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Enabling poor rural people
to overcome poverty

Arab Republic of Egypt

Country strategic opportunities programme

Note to Executive Board representatives

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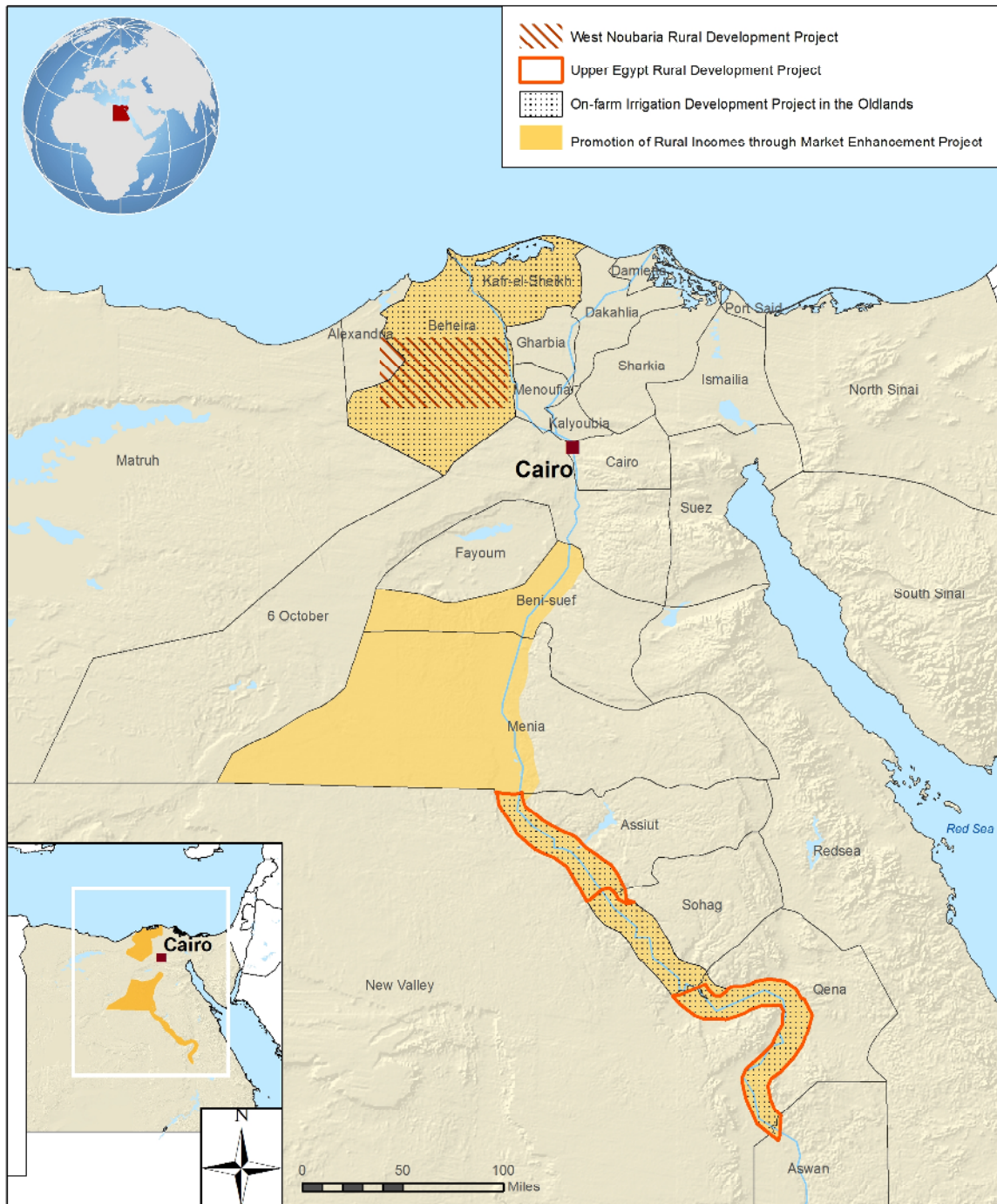
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Abbreviations and acronyms

