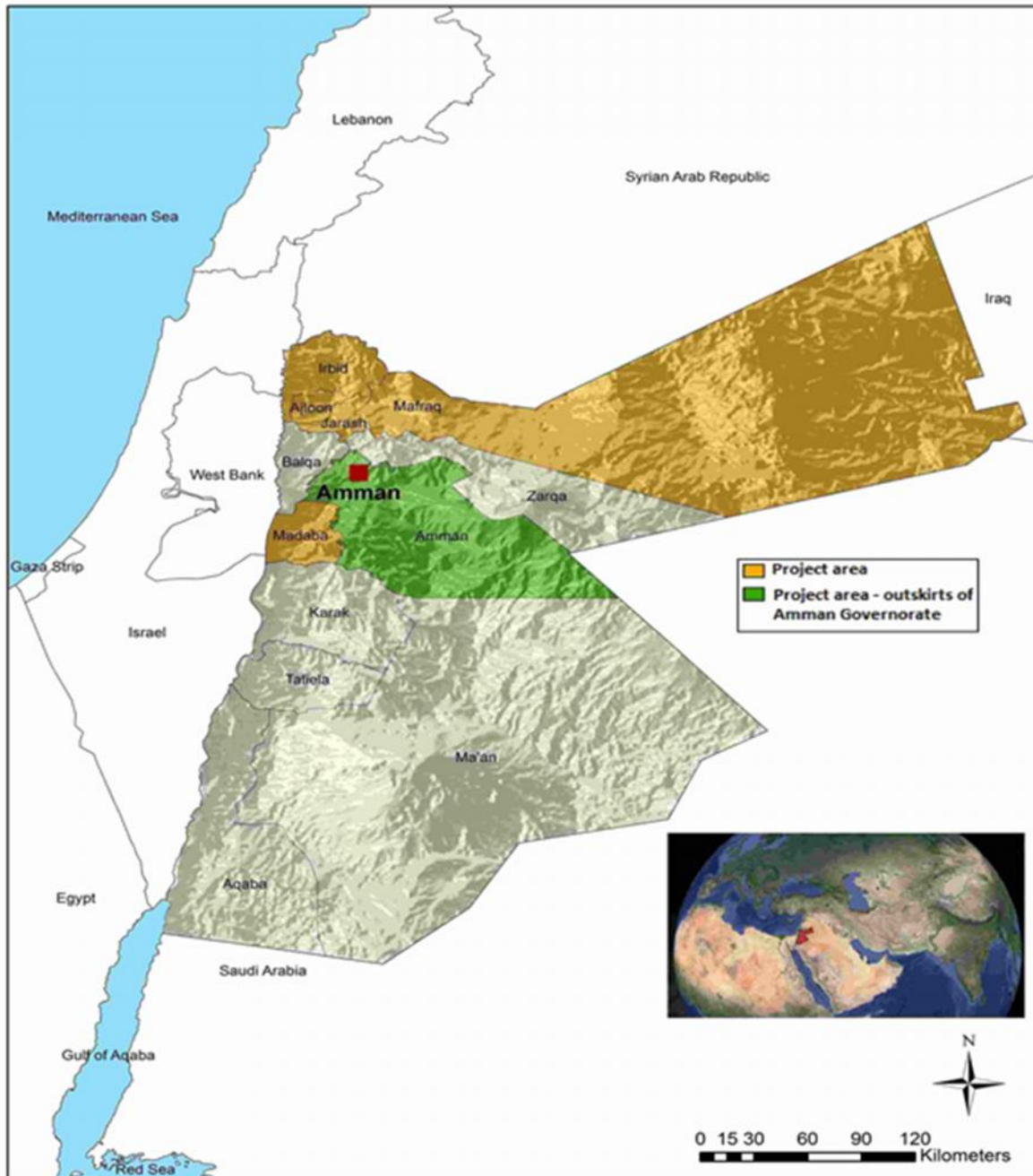
## Abbreviations and acronyms

EIRR	economic internal rate of return
FAO	Food and Agriculture Organization of the United Nations
FARMS	Facility for Refugees, Migrants, Forced Displacement and Rural Stability
JEGP	Jordan Economic Growth Plan
M&E	monitoring and evaluation
NCARE	National Center for Agricultural Research and Extension
NPV	net present value
PMU	project management unit
SDGs	Sustainable Development Goals
SIGHT	Small Ruminants Investment and Graduating Households in Transition

# Map of the project area

## Hashemite Kingdom of Jordan

### Small Ruminants Investment and Graduating Households in Transition (SIGHT)



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 | 19-12-2016

## Hashemite Kingdom of Jordan

### Small Ruminants Investment and Graduating Households in Transition Project

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Hashemite Kingdom of Jordan
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total project cost:</b>	US\$23.9 million
<b>Amount of IFAD loan:</b>	US\$8.4 million
<b>Amount of IFAD grant:</b>	US\$0.5 million
<b>Terms of IFAD loan:</b>	Ordinary: Maturity period of 18 years, including a grace period of 3 years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate
<b>IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability (FARMS) grant:</b>	US\$3.9 million
<b>Cofinancier(s):</b>	Government, FARMS grant
<b>Contribution of borrower:</b>	US\$4.6 million
<b>Financing gap:</b>	US\$6.5 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Hashemite Kingdom of Jordan for the Small Ruminants Investment and Graduating Households in Transition Project, as contained in paragraph 48.

