



Investing in rural people

Executive Board

President's report on a proposed country-specific grant to the Agricultural Research Centre affiliated to the Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt for Piloting Climate-Smart Agriculture for Policy Enhancement

Project ID: 2000005206

Document: EB 2024/LOT/G.12

Date: 5 December 2024

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 19.

Technical questions:

Dina Saleh

Regional Director
Near East, North Africa and Europe Division
e-mail: d.saleh@ifad.org

Mohamed Abdelgadir

Country Director
Near East, North Africa and Europe Division
e-mail: m.abdelgadir@ifad.org

President's report on a proposed country-specific grant to the Agricultural Research Centre affiliated to the Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt for Piloting Climate-Smart Agriculture for Policy Enhancement

I. Background and compliance with the IFAD Regular Grants Policy

1. The Arab Republic of Egypt is at a critical juncture. While economic reforms have boosted agricultural exports, the country is still facing major challenges. COVID-19, inflation and the war in Ukraine have strained foreign reserves and increased the cost of key imports such as wheat. Rapid population growth, urbanization and climate change exert further pressure on resources, especially water. The country's poverty rate, estimated at 30 per cent in 2020, and high rates of unemployment among youth (19.7 per cent) and women (18 per cent) are pressing concerns. Government programmes such as the Nexus of Water, Food and Energy (NWFE) and Vision 2030 aim to address water, food and energy issues, support sustainable agriculture, reduce poverty and ensure food security.
2. IFAD, in partnership with the Government of Egypt, is well-placed to support farmers in conserving water by enhancing water use efficiency and productivity. In the "new lands", the Climate-Resilient on-Farm Water Management in the Nile Valley (CROWN) project will improve irrigation efficiency by rehabilitating and improving *mesqas* (traditional irrigation channels) and introducing more efficient on-farm irrigation methods. In the "old lands" of the Nile Valley, the potential for improving overall water use efficiency is limited because water losses in the irrigation and on-farm systems return to the river via groundwater and drainage canals are used by downstream users. The significant climate challenges faced by farmers have a negative impact on agricultural productivity.
3. The Piloting Climate-Smart Agriculture for Policy Enhancement (PCAPE) grant under CROWN aims to support policy development and produce knowledge management tools and products to promote climate-smart agriculture. The project aims to enhance farm productivity, improve water use efficiency, address land use fragmentation, strengthen value chains, and foster gender inclusivity by empowering women and youth in adaptive entrepreneurship. More specifically, the grant will complement: **component 1** of CROWN by financing climate risk assessment studies and creating and sharing satellite and climate change maps and long-term weather forecasts; **component 2** by funding agribusiness landscape studies, value chain mapping with farmers and stakeholders, market surveys, and demand analyses for key summer and winter crops. It will also support a financial consultancy study to assess loan supply and market demand for smallholder farmers and micro, small and medium-sized enterprises (MSMEs) in Minya and Beni Sweif governorates; and **component 3** by supporting the development of a platform showcasing evidence-based irrigation techniques and agronomic practices to optimize water use, productivity and profitability. Additionally, it will fund a study on agricultural public-private partnerships (agri-PPPs), financial institutions, quality input suppliers and agritech firms to enhance market linkages through off-take agreements.
4. The grant will also support the Ministry of Water Resources and Irrigation in implementing the amended Water Resources and Irrigation Law No. 147 of 2021, focusing on establishing and empowering water users' associations (WUAs) and branch canal water users' associations (BCWUAs).The proposed programme is in

line with the goal and objectives of the IFAD Regular Grants Policy (2021).¹ The grant will support policymakers and produce knowledge products to promote climate-smart agriculture, boost farm productivity and improve water use efficiency. A key focus on financial inclusion aims to drive climate-resilient investments and demonstrate the effectiveness of the CROWN model. Collective action by farmers' organizations (FOs) will allow them to express demand for policy transformation that is aligned with their needs. By strengthening FOs in decision-making based on the information, training and maps made available to them, the link between these empowerment activities and policy shifts will be emphasized.

5. The Agricultural Research Centre (ARC) will be entrusted with the implementation of PCAPE. ARC is the largest agricultural research institution in Egypt and the Middle East, and plays a crucial role in influencing agricultural policy in Egypt. The Minister of Agriculture and Land Reclamation (MALR) oversees policy recommendations as chairperson of the ARC board alongside representatives from the Ministry of Water Resources and Irrigation (MoWRI). Financing PCAPE through a grant will allow vulnerable groups, particularly smallholder farmers, women and youth, to access resources and test new technologies and practices without the burden of repayment, while addressing specific gaps not covered by other funding streams. Working with ARC offers significant added value for IFAD as it can leverage the centre's infrastructure and networks, allowing it to operate with lower overhead costs. The collaboration with ARC will also enhance the Government's long-term ability to manage agricultural challenges.
6. The recipient was identified through direct selection. The direct selection was approved by the Associate Vice-President, Department for Country Operations (DCO).