AFD	Agence Française de Développement
AfDB	African Development Bank
ARDF	Agricultural Research and Development Fund
CDA	community development association
COSOP	country strategic opportunities programme
DPG	Development Partners Group
FAO	Food and Agriculture Organization of the United Nations
FMA	farmer marketing association
JICA	Japan International Cooperation Agency
MALR	Ministry of Agriculture and Land Reclamation
MFC	microfinance company
MIWR	Ministry of Irrigation and Water Resources
MSEs	micro and small enterprises
OFIDO	On-farm Irrigation Development Project in the Oldlands
PBAS	performance-based allocation system
PRIME	Promotion of Rural Incomes through Market Enhancement Project
RB-COSOP	results-based country strategic opportunities programme
SFD	Social Fund for Development
SMEs	small and medium enterprises
UERDP	Upper Egypt Rural Development Project
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WFP	World Food Programme
WNRDP	West Nourbaria Rural Development Project
WUO	water users' organization

Map of IFAD-funded ongoing projects

Arab Republic of Egypt
 Map of IFAD-funded on-going projects



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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

Summary of country strategy

1. This results-based country strategic opportunities programme (RB-COSOP) covers the period 2011-2015. Its strategic objectives are aligned with the Government's *Agricultural Sustainable Development Strategy 2030*, developed in collaboration with IFAD. They are also aligned with the *IFAD Strategic Framework 2011-2015*. The country strategy is the outcome of a participatory process of consultation with key stakeholders, including government institutions, civil society, the private sector and donors. The two pipeline projects identified reflect government investment priorities in water-use efficiency and market linkage.
2. IFAD's comparative advantage lies in continuing to work closely for and with smallholder farmers and their organizations, small rural entrepreneurs and rural women. The development goal of the RB-COSOP is to contribute to the reduction of rural poverty and the enhancement of national food security in Egypt. This goal will be pursued through three strategic objectives. Gender equity and environmental sustainability will be pursued as cross-cutting themes in the overall programme.
3. **Strategic objective 1.** The technical skills and organizational capacity of poor rural men and women are strengthened to take advantage of rural on- and off-farm economic opportunities. IFAD-financed projects will organize rural households around mutual interests through farmers' organizations, farmer marketing associations, water users' organizations and community development associations. Activities such as the following could be carried out through these organizations: (i) plan, operate and maintain community-level social and economic infrastructure and enterprises; (ii) link small producers to markets, and increase their bargaining power in market transactions and with government authorities; and (iii) reduce transaction costs in gaining access to a range of services. Greater attention will be paid to enhancing the capacity of unemployed youth and poor rural landless people to undertake small enterprises and profit from employment opportunities in rural areas. This will be done mainly through the provision of vocational training and financial services.
4. **Strategic objective 2.** Pro-poor sustainable use of natural resources is enhanced, especially land and water. This is to be achieved through: (i) improved on-farm irrigation systems for more-rational use of water; (ii) enhanced water management practices for more-equitable distribution of the available water; (iii) greater and more-effective participation of users and stakeholders in water management for sustained irrigation and crop production; and (iv) soil improvement.
5. **Strategic objective 3.** Access by poor rural farmers to better-quality services – such as technology, finance and markets – is improved. There is a need to promote participatory demand-driven training and agricultural technical assistance to farmers, individually and through their associations. This participatory research/extension approach calls for: (i) strong capacity-building of the services of research and extension, irrigation, marketing and financial intermediation; and (ii) a strong partnership with private exporters and agroprocessors.
6. With regard to targeting, IFAD's future interventions will focus on Upper and Middle Egypt and the poorest governorates of Lower Egypt. The RB-COSOP targeting approach will be three-pronged: (i) governorate level: IFAD will direct its interventions to those governorates with high concentrations of rural poverty and to those areas within governorates that have higher concentrations of poor households; (ii) household level: within the selected governorates, targeting will be directed towards smallholder farmers, poor rural entrepreneurs and landless youth. Women will be especially targeted in each category; and (iii) thematic focus: IFAD will focus on those thematic areas of special relevance to the poor, such as organizational development, farm-level irrigation infrastructure, financial services and market linkages.

Arab Republic of Egypt

Country strategic opportunities programme

I. Introduction

1. This results-based country strategic opportunities programme (RB-COSOP) for Egypt covers the period 2011-2015. The strategic objectives identified are aligned with the Government of Egypt's *Agricultural Sustainable Development Strategy 2030* and the *IFAD Strategic Framework 2011-2015*. IFAD played a key role in helping the Government develop its agriculture strategy and, in the absence of an RB-COSOP, it used the overarching framework provided by the strategy to formulate its most recent investment design for the country.
2. The current strategy is the outcome of a participatory process of consultation with key stakeholders involved in rural and agricultural development. The RB-COSOP report was discussed with and endorsed by the Government in August 2011 and its key features were developed in close consultation with donors operating in Egypt. The pipeline projects identified reflect government investment priorities. In view of the political changes in the country in the aftermath of the 25 January 2011 revolution, and the economic challenges that the country faces, it has become even more imperative to assist the Government in addressing the aspirations of its people.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