## Proposed loan and grant to the Hashemite Kingdom of Jordan for the Small Ruminants Investment and Graduating Households in Transition Project

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. Jordan is a middle-income country with a per capita gross national income of US\$4,680. The 2015 population of 6,249 million is projected to have increased to 7,748 million in 2016 owing to the influx of Syrian refugees. The country is highly urbanized – only 16 per cent rural (2015) – and is primarily a service economy heavily dependent on the public sector. Despite substantial foreign financial assistance and an abundance of skilled human resources, the national economy faces complex challenges: high population growth rate; continuing influx of refugees and economic migrants; growing pressure on its natural resource base; an increasing scarcity of water resources; and the negative effects of climate change.
2. Poverty. Poverty rates have increased from 14.4 per cent in 2010 to an estimated 20 per cent in 2016. Earlier analysis of the poverty profile of the country estimated that, overall, 33 per cent of the population experiences poverty during at least one quarter of the year. Poverty in Jordan is significantly higher among larger households and those with less-educated household heads.
3. Agriculture sector. The agriculture sector has been growing, having doubled its share of GDP from 2 to 4 per cent in the past five years. The Jordan Economic Growth Plan (JEGP) has set a target of 5 per cent annual GDP growth. The expectation is that agriculture must grow by 10 per cent annually to meet this target. Despite its modest contribution to national GDP, the sector is important in Jordan due to its influence on the socio-economic fabric and its role in political stability, as well as its central role in food security, rural development and job opportunities. The country has limited land resources; only some 5 per cent of its land area is arable. The major components of the agriculture sector are horticulture, the poultry industry and small-scale herding. Much of the Government's domestic agricultural policy is focused on management of its scarce and rapidly depleting water resource in an effort to support its traditional livestock owners and develop an export-oriented horticultural sector.
4. Adverse regional developments and Syrian refugees. The Syrian and Iraq crises remain the largest recent shocks affecting Jordan. The country is now hosting 1.26 million Syrians. Nearly 79 per cent of refugees are highly or severely vulnerable to food insecurity. Ninety-three per cent of Syrians living outside of camps in Jordan are below the poverty line. This influx has resulted in huge pressure on the country's social fabric, basic infrastructure, services and resources. It impacts heavily on Jordan's public finances, increasing government expenditure on subsidies, public services and security.

5. Jordan's Poverty Reduction Strategy (2013-2020) and Agricultural Development Strategy (2016) are designed to increase the contribution of the agriculture sector to GDP, promote job opportunities, and empower women and youth to develop small enterprises, thereby improving their living conditions. The most recent drive for reforms has focused on Jordan's need to achieve self-reliance and stability based on enhanced productivity and increased competitiveness. The Government has also developed the Jordan Response Plan for the Syria Crisis 2016-2018, which is its three-year programme to address high-priority needs as a result of the Syrian crisis.
- B. Rationale and alignment with government priorities**
6. The livestock sector accounts for the bulk of agricultural output (55 per cent) and is critical to food security and poverty alleviation. The small ruminant sector constitutes 32 per cent of the livestock sector and is the most important sector for poor rural communities. Over the last 20 years, per capita availability of livestock products has not kept pace with growing demand from the domestic and export markets. Jordan is a food-deficit country, and is among the seven countries identified as most vulnerable to the impact of high food prices. The overall self-sufficiency ratio for meat products in the country is low, with the lowest ratios being for mutton and beef.
  7. The Small Ruminants Investment and Graduating Households in Transition (SIGHT) project will assist in achieving the Government's strategic objectives of increased food security, poverty alleviation and improvement in the trade imbalance. SIGHT will focus on addressing several key problems in the small ruminant sector, including: gradual deterioration of livestock breeds; extension and animal health services; water scarcity; shortage of feed; and degraded rangelands. The project will also assist the country in its endeavours towards geographic indication of the Jordanian Awassi sheep and help determine the latter's potential as a unique marketing trademark. SIGHT will deal with weaknesses in the public sector regarding small ruminant breeding, feeding and production. It will also support the community, cooperative and private sectors in increasing the productivity of the small ruminant sector through enhancing the technical capacity of existing elite farmers, smallholders, farmers' organizations and cooperatives, and the private sector.
  8. SIGHT capitalizes on the opportunity to support the Jordan Response Plan for the Syria Crisis. It has components in the design that can help Syrian refugees and their host communities graduate out of poverty through a package of support, training and asset creation addressing issues of food security and building resilient livelihoods. The project also provides an opportunity to use funds from the Facility for Refugees, Migrants, Forced Displacement and Rural Stability (FARMS) and mobilize additional resources from other donors to work with Syrian refugees and host communities and assist in developing sources of livelihood support.
  9. The theory of change underpinning the current IFAD investment is that improved breeds and feed sources will help enhance the productivity and incomes of small-ruminant farmers in Jordan. The theory further suggests that many among Syrian refugees and the host communities cannot afford financial services, but do have the commitment to graduate out of poverty through the support, productive assets and skills that help them invest in a sustainable source of livelihood.
  10. At national and institutional levels, numerous government plans, strategies and action plans are well aligned with the IFAD Strategic Framework 2016-2025, the country strategy note for Jordan (October 2016) and IFAD's policies on Targeting, Gender Equality and Women's Empowerment, and Rural Finance, and its Private-Sector Development and Partnership Strategy. These include the Government Programme and Medium-Term Strategy, JEGP, Jordan Response Plan, Poverty Reduction Strategy, National Action Plan to Combat Desertification, Drought

National Action Plan and Programme for Mainstreaming Gender in Climate Change Efforts.

## II. Project description

### A. Project area and target group

11. Proposed project area. The project will be implemented in the six northern and central governorates of Mafraq, Irbid, Jerash, Ajloun, Madaba and the outskirts of Amman. However, institutional support and technical strengthening for breeding, animal tracking and quarantine will target public services at the national level.
12. Target group. The project's primary target group is Jordanian women and men smallholder livestock farmers for whom small ruminants are a source of income, food security and a safety net. It is estimated that the project will target 11,920 households in total and is likely to yield benefits for around 57,216 people. The project will engage with vulnerable small-ruminant farmers operating at a subsistence level, as well as those with higher productive potential. Women and youth are both important project target groups.
13. Poor and extremely poor Jordanian rural host community households and Syrian refugees also constitute important target groups. Most Syrian households live under the poverty line, with their main source of income being cropping and livestock. The project will support 2,025 Syrian refugee households and 1,625 households from vulnerable host communities.