II. The proposed programme

7. The overall goal of the grant is to complement and create synergies with CROWN's interventions and to help shape policies and practices aimed at boosting smallholder resilience and profitability through enhanced agricultural techniques, improved water management, rural investment, public-private partnerships, and better integration into value chains.
8. The PCAPE objectives are to: (i) strengthen existing frameworks to shift policies and promote better government practices by analysing existing policy frameworks, recommending specific actions that will facilitate CROWN's implementation, and promoting better government practices in water governance, rural investment finance (especially agri-PPPs) and integrated value chains; (ii) collect evidence from effective and impactful activities to showcase the viability of the CROWN model that warrant scaling up by other IFIs; and (iii) develop an information campaign and mentorship programme for enterprises providing environmental services in the project's target area.
9. The grant will support the CROWN project in Middle Egypt, targeting 30,000 feddans and 90,000 households in Beni Sweif and Minya governorates. The project targets 50 to 60 per cent poor smallholder farmers, 30 per cent near-poor or vulnerable smallholder farmers, and 10 per cent commercially oriented and middle-sized farmers. In the first seven-year phase, CROWN aims to reach 378,000 individuals, including 148,000 women and 69,000 youth. Upon success and with additional funding, CROWN will expand to eight governorates in Middle and Upper Egypt in a second five-year scaling-up phase.
10. The grant will be implemented over five years and will have the following components in alignment with those of the CROWN project: (i) climate resilience

¹ See EB 2021/132/R.3.

through irrigation infrastructure and climate-smart agriculture (CSA); (ii) resilient and inclusive value chains; and (iii) policy support and project management.

III. Expected outcomes/outputs

11. CROWN is expected to have the following outcomes: (i) farmers' organizations' capacity to manage land and water collectively and efficiently is strengthened. Farmers will be equipped with adequate tools for accessing climate information, increasing their resilience to climate change; (ii) key entry points are identified to better link smallholders to value chain actors and improve their access to rural finance and remunerable markets; and (iii) a conducive policy framework is created to promote climate-resilient agriculture leveraging ARC's expertise and evidence-based approach of tested irrigation techniques, sustainable land management and climate-adaptive agronomic practices to guide MALR and MoWRI's strategic investments and scaling up.
12. The grant will have the following outputs: (i) climate risk assessments, assessment of existing farmers' organizations (FOs) and updating of databases through a management information system (MIS); (ii) feasibility study to explore improvements in smallholder profitability through better water governance, rural investment finance via agri-PPPs, and CSA practices; (iii) feasibility study to identify opportunities in the agribusiness landscape to transform agriculture value chain and add value for smallholders and agribusinesses; (iv) study on climate-smart finance, demand and supply analysis; and (v) training curricula for a 18-month mentorship programme for 1,000 mentors, including young graduates and rural women, to support them in visioning, business plan preparation, life skills, gender equality, nutrition, domestic water and waste management, sanitation, community empowerment and sustainable development.

IV. Implementation arrangements

13. This grant will be implemented by the Agriculture Research Center. ARC will assign the required staff to implement this grant, including technical, financial management, procurement and monitoring and evaluation (M&E)/knowledge management (KM) staff. The M&E/KM officer will work closely with the M&E specialists in the CROWN project management unit to ensure timely data collection. The financial management and procurement staff will be trained on IFAD's financial management and procurement policies and procedures at the start-up phase of the grant.
14. ARC will sign a memorandum of understanding (MoU) with the MoWRI to implement irrigation-related activities that will include: (i) undertaking climate risk assessments, (ii) developing and sharing of geographical information system data, (iii) evidencing and disseminating effective irrigation methodologies, (iv) supporting stakeholder engagement in water management, and (v) providing regulation and law implementation support and KM staff.
15. ARC will manage the grant proceeds. The annual workplan and budget (AWPB) will be submitted to IFAD for review and no objection. The grant proceeds will be channelled through a designated account and subsequently to the operating project account in local currency, both to be opened at the Central Bank of Egypt, and then to the assigned accounting unit using a treasury single account. For activities implemented by MoWRI, ARC will transfer funds to MoWRI's assigned accounting unit based on the payment schedule outlined in the MoU/AWPBs. The Government's Financial Information Management System (GFIMS) will be used to record expenditures incurred under this grant and the expenditures will be mapped to IFAD's reporting template using an Excel spreadsheet. The grant will be subject to

annual external audit and funds will be withdrawn based on quarterly interim financial reports and cash forecasts for upcoming two rolling quarters.

16. IFAD will directly supervise both CROWN and PCAPE with one supervision mission and one implementation support mission every year.
17. There are no deviations from the standard procedures for financial reporting and audits applicable for this country-specific grant.