3. The critical post-revolution situation. The economy took an immediate hit following the political upheaval of 25 January 2011. International Monetary Fund¹ data indicate that tourism, representing 11 per cent of GDP, collapsed; investor and consumer confidence were shaken; and exports were disrupted. There were substantial capital outflows in January-March 2011, but authorities compensated for the outflows with a drawdown of reserves. Official reserves stood at US\$30 billion at end-March, still at a comfortable level of nearly six months of imports. IMF data also indicate that the fiscal deficit is expected to widen by 2 per cent of GDP this fiscal year. Additional spending on wages, pensions and a compensation fund are already committed in response to popular demand, but revenue collection remains weak. Previous plans by the Government to phase out subsidies have been stalled, and it announced in May 2011 that the new 2011/2012 budget will include a 20 per cent increase in subsidies on essential commodities. The central bank reports that domestic consumer inflation for April 2011 was up by 12.1 per cent. The largest area of increase was for food and beverages (increased by 21.7 per cent in April 2011).² The less-privileged sections of society are particularly sensitive to higher prices for basic foods, and this will directly impact the poverty index. In light of the sharp decline in tourism (estimated at 30 per cent), a slowdown in remittances (due to unrest in neighbouring Arab countries) and higher food import prices, the current account deficit widened to 3.3 per cent of GDP in 2010/2011. Recent official figures reveal that the number of unemployed has risen by about 700,000 between January and March and that the unemployment rate increased to 11.9 per cent. In April 2011 the Government announced that "it will support employment intensive activities through supporting national projects and promoting small and medium enterprises as effective vehicles for job creation."

¹ IMF, *Brief: Egypt* (Washington, DC, May 2011).

² Central Bank of Egypt, *Monthly Inflation Developments* – April 2011.

4. While the expectations of Egyptians have no doubt risen following the 25th of January, short-term economic challenges are likely to persist. IMF/World Bank briefs indicate that unemployment is likely to continue rising, food and fuel prices are likely to remain high, as well as government borrowing costs, which will impose significant additional demands on fiscal accounts. The balance of payments is expected to remain under pressure as the current account deficit widens and foreign investment waits for all elections to take place. In its position paper for the IMF Spring Meeting (April 2011), the World Bank expressed the view that "It is now an opportune time for the International Community to support Egypt through the transition." The international community has indicated its willingness and commitment to financially support Egypt through this fragile period, but a good part of the pledges made will only materialize in 2012/2013.

Agriculture and rural poverty

5. Agriculture is a key sector in the Egyptian economy, providing livelihoods for 55 per cent of the population and directly employing about 30 per cent of the labour force. Although the sector's contribution to GDP has fallen over time, it still accounts for about 13 per cent of GDP and 20 per cent of total exports and foreign exchange earnings. Agriculture-related industries such as processing and marketing and input supplies account for a further 20 per cent of GDP. In addition, a rise in farm income can drive demand for the large, employment-intensive, non-tradable, rural non-farm sector. Following the January 2011 events, prices of domestic and imported agricultural inputs increased as a result of disruption of transport, depreciation of the Egyptian pound and piling up of stocks by traders. Informal estimates made by some exporters indicate that horticulture exports decreased by a significant 50-60 per cent for the first half of 2011. The decrease in remittances is expected to affect the household incomes of poor rural people, and rural youth unemployment increased as a result of the inflow of returnees from Libya. Farmers' expectations of improvement in their living standard have increased, and rural communities are voicing requests for reform and further support by the Government. However, it is too early to estimate the long-term impact of the events of 25 January and beyond on the economic and social development of rural Egypt.
6. The importance of the non-farm sector in Egypt often goes unrecognized, but it is key in the lives of poor rural people. Many rural people are landless, either relying entirely on wage labour for their survival, or working as sharecroppers. For agricultural households with less than 1 feddan (1.038 acres), 67 per cent of total income comes from non-farm sources such as seasonal work.³ A comprehensive approach to poverty reduction requires a balance that promotes optimization of production from small, intensively managed agricultural holdings, and development of opportunities for the non-farm small and microenterprise sector through enhanced access to improved technologies, financial services and marketing.
7. Rural poverty is still widespread. In 2010 the population of Egypt was estimated at 83 million, with a gross national income of US\$2,440 per capita.⁴ In 2007 some 40 per cent of Egyptians were estimated to be poor.⁵ About 19.6 per cent were estimated to live in absolute poverty and 21 per cent were near poor. A small drop in incomes or increase in prices would make many of them fall back into poverty. While urban poverty is decreasing, rural poverty changed only marginally, going from 51.9 to 51.8 per cent, with an increase in the absolute number of poor rural people.⁶ While there are significant differences in how the different data sources