### B. Project development objective

14. The project will be implemented over a six-year period. The development goal is to contribute to reducing poverty and enhancing national food security by improving the productivity of the small ruminant sector, and to assist Syrian refugees and host communities in graduating out of poverty. The development objective is to increase the income of targeted households through providing sustainable production capacity.

### C. Components/outcomes

15. The SIGHT project will consist of two components.
16. Component 1: Investment in farmer services. This component will support the public and private sectors to ensure that small-ruminant producers receive a set of complementary services to enhance the effectiveness of small-scale livestock production systems and the incomes of smallholders. This component has three closely related subcomponents.
17. Subcomponent 1.1: Enhancing public services. The objective is to increase the productivity and competitiveness of the small ruminant sector by: strengthening the national breeding programme – led by the Ministry of Agriculture and the National Center for Agricultural Research and Extension (NCARE) – and the complementary public support systems needed in health services and in the system of quarantine and traceability through selected investments in infrastructure and capacity-building. The subcomponent will also support the Ministry's efforts in linking the Awassi breeding programme with the programme of geographic indication for these sheep.
18. Subcomponent 1.2: Improving community and private-sector services. The main activities undertaken under this subcomponent will be: (a) establishment of field teams (private and government staff); (b) pilot investments in and around rangeland reserves; and (c) enhanced livestock nutrition activities.
19. Subcomponent 1.3: Support to policy engagement. The project will work in collaboration with the Food and Agriculture Organization of the United Nations (FAO), through the established National Agriculture Advisory Group, whose role is to undertake dialogue and analysis and to propose paths to policy engagement that



will ensure that the small ruminant sector remains a profitable and sustainable business. Policy recommendations will be supported within the framework of the JEGP. The project will support the policy dialogue platform, ensure that smallholder farmers are engaged in the process, and provide technical assistance to review the existing policy environment and identify opportunities for policy engagement.

20. Component 2: Livelihood investments and access to financial services. This component will provide support to households at diverse positions along the poverty spectrum. This includes Jordanian host communities and highly vulnerable Syrian refugees, as well as individual entrepreneurs in need of loans for their enterprises. The component has two subcomponents:
21. Subcomponent 2.1: Grants for graduation into sustainable livelihoods will benefit vulnerable women, men and youth from among Jordanian host communities and Syrian refugees through grant-based income-generating packages for on- and off-farm enterprises. This will be based on a proven graduation into sustainable livelihoods approach – a carefully sequenced, multisectoral intervention comprising: social assistance to ensure that basic consumption needs are met; skills training; seed capital and asset creation to jump-start an economic activity; mentoring support to build confidence; and training in the skills needed to establish and sustain a business.
22. Subcomponent 2.2: Lending facility for rural businesses will target small and microenterprises with loans for on- and off-farm activities, including loans for the purchase of small ruminants for breed improvement, feed supply and other ancillary activities. The main objective of this subcomponent is to demonstrate to the commercial banking sector that agriculture is a promising growth sector.

### III. Project implementation

#### A. Approach

23. The SIGHT project will be implemented over six years to allow initiation and proper implementation and consolidation of some of the investments undertaken as part of the effort to develop and strengthen the small ruminant sector and graduate host communities and Syrian refugees out of poverty. This will also allow the formal financial sector to engage in rural and agricultural lending, with a particular focus on raising livestock sustainably. The project identifies broad directions and guidelines in the design document. These will be formalized in the project implementation manual, while retaining sufficient flexibility to enable project management to address the constraints and opportunities that emerge during implementation.
24. Project implementation arrangements have been designed to strengthen government capacity for sustainable implementation. The project will be implemented mainly by existing government departments and agencies with a mandate to undertake the specific tasks assigned. Service providers and NGOs will only be used in their areas of expertise, and will work in close cooperation with the Government. In its design and implementation arrangements, the project also builds on the concept of public/private partnership, in keeping with the overall government policy of developing new and innovative implementation modalities.

#### B. Organizational framework

25. The Ministry of Agriculture will be mainly responsible for implementation of the SIGHT project. The project steering committee – established within the Ministry to guide all internationally financed projects related to agriculture – will also act as the steering committee for this project. A project management unit (PMU) will be established and housed within the Ministry to undertake day-to-day management and implementation, working under the overall supervision of the General Secretary at ministry headquarters in Amman. A technical coordination committee

will be chaired by the project director and be composed of PMU staff, ministry/NCARE field managers at the breeding stations, ministry directorates at governorate/district levels and partnering NGOs/service providers.

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

26. Planning. Management and implementation of SIGHT are based on the recognition that IFAD's interventions produce better results when planning, monitoring, reporting and knowledge-sharing focus explicitly on key measures. The project's key planning instruments will be the annual workplan and budget, which will provide a well-structured set of scheduled activities, together with their respective budgets/inputs, to allow the PMU to guide staff and implementing partners in the time lines for the different components, subcomponents and their associated sets of activities.
27. Monitoring and evaluation. The project's logical framework (logframe) provides indicators for the main outcomes/outputs expected under each component, along with their corresponding means of verification. These will form the basis on which the project's monitoring and evaluation (M&E) system will be built. The system will generate verifiable quantitative and qualitative information on project performance in a form that will help the Ministry and the PMU plan and finance their activities, compare physical progress against planned targets and permit timely remedial action during implementation. Once the PMU is established, the M&E specialist in the PMU will develop the system, based on the indicators specified in the logframe.
28. Learning and knowledge management. Successful interaction of the diverse project stakeholders depends largely on the quantity, quality and timeliness of the information flowing between them. This calls for developing suitable knowledge-sharing platforms and mechanisms to improve information flow among actors and document lessons learned. The project will package and disseminate information to the respective stakeholders in the appropriate formats (e.g. brochures, studies, articles, newsletters and the Internet). Innovations and best practices at the village level will be documented for the purposes of replication and scaling up. Farmers implementing innovations and best practices will serve as mentors to other farmers to accelerate scaling up and replication of the innovations. Knowledge management activities will include sharing project results and lessons with the Government and with other donors in the country.