V. Indicative programme costs and financing

18. The overall grant cost, including physical and price contingencies, will be US\$1,163,000 over five years. Financing will be allocated as follows: component 1 – 19.5 per cent of total grant costs, equivalent to US\$227,000 and component 2 – 23.3 per cent of the total project costs, equivalent to US\$271,000. Component 3 is the main investment component of the grant and accounts for US\$665,000, equivalent to 57.2 per cent of the total grant costs, of which policy support is estimated at US\$513,000 (44.1 per cent).

Table 1

Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>Government (cash/in-kind)</i>	<i>Total</i>
1. Climate resilience through irrigation infrastructure and CSA	195	32	227
2. Resilient and inclusive value chains	233	38	271
3. Policy support and project management	572	93	665
Total	1 000	163	1 163

Table 2

Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Government (cash/in kind)</i>	<i>Total</i>
1. Consultancies	848	138	986
2. Goods, services and equipment	116	19	135
3. Salaries and allowances	36	6	42
Total	1 000	163	1 163

VI. Recommendation

19. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Piloting Climate-Smart Agriculture for Policy Enhancement (PCAPE) under the Climate-Resilient on-Farm Water Management in the Nile Valley (CROWN) project, shall provide a grant of one million United States dollars (US\$1,000,000) to the Agricultural Research Centre affiliated to the Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt for five years upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario
President

Results-based logical framework

Results hierarchy	Indicators			Means of verification			Assumptions
	Name	Baseline	End target	Source	Freq.	Respons.	
<p>Goal: enhance the resilience of poor rural households to climate change by improving farm productivity, water use efficiency, and creating a conducive policy framework to support climate-smart agriculture (CSA), contributing to Egypt's agricultural sector transformation</p>	Households reporting an increase in resilience and recovery to shocks (%)	0	25	COI Survey	Baseline, Completion	Coordination unit M&E Manager; MALR and MWRI PMUs M&E specialists; Baseline, Mid-term and Impact assessment contractors	Political and macro-economic stability.
<p>Development objective: support sustainable development and promote an inclusive approach that addresses the needs of vulnerable groups, ultimately laying a strong foundation for future investments and policy advancements</p>	% of HHs reporting an increase in production	0	80			Coordination unit M&E Manager; MALR and MWRI PMUs M&E specialists; Baseline, Mid-term and Impact assessment contractors	Political stability, Macro-economic conditions remain stable.
<p>Outcomes Component 1: Farmers' organizations capacity to manage land and water collectively and efficiently is strengthened and they are equipped with adequate tools for climate information, increasing their resilience to climate change</p>	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices (%)	0	70	ARC rapid assessment	Baseline, Mid term, Completion	Coordination unit M&E Manager; MALR and MWRI PMUs M&E specialists; ARC	Farmers are willing to switch to and adopt more water efficient irrigation technologies and practices
	% of Farmers Organizations reporting using climate information	TBD	70				
<p>Outputs Component 1</p>	Assessment of Farmers Organization and off takers database conducted and approved	0	1	M&E database	Baseline, Mid-term, Completion	ARC	

Results hierarchy	Indicators			Means of verification			Assumptions
	Name	Baseline	End target	Source	Freq.	Respons.	
	No of GPS satellite maps and climate change maps created	0	1	M&E database	Baseline, Mid-term, Completion	ARC	
Outcomes Component 2: key entry points are identified to better link the smallholders to the key value chain actors and improve their access to rural finance and remunerable markets	% of farmers organizations reporting they have better access to financial information	TBD	70%	Rapid assessment survey (qualitative)	Baseline, Completion	Coordination unit M&E Manager; MALR and MWRI PMUs M&E specialists;	Agri-businesses have an interest in developing collaborative arrangements with farmers to source increased volumes of improved quality of produce. Farmers (including women and youth) have strong incentives to intensify market-oriented production, invest in and adopt climate resilient technologies and practices and engage in collective organization due to secure and profitable markets along with business development and financial support.
Outputs Component 2	Agribusiness landscape studies agreed with MoALR and Farmers Organizations and updated	0	2	M&E system		ARC	
	Assessment of loan supply and demand for core CROWN geographical location is done and updated	0	1	M&E system		ARC	
[Add more rows if needed]	financial study on loan supply and market demand is conducted	0	1				
	Training curricula are prepared for the mentorship program	0	1				
Outcome 3 Influencing and promoting policies and government practices that	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for	0	1	M&E system Qualitative assesment: KII	Baseline, Completion	ARC	

Results hierarchy	Indicators			Means of verification			Assumptions
	Name	Baseline	End target	Source	Freq.	Respons.	
<i>increase smallholder farmers resilience and profitability</i>	<i>approval, ratification or amendment</i>						
Outputs Component 3		0	1	M&E system or COI Survey	Baseline, Midterm, Completion	ARC	
	<i>Output 3.1 Evidencing of policies, relevant knowledge products and practices of efficient irrigation, climate smart agriculture practices and public private partnerships</i>	0	5	M&E system	Annual/Semi-annual	ARC	