³ Richard H. Adams, Jr., *Nonfarm Income, Inequality, and Land in Rural Egypt*. Policy Research Working Paper 2178 (Washington, DC: PRMPO/MNSEED, World Bank, 1999).

⁴ World Bank, 2011.

⁵ Ministry of Economic Development, Government of Egypt, and World Bank, *Arab Republic of Egypt: Poverty Assessment Update*. Social and Economic Development Group Report No. 39885 – EG (Washington, DC: World Bank, 2007).

⁶ However, the increase in extreme poverty primarily affects urban areas.

rank the various governorates,⁷ there are significant pockets of poverty within most of them. However, all are agreed that rural poverty is higher in Upper Egypt, where a quarter of Egypt's population lives.

8. Gender gaps go unabated. Despite great achievement in opportunities for women since the 1980s, significant gender gaps persist. Women still have difficulties participating in economic life and accessing education and health services, while their active participation in politics is severely limited. The most significant gender gap is in participation in the labour force, with only 23 per cent of women included in 2005. Only 7 per cent of public-sector employees are women, compared with 15 per cent overall. Employed women in rural areas are principally engaged in agriculture (55 per cent); education (15 per cent); and health, social work and public administration (25 per cent). Generally, rural women occupy the lower tier of jobs across sectors that are characterized by limited need for skills and low pay. Inequalities in earned income remain high.
9. Scarcity of water is a key constraint on agricultural growth. The climate in the country is arid, with very low rainfall. The Nile river is the main and almost exclusive source of surface water for Egypt, and constitutes 77 per cent of agriculture's annual water supply. Water efficiency is low due to high water losses. Water conveyance efficiency is estimated at 70 per cent, and the mean efficiency of field irrigation systems is estimated at only 50 per cent.⁸ Water distribution and management systems have been partially and ineffectively decentralized. The country is already experiencing severe water poverty. The situation is not likely to improve as climate change and population growth combine to raise the risks of inadequate water supplies and conflict over the available supplies – and further pressure is expected from the exploration of Nile resources by other members of the Nile Basin Commission.
10. There is also an extreme shortage of land and increasing fragmentation of holdings. Egypt has one of the poorest land-per-person ratios in the world.⁹ Total cultivated land is estimated to be only 3 per cent of the total land area and measures about 8.9 million feddan.¹⁰ Land distribution is also very skewed. Farms are predominantly small with a total of 81 per cent owning less than 3 feddan or 38 per cent of the country's entire cultivated area. While yields in the "old lands" are among the highest in the world for several staple crops, such as wheat, rice and sugar beet, yield improvements have slowed down markedly in recent years, and Egypt has had to import about 40 per cent of its food requirements. For non-traditional high-value crops, yields are still much below the potential, and the margin for improvement is quite high.
11. **Agriculture in Egypt is very sensitive to climate change.** Analysts estimate that the expected rise in temperature would lead to up to 20 per cent decreases in productivity for some major crops (wheat, barley and maize) by 2050.¹¹ It would reduce the production of livestock and affect the productive potential of many agricultural zones in the country. The marginal agricultural areas would be negatively affected and desertification would increase. High temperatures would increase evaporation and water consumption and put a further strain on the acute water scarcity in the country. A rise in sea levels would have a negative effect on coastal areas, tourism and agricultural land in the Nile Delta region. Several initiatives were undertaken in this context, among them the Climate Change Risk Management in Egypt programme, which is funded by the Spanish MDG

⁷ Analyses undertaken by the World Bank (2007), the Human Development Report for Egypt (2010) and the Social Fund for Development (2010) ranked the governorates differently.

⁸ Ministry of Agriculture and Land Reclamation (MALR), *Sustainable Agricultural Development Strategy towards 2030* (Cairo, 2009).

⁹ MALR, *Agriculture Census 1999/2000*. Economic Affairs Sector (Cairo, 2000).

¹⁰ Ibid.

¹¹ MALR (2009).