### D. Financial management, procurement and governance

29. Financial management. Country risk is rated as medium. Transparency International's Corruption Perception Index ranked Jordan 57<sup>th</sup> of 176 countries in 2016. The SIGHT financial management team will be part of the PMU, and will be fully embedded and housed within the Ministry of Agriculture, while vested with financial and administrative autonomy. The project will use the country's public financial management system in managing flow of funds, daily accounting activities and reporting, including reconciliation of designated accounts.
30. Procurement. Jordan's public procurement system is a highly centralized, well-defined system governed by the Government Tenders Directorate of the Ministry of Public Works and Housing (for civil works and consultant services) and by the General Supplies Department of the Ministry of Finance (for supplies, equipment and furniture). Assessment of the capacity of the Ministry of Agriculture found it capable of carrying out and managing the procurement under this financing.
31. Audit. The annual external audit of the project will be carried out by a private audit firm, in accordance with International Standards on Auditing and IFAD Guidelines for Project Audits. In addition to external audit activities, the internal audit unit of the Ministry of Agriculture will include review of the transactions of the IFAD project as a mandatory legal requirement. Transactions of the IFAD project

will also be reviewed by the permanent team of the Jordan Audit Bureau, based at the Ministry.

#### E. Supervision

32. IFAD will conduct at least one supervisory visit per year. Specific elements of the project requiring careful assessment are: (i) each station's breeding plan; (ii) relevance and effectiveness of training programmes; (iii) efficiency of the field support teams; (iv) the approach taken and efficacy of regeneration of the rangeland reserve; (v) selection of service providers for the graduation programme and financial services; (vi) beneficiary selection and profiles for both graduation and access to finance; and (vii) potential barriers to success of the graduation programmes for refugees and of the financial products made available to rural finance beneficiaries.

### IV. Project costs, financing and benefits

#### A. Project costs

33. Total project cost is estimated at US\$23.9 million, including price and physical contingencies. Component 1, investment in farmer services, is expected to cost US\$8.4 million. Component 2, livelihood investments and access to financial services, is expected to cost US\$13.6 million. Project management is estimated to cost US\$1.9 million.

Table 1  
**Project costs by component and financier**  
(Thousands of United States dollars)

	Government		IFAD loan		FARMS (including financing gap)		IFAD grant		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Component 1</b>										
Investment in farmer services										
1. Enhancing public services	2 183	48.8	2 181	48.7	-	-	112	2.5	4 476	18.7
2. Improving community and private-sector services	1 939	49.9	1 442	37.1	184	4.7	318	8.2	3 883	16.2
3. Support to policy engagement	-	-	-	-	-	-	70	100.0	70	0.3
<b>Subtotal</b>	<b>4 122</b>	<b>48.9</b>	<b>3 623</b>	<b>43.0</b>	<b>184</b>	<b>2.2</b>	<b>500</b>	<b>5.9</b>	<b>8 429</b>	<b>35.1</b>
<b>Component 2</b>										
Livelihood investments and access to financial services										
1. Grants for graduation into sustainable livelihoods	229	2.4	-	-	9 502	97.6	-	-	9 730	40.6
2. Lending facility for rural businesses	-	-	3 900	100.0	-	-	-	-	3 900	16.3
<b>Subtotal</b>	<b>229</b>	<b>1.7</b>	<b>3 900</b>	<b>28.6</b>	<b>9 502</b>	<b>69.7</b>	<b>-</b>	<b>-</b>	<b>13 631</b>	<b>56.8</b>
<b>Component 3</b>										
Project management	340	17.6	877	45.4	715	37.0	-	-	1 932	8.1
<b>Total project costs</b>	<b>4 690</b>	<b>19.5</b>	<b>8 400</b>	<b>35.0</b>	<b>10 400</b>	<b>43.4</b>	<b>500</b>	<b>2.1</b>	<b>23 991</b>	<b>100.0</b>

## B. Project financing

34. The project will be financed by an IFAD loan of US\$8.4 million and an IFAD grant of US\$0.5 million. FARMS will cofinance the project with a grant of US\$3.9 million. There is a financing gap of US\$6.5 million, which IFAD will try to address by mobilizing additional grant resources from cofinanciers through FARMS. The Swiss Agency for Development and Cooperation has pledged an amount of US\$2.5 million as a contribution to this financing gap. The gap will not impact the core activities of the project, as the financing has been structured so that, if additional financing can be mobilized, it will be used to provide support to 2,600 women and youth from among Syrian refugee families and host communities. The Government's in kind contribution is estimated at US\$4.69 million, which is equivalent to 24 per cent of the financing from IFAD and FARMS and 50 per cent of component 1.

Table 2

### Project costs by expenditure category and financier

(Thousands of United States dollars)

	IFAD loan		IFAD grant		FARMS grant		Government		Financing gap		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancies	1 237	38.3	166	5.1	546	16.9	365	11.3	912	28.3	3 226	13.4
2. Credit, guarantee fund	3 900	64.6	-	-	-	-	2 140	35.4	-	-	6 040	25.2
3. Equipment and materials	1 969	0	-	-	-	-	-	0	-	-	1 969	8.2
4. Goods and services	453	89.7	-	-	-	-	52	10.3	-	-	505	2.1
5. Grant and subsidies	-	-	-	-	3 120	37.6	-	-	5 180	62.4	8 300	34.6
6. Workshops and training	93	18.2	334	-	-	-	82	16.0	3	0.6	512	2.1
7. Works	143	84.1	-	-	-	-	27	15.9	-	-	170	0.7
8. Salaries, allowances and operating costs	605	18.5	-	-	234	7.2	2 024	61.9	405	12.4	3 268	13.6
<b>Total project costs</b>	<b>8 400</b>	<b>35</b>	<b>500</b>	<b>2</b>	<b>3 900</b>	<b>16</b>	<b>4 690</b>	<b>20</b>	<b>6 500</b>	<b>27</b>	<b>23 990</b>	<b>100</b>

## C. Summary of benefits and economic analysis

35. Project benefits. Specific project benefits from component 1 include: (i) establishment of a breeding plan, which can help enhance the productivity of the small ruminants sector throughout the country, in partnership with elite farmers and farmers' cooperatives; (ii) provision of advisory support; (iii) improved access to nutrition and animal health services; (iv) strengthening of the system of animal traceability; (v) assessment of the potential for GI; and (vi) establishment of a community-based system for improvement of range reserves. The benefits of component 2 will include graduation of Syrian refugees and host communities out of poverty, through building their resilience and enterprise development. This component will also provide access to financial services for poor livestock farmers and rural entrepreneurs, especially women and youth.
36. Economic rate of return. Eight financial models were prepared and used as the building blocks for the economic analysis. A cash-flow analysis was carried out "with project" and "without project". The overall economic internal rate of return (EIRR) is estimated at 26 per cent for the base case. The net present value (NPV) of the net benefit stream, discounted at 10 per cent, is US\$50.4 million.
37. Sensitivity analysis. Sensitivity analysis investigates the effect on the NPV and EIRR of fluctuations in project costs, benefits and implementation delays. It shows the economic impacts that a decrease in project benefits – of up to 50 per cent –

will have on project viability. Similarly, it shows how the economic viability of the project will be affected by an increase of up to 50 per cent in project costs, and by a one-to-three-year delay in project implementation. Analysis confirms that the economic viability of the project remains attractive, with a positive NPV and an EIRR above 10 per cent being maintained in each case analysed.

#### D. Sustainability

38. The project is designed to enhance sustainability by establishing strong links within and across the activities of all components. The synergies created between the investments for infrastructure and capacity-building, and the innovative options for graduation and access to rural finance underpinned by strong partnership, are designed to sustainably improve the livelihoods of men and women smallholders and Syrian refugees. Improved infrastructure and the strengthened technical capacity of the selected breeding stations will allow sustainable scaling up of the national sheep- and goat-breeding programme. The sustainability of Jordan's livestock exports depends on the reliability of quarantine and disease diagnosis services, and in the longer term on the traceability system. IFAD's intervention will be complementary to the activities of Jordanian and international NGOs working with low-income people and refugees in the country. A comprehensive package of support, mentoring and skills development is expected to help the poor rural host communities and Syrian refugees develop sustainable sources of livelihood.

#### E. Risk identification and mitigation

39. The key risks identified for the project, and their mitigation measures, are identified in table 3.

Table 3  
**Key risks and mitigation measures**

<i>Main risks</i>	<i>Potential mitigation measures</i>
<ul style="list-style-type: none"> <li>• Insufficient number of elite Awassi sheep in domestic markets</li> </ul>	<ul style="list-style-type: none"> <li>• Early market research and options for imports examined</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of robust livestock cooperatives and herder associations as partners for the breeding programme</li> </ul>	<ul style="list-style-type: none"> <li>• Screening and early capacity-building for breeding partners, in collaboration with the Jordan Cooperative Corporation</li> </ul>
<ul style="list-style-type: none"> <li>• Negative impacts of climate change on natural resources</li> </ul>	<ul style="list-style-type: none"> <li>• Training herders and farmers in forage and silage production at the farm level</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of motivation, experience and willingness by refugees to invest in livelihoods locally</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting investments in transferable assets to those with agricultural skills, to create opportunities for potential reintegration back into their countries of origin</li> </ul>
<ul style="list-style-type: none"> <li>• Economic or political constraints for Syrians, such as legal barriers to refugee employment or economic participation</li> </ul>	<ul style="list-style-type: none"> <li>• Careful selection of activities to ensure that refugees are involved in those for which they are eligible</li> </ul>
<ul style="list-style-type: none"> <li>• Elite capture of project activities, without benefits to poor rural people</li> </ul>	<ul style="list-style-type: none"> <li>• The public will be informed of the project through awareness campaigns, and eligible individuals and groups will be encouraged to participate</li> <li>• In most concrete engagements, the criteria will directly favour poor people, or farmers/enterprises that can generate jobs for poor rural people</li> <li>• Regular M&amp;E will focus on the benefits accruing to poor people, either directly or indirectly</li> </ul>

## V. Corporate considerations

### A. Compliance with IFAD policies

40. SIGHT is fully aligned with the IFAD Strategic Framework 2016-2025 and the country strategy note for Jordan (2016). The project's activities, implementation arrangements and M&E system are designed in compliance with the following IFAD policies and strategies: (i) targeting policy; (ii) gender equality and women's empowerment policy; (iii) rural finance policy; (iv) private-sector development and partnership strategy; and (v) climate change strategy, and environment and natural resource management policy. Moreover, the project and FARMS are aligned in terms of geographical coverage, overall goals, development objectives, outcomes and financing plan.