- Achievement Fund and implemented through a partnership between IFAD and the Ministry of Agriculture and Land Reclamation (MALR). Studies are currently being undertaken to analyse variations in agricultural yields (especially for maize, rice, wheat and fava bean) in relation to changes in temperature and in the identification of heat-tolerant varieties. Preliminary findings have shown, among other things, that temperature rises affect producers' net revenues; adaptations will likely not be uniform across the different agroecological regions of Egypt; and impacts will require very distinct shifts in farming practices and patterns in different regions.
12. Local markets are underdeveloped, and the marketing infrastructure is poor. There is a high degree of variability in prices of agricultural commodities and limited market information. Smallholders do not have access to accurate information on prices, volumes and quality standards, especially for European and Gulf markets. There is a lack of post-harvest and marketing facilities and low levels of agricultural industrialization. Estimates show that production losses exceed 30 per cent for horticulture produce, 20 per cent for legumes and tubers and 10 per cent for cereals.¹² The high degree of perishability of horticulture and dairy produce leads to rapid quality deterioration, a consequent reduction in prices and reduced farmer incomes. An analysis of the differentials in farm-gate and retail prices shows that the farmer receives 10-35 per cent of the retail price of perishable commodities.
 13. The small farmer is not an attractive market proposition. There are 3.7 million farmers in Egypt, most of whom have very small holdings and limited surpluses for the market. It suits the private sector to negotiate contracts with a few large commercial farmers, given the increasing market demands for good agricultural practices, high quality standards and traceability. Only a small fraction of farmers have contractual arrangements that predetermine the price. Some projects have established marketing associations, such as the El Shams Project, financed by the United States Agency for International Development (USAID), and the IFAD-financed West Noubaria Rural Development Project. This demonstrates that smallholders can become viable suppliers and can be successfully linked with market intermediaries, processors and exporters provided they are organized into associations. In general, small farmers are not well organized to access markets. The fragmented nature of production and a lack of farmers' organizations does not enable them to reduce their transaction costs, increase bargaining power for higher farm-gate prices or effectively link with private-sector, domestic and export markets.
 14. In addition to the lack of organization, development of the agricultural and rural sectors remains constrained by the lack of access to finance, which inhibits the timely purchase of agricultural inputs, especially for the high-cost inputs required to produce high-value products. This lack of capital often leads to "tied" transactions, as small farmers try individually to secure finance from the trader, who binds them to unfavourable arrangements], further limiting their bargaining power. There are also financial constraints along the value chains of specific agricultural commodities. For example, traders and processors are limited by their working capital constraints and can only procure, transport and process limited quantities of the available produce. The result is a high degree of post-harvest loss for the farmer and a limited volume of uptake along the value chain.
 15. The commercial banking sector does not have the risk appetite, skills or knowledge to provide services to the rural and agriculture sector and to small and medium enterprises (SMEs). The central bank reports that: (i) only 5 per cent of the potential microfinance market receives credit; (ii) bank loans to SMEs remain limited to less than 1 per cent of total loans; and (iii) the agriculture sector receives less than 5 per cent of total commercial bank credit.¹³ Egypt's market penetration

¹² Ibid.

¹³ Central bank, Egypt. 2010.

rate is among the lowest in the region. It is estimated that a total of 8.5 billion Egyptian Pounds (EGP) (US\$1.4 billion) is needed to meet unsatisfied demand within the SME subsector alone.¹⁴ Liquidity in the commercial banking sector has decreased substantially during the last 10 months. Most deposits are of a short-term nature, invested by the banks in government bonds.

B. Policy, strategy and institutional context

National institutional context

16. The MALR is responsible for the jurisdiction and control of many agricultural services. It is also the lead agency for all IFAD-supported projects. The Ministry of Irrigation and Water Resources (MIWR) is the government agency responsible for this sector, including regulation, distribution and quality management serving all water users. The Social Fund for Development (SFD) and the Agricultural Research and Development Fund (ARDF) are IFAD's main partners in rural finance. At the community level, water users' organizations (WUOs), community development associations (CDAs) and marketing associations are the main partners for participatory community development. IFAD has also been heavily engaged with the private sector through partnerships with commercial banks and private exporters and agroprocessors.