### B. Alignment and harmonization

41. The SIGHT project is harmonized with government plans for addressing the Sustainable Development Goals (SDGs). The Government has internalized the SDGs as part of the Jordan 2025 plan, and has built indicators into its development planning framework to be developed for tracking progress. It recognizes that the gap in development financing to meet the investment needs for implementation of Agenda 2030 and its SDGs demands a more coordinated partnership of the Government, donors, multilateral institutions, the private sector and civil society.

### C. Innovations and scaling up

42. The main innovative feature of the project will be improved breeding of Awassi sheep and sharing the good breeding practices of publicly owned livestock breeding stations with elite farmers, smallholders and cooperatives. Other innovations will include activities such as: implementation of traceability through the digitized system; participation of farmers' cooperatives and entrepreneurs in improved feed production; community participation in the development of range reserves; and the impact of watering points. One of the most important innovations of the SIGHT project will be its comprehensive approach to graduation for host communities and Syrian refugees.
43. The improved infrastructure and strengthened technical capacity of the selected breeding stations, as well as successful implementation of the breeding programme, will allow sustainable scaling up of the national sheep- and goat-breeding programme throughout the country. Moreover, lessons from the graduation into sustainable livelihoods approach will be documented, shared, and the possibility of scaling up examined, given their potential as a means of poverty alleviation for extremely poor rural Jordanians and the large, vulnerable refugee population.

### D. Policy engagement

44. To assist the JEGP in meeting its target for the agriculture sector, there are several aspects of the existing government policy that may require review to ensure an overall supportive environment – for the agriculture sector generally and for small-ruminant producers in particular. The project will work with FAO, through the established national Agriculture and Food Security Advisory Group, whose role is to undertake dialogue and analysis and propose policy engagement paths to ensure that the small ruminant sector remains profitable and sustainable. In collaboration with FAO, SIGHT will provide the policy dialogue platform and technical assistance to review the existing policy environment and identify opportunities for policy engagement.

## VI. Legal instruments and authority

45. A project financing agreement between the Hashemite Kingdom of Jordan 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 appendix I.

46. The Kingdom of Jordan is empowered under its laws to receive financing from IFAD.
47. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VII. Recommendation

48. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Hashemite Kingdom of Jordan in an amount equivalent to eight million four hundred thousand United States dollars (US\$8,400,000 million), 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 Hashemite Kingdom of Jordan in an amount equivalent to five hundred thousand United States dollars (US\$500,000), 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 FARMS grant to the Hashemite Kingdom of Jordan in an amount equivalent to three million nine hundred thousand United States dollars (US\$3,900,000 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Negotiated financing agreement

### Small Ruminants Investment and Graduating Households in Transition Project

(Negotiations concluded on 23 August 2017)

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

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

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

Project Title: Small Ruminants Investment and Graduating Households in Transition Project (SIGHT) ("the Project")

the Hashemite Kingdom of Jordan (the "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, an IFAD Grant and a Grant under the Facility for Refugees, Migrants, Forced Displacement and Rural Stability (FARMS) 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 eight million four hundred thousand United States dollars (USD 8 400 000).
- B. The amount of the Grant is five hundred thousand United States dollars (USD 500 000).
- C. The amount of the FARMS Grant is three million nine hundred thousand United States dollars (USD 3 900 000).



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 semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, 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 United States dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 31 March and 30 September.
6. The Borrower/Recipient shall provide counterpart financing for the Project in an amount equivalent to four million six hundred ninety thousand United States dollars (USD 4 690 000).

#### Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (MoA).
2. The following is designated as an additional Project Party: The National Center for Agricultural Research and Extension (NCARE) and Central Bank of Jordan (CBJ).
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) two designated accounts have been opened in the Central Bank of Jordan to receive the proceeds of (a) the loan and the IFAD grant, and (b) the FARMS grant;
  - (b) a draft Project Implementation Manual acceptable to IFAD, including financial, accounting, procurement and administrative arrangements has been prepared; and
  - (c) The Project Director has been recruited in accordance with Schedule 1, paragraph 7.3.

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

For the Borrower/Recipient:

The Minister  
Ministry of Planning and  
International Cooperation  
Amman, Jordan

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 HASHEMITE KINGDOM OF JORDAN

\_\_\_\_\_  
Imad Najib Fakhoury  
Minister of Planning and  
International Cooperation

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 in the northern and central Governorates of Mafraq, Irbid, Jerash, Ajloun, Madaba and the outskirts of Amman. However, the institutional and technical support will target the public services in all governorates of Jordan.

2. **Target Population.** The primary target group of the Project will be Jordanian women and men who are small-holder livestock farmers for whom small ruminants are a source of income, food security and a safety net. The poor and extreme-poor Jordanian rural host community households and Syrian refugees will also be an important target group with a special focus on women and youth.

3. **Goal.** The project goal is to contribute to reducing poverty and enhancing national food security in Jordan by improving the productivity of small ruminants.

4. **Objective.** The development objective is to increase the income of 11,920 vulnerable households through providing sustainable production capacity.

5. **Components.** The Project will have two core components that envisage a number of complementarities between initiatives and subcomponents.

**5.1 Component 1: Investment in Farmer Services.** This component will support the public and private sector to ensure that small ruminant producers receive a set of complementary services that are needed to enhance the efficacy of small-scale livestock production systems and the incomes of the smallholders. This component is designed to strengthen the small ruminant sector at the national level and assisting in developing a long-term vision for the sector that links with the Geographical Indication (GI) for Jordanian Awassi Sheep (GIAS) programme which will be jointly implemented by the Hashemite Fund for the Development of Jordanian Badia (HFDJB) and MoA. This component has three closely related and reinforcing sub-components:

Sub-component 1.1. Enhancing Public Services;

Sub-component 1.2. Improving Community and Private Sector Services; and

Sub-component 1.3. Support for Policy Engagement.

**5.2 Component 2: Livelihood Investments and Access to Financial Services.** This component will provide support to households at different gradients along the poverty spectrum. This includes the Jordanian host communities and highly vulnerable Syrian Refugees, as well as individual entrepreneurs in need of loans for their enterprises. The project will graduate the extreme poor and poor households out of extreme poverty to a more stable state. The Component will consist of two complementary subcomponents: (i) Grants for Graduation into Sustainable Livelihoods to be delivered through service providers to be competitively selected; and (ii) Lending Facility for Rural Businesses which will be implemented by the Central Bank of Jordan (CBJ).

**5.3 Outcomes:** Two outcomes are expected from the project: i) Strengthened public and private sector capacity to enhance productivity of smallholder livestock farmers, increase incomes and build resilience and ii) Strengthened rural poor people's productive

capacities, market access and resilience through an approach which graduates them out of poverty and provides access to financial services.

## II. Implementation Arrangements

6. Approach. The Project will be implemented over six years to allow for the initiation and proper implementation and consolidation of some of the investments that are undertaken as part of the effort to develop and strengthen the small-ruminant sector, graduate host communities and Syrian refugees out of poverty and for the formal financial sector to engage with rural and agriculture lending with a particular focus on livestock in a sustainable manner. The Project identifies broad directions and guidelines in the design document, which will be formalized in the Project Implementation Manual but leaves sufficient flexibility to enable the project management to address the constraints, and opportunities, that emerge during implementation.

6.1 The Project implementation arrangements have been designed in a manner that will strengthen Government capacity for implementation of the project for sustainability. The main agencies implementing the Project will be existing government departments and agencies. Service providers will only be used in their area of expertise and will work in close cooperation with the Government. The Project also builds on the concept of public-private partnership in keeping with overall Government policy for developing new and innovative implementation modalities in the design and implementation arrangements of the project. This approach also recognizes the fact that the development of the small-ruminant sector requires close participation between the public services, smallholder and elite farmers, farmer cooperatives as well as the range of private sector players along the livestock value chain.

### 7. Organizational framework

7.1 The Ministry of Agriculture (MoA) will be the main agency responsible for the implementation of the Project. The Project Steering Committee (PSC) established at the Ministry of Agriculture to supervise the implementation of financed programs and projects including grants, loans, and cabinet fund will also act as the Steering Committee of the SIGHT Project. The PSC will meet on a quarterly basis. The responsibilities of the PSC will include: (i) ensuring the Project's activities are implemented in compliance with the Government's policies and this Agreement; (ii) approving the Annual Work Plan and Budgets (AWPBs), (iii) ensuring the Project interventions are well coordinated with other development programmes and projects; (iv) broad oversight of Project implementation; and (v) guiding Project implementation in policy and strategy matters.

7.2. A dedicated Project Management Unit (PMU) will be established within the MoA premises in Amman and work under the overall supervision of the General Secretary at MoA Headquarters in Amman. A Technical Coordination Committee will be established chaired by the Project Director and composed of the PMU staff and MoA and National Centre for Agricultural Research and Extension Field Managers at the breeding stations and Governorates and District Directorates of MoA and partnering service providers in addition to representatives from the Hashemite Fund for Development of Jordanian Badia. It will meet monthly in the first year of implementation and quarterly in subsequent years or as needed. Its main task will be to provide technical guidance and ensure that all technical aspects of the Project are well coordinated and synchronized with the strategic plans of the Government and also sound from a technical perspective.

7.3 The PMU will undertake the day-to-day management and implementation of the Project. It will have a core team of staff to supervise and monitor all project activities.

Specialized staff will be recruited, or seconded by MoA based on job descriptions for the following positions: (i) Project Director; (ii) Programme Officer, responsible for Component 1 and overall field implementation; (iii) Monitoring & Evaluation (M&E) Specialist; (iv) Procurement Specialist; part-time, seconded from MoA; (v) Financial Management Specialist; part-time, seconded from MoA; (vi) Gender and Livelihood Specialist; and (vii) Driver. All contracted staff will be hired through a competitive process, subject to IFAD's no objection. The Project Director may be changed with consultation between MoA and IFAD. The Project Director will report to Secretary General and will be responsible for the efficient operation of the PMU and day-to-day project implementation in accordance with the AWPBs.

7.4 The MoA is also implementing the Geographical Indication project for Jordanian Awassi Sheep financed by the Hashemite Fund for the Development of Jordanian Badia with whom coordination will be facilitated by their participation at the technical level in the technical committee of the Project as and when required.

7.5 The Cooperative Corporation representatives at the Governorate level will be expected to identify farmer cooperatives involved in the livestock sector for implementation of specific aspects of the Project which require close collaboration with farmer groups and cooperatives.

8. Supervision. The Project will be directly supervised by IFAD. The first implementation support mission will take place soon after first disbursement and will include an M&E specialist. IFAD will conduct one annual supervision a year. The composition of the mission will be based on the need for technical backstopping and support of the different project components.

9. Mid-Term Review. A midterm 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; and (iii) an assessment of efficacy of technical assistance and capacity building activities.

10. Project Implementation Manual (PIM). The PMU shall prepare a draft PIM acceptable to the Fund and submit it for approval to the 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 and for facilitating access of producers to the project services.

## 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, the IFAD Grant and the FARMS Grant, the allocation of the amounts of the Financing to each Category and the percentages of expenditures for items to be financed in each Category. All amounts are 100% net of taxes and the contributions of co-financiers.

Category	IFAD Loan Amount (in USD thousands)	IFAD Grant Amount (in USD thousands)	IFAD FARMS Grant Amount (in USD thousands)
1. Consultancies	1 110	150	490
2. Credit, Guarantees Fund	3 510		
3. Equipment and material	1 770		
4. Goods and services	405		
5. Grant and Subsidies			2 810
6. Workshops and Trainings	85	300	
7. Works	130		
8. Salaries, allowances and operating costs	550		210
Unallocated	840	50	390
<b>TOTAL</b>	<b>8 400</b>	<b>500</b>	<b>3 900</b>

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 200 000.

# Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Goal:</b> To contribute to reduce poverty and enhance national food security in Jordan.	<ul style="list-style-type: none"> <li>% of population below the international poverty line.</li> </ul>	Overall, 33% of the population in Jordan experience poverty during at least one quarter of the year.	10%	25% reduction of poverty for targeted households	DoS and HIES Surveys. Mid-term and Completion Surveys	MTR and completion	PMU M&E unit	<ul style="list-style-type: none"> <li>Political stability</li> <li>Macro-economic conditions remain stable or improve.</li> <li>Elite capture of project activities without benefits to the rural poor.</li> </ul>
<b>Development Objective:</b> To increase the income of around 11,920 vulnerable households through providing sustainable production capacity.	<ul style="list-style-type: none"> <li>Percentage increase in net income of vulnerable households targeted by the project.</li> </ul>	JoD 285 average income of targeted HH.	12%	30% increase in net income for targeted households	Mid-term, Annual Outcome and Completion Surveys	MTR and completion	Project Director and M&E officer	
<b>Component 1: Investment in Farmer Services</b>  <b>Outcome 1:</b> Strengthened public and private sector capacity to enhance productivity of smallholder livestock farmers, increase incomes and build resilience.	<ul style="list-style-type: none"> <li>Number of households reporting adoption of new breeding practices.</li> </ul>	0	2,200 households	5,790 households or 75% of the targeted beneficiaries under this component (at least 1,800 women)	Government Stations & DDA records Annual Outcome Surveys	Annually	M&E officer Component officer	<ul style="list-style-type: none"> <li>Insufficient number of elite Awassi sheep in domestic markets (to initiate breeding pro.)</li> <li>Insufficient and inadequate field staff, specifically to perform the breeding program and high staff turnover.</li> <li>Lack of robust livestock cooperatives and herder associations as partners for the open nucleolus (ONBP) breeding program.</li> <li>Negative impacts of climate change on natural resources, in particular on declining animal health and productivity; reduced water availability in the pastures and for forage/crop and</li> </ul>
	<ul style="list-style-type: none"> <li>Number of households reporting an increase in productivity</li> </ul>	0	1,800 households	4,630 households or 60% of the targeted beneficiaries under this component (at least 1,500 women)	Government Stations & DDA records Annual Outcome Surveys	Annually	M&E officer Component officer	
	<ul style="list-style-type: none"> <li>Number of new regulations and policies proposed for approval</li> </ul>	-	TBD at project start up	TBD at project start up	Ministry of Agriculture National Advisory Group	MTR and completion	Project Director	
<b>Outputs:</b>  1.1 Enhanced productivity in the small ruminant stock without increasing the number of animals	<ul style="list-style-type: none"> <li>Number of rural producers accessing production technological packages</li> </ul>	-	2,500	7,720 (at least 30% women)	M&E system Component reports	Annually	M&E officer Component officer	
	<ul style="list-style-type: none"> <li>Establish a registry system of the genotyping of the Jordanian Awassi sheep</li> </ul>	0	0	A registry system established				
	<ul style="list-style-type: none"> <li>Develop a Road Map for the trade mark/ registry system of Awassi sheep</li> </ul>	0	0	A road map developed				

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
1.2 Conditions for more diversified and sustainable use of natural resources created	<ul style="list-style-type: none"> <li>Number of persons trained in production practices / technologies (disaggregated by gender/age/location)</li> </ul>	0	3,000	7,720 (at least 30% women)				production.
<b>Component 2: Livelihood Investments and Access to Financial Services</b>  <b>Outcome 2:</b> Strengthened rural poor people's productive capacities, market access and resilience through an approach which graduates them out of poverty and provides access to financial services.	<ul style="list-style-type: none"> <li>Number of jobs (full time or temporary) /enterprises created or expanded for Syrian refugees and host communities. (disaggregated by gender/ age/ location/ income)</li> </ul>	0	1,000	3,650 jobs / enterprises created or expanded(50% women, 25% men and 25% youth).	Service Providers, M&E system Component reports.	Semi-annually	M&E officer Component officer	<ul style="list-style-type: none"> <li>Lack of refugee motivation experience and willingness to invest in livelihoods locally as opposed to aspirations to return to their home country.</li> <li>Economic or political constraints for Syrians such as legal barriers for refugee employment or economic participation.</li> </ul>
	<ul style="list-style-type: none"> <li>Number of households reporting using rural financial services (disaggregated by gender/age).</li> </ul>	0	200	550 (at least 30% women)	Central Bank of Jordan M&E system Component reports	Semi-annually	M&E officer Component officer	
<b>Outputs:</b> 2.1 Grant-based income-generating packages available for on-farm and off-farm enterprises,	Number of Syrian Refugees and members of host communities accessing Graduation packages and engaged in at least one new income generating activities (disaggregated by income and gender),	0	1,500	3,650 (70% Syrian refugees and 30% host communities)	CBJ, Service Providers, M&E system Component reports	Semi-annually	M&E officer Component officer	
	<ul style="list-style-type: none"> <li>Number of persons/households provided with targeted support to improve their nutrition (disaggregated by gender)</li> </ul>		1,500					
2.2 Loans provided for the purchase of small ruminants for breed improvement and on-farm and off-farm MSMEs	<ul style="list-style-type: none"> <li>Number of rural enterprises and FSPs accessing business development services (disaggregated by gender/age)</li> </ul>	0	200	550				