National rural poverty reduction strategy

17. In its efforts to address poverty reduction and protect vulnerable segments of society, the Government has adopted a multipronged poverty reduction strategy. The principal goal of the strategy is to attain higher GDP growth rates, maintain broad macroeconomic balance, and broaden the economy's capacity to absorb labour supply. This strategy gives priority to the creation of employment opportunities as the surest way to combat poverty. The Government has been pursuing this poverty reduction strategy through six main avenues: (i) economic growth to increase income and employment through investment in productive sectors; (ii) increased efficiency of the agriculture sector, particularly water and land use, to enhance yields, income and food security for the poor; (iii) human development of the poor to raise their capability through education, health services and local-level organizations; (iv) women's advancement and the closing of gender gaps; (v) safety net measures for the poor, especially women, against anticipated and unanticipated income/consumption shocks through targeted efforts; and (vi) participatory governance for enhancing the voices of the poor.
18. Agricultural policy in Egypt has gone through significant reforms since the early 1990s. The compulsory purchase of all crops has been eliminated and input subsidies phased out. The Government's present strategy for agricultural development is based on the premise that the development of efficient agriculture and of export opportunities would spur significant agricultural production to levels that would bring poor smallholder farmers into the mainstream of economic activity, and in the process, would enhance food security and incomes and create employment opportunities for the rural on- and off-farm sectors. The main strategic objectives of the *Agricultural Sustainable Development Strategy 2030*, prepared in collaboration with IFAD, are: (i) sustainable use of natural resources by enhancing water-use efficiency in irrigated agriculture; (ii) increasing the productivity of both land and water units; (iii) raising the degree of food security of strategic food commodities; (iv) increasing competitiveness of agriculture products; (v) improving the climate for agricultural investments; and (vi) enhancing the creation of job opportunities, particularly for rural youth. In addition, the strategy identifies the need to: strengthen producer associations to better market smallholder production; make market information more freely available; enact and enforce laws and regulations that concern product standards; link agricultural extension more closely to research; and develop the extension role of the private sector.

¹⁴ World Bank. September 2010.

Harmonization and alignment

19. As part of its responsibility for international cooperation and external debt management, the Ministry of Planning and International Cooperation (MOPIC) maintains regular contacts with donor-supported programmes to bring greater coherence to development assistance operations and enhance their impact and effectiveness. IFAD will continue to coordinate with donors through the Development Partners Group (DPG) established by donors operating in Egypt. The DPG coordinates thematic subgroups covering various topics such as SMEs, health, gender and development, environment and energy, natural resources, food supply, and financial-sector reform.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

20. Egypt is one of the largest recipients of the Fund's assistance in the Near East, North Africa and Europe (NENA) region. Eleven projects have been approved for IFAD financing, with loans totalling US\$337 million and grants totalling US\$3 million. Of these, seven have closed and three are ongoing. The latest project, Promotion of Rural Incomes through Market Enhancement (PRIME), approved in December 2011, is expected to initiate implementation by the third quarter of 2012. Egypt has also benefited from a number of regional grants focused on soil and water management and, more recently, on gender mainstreaming, development of knowledge-sharing networks, and promotion of microfinance for poor rural people.
21. IFAD's programme in Egypt has comprised two main themes and groups of activities: support for settlement in lands reclaimed from the desert in Lower (northern) Egypt and support for productivity improvement in the old lands in the Nile valley and Upper Egypt. Its completed and ongoing projects have: (i) reached 1.3 million households, or about 7 million poor rural people; (ii) reclaimed 447,000 feddan of land (188,000 ha); (iii) established and strengthened 570 WUOs, reaching 14,100 members (in addition to the 230 WUOs expected to be established by the On-farm Irrigation Development Project in the Oldlands [OFIDO]); (iv) established and supported 30 farmer marketing associations (FMAs), with 31,170 members (in addition to 676 FMAs expected to be established by the ongoing Upper Egypt Rural Development [UERDP] and PRIME projects); (v) established and supported 37 CDAs as financial intermediaries to provide microfinance to end-users (in addition to 70 CDAs expected to be established by the PRIME project); (vi) extended loans 100,000 beneficiaries for a total value of US\$66.4 million; (vii) established 33 schools (junior, primary and secondary) with a yearly intake of 14,560 students (under the West Noubaria Rural Development Project [WNRDP]); and (viii) rehabilitated 14 medical clinics and provided 126 medical caravans, benefitting some 43,600 people (under WNRDP).
22. In terms of impact, IFAD's interventions have resulted in: (i) an increase in smallholder incomes by 43 per cent for conventional export crops, and 63 per cent for organic horticulture products, through contract farming arrangements and establishment of FMAs. Further increases in household incomes have been achieved through the direct sale of produce by FMAs in village, governorate and metropolitan wholesale markets, with increases of 7, 15 and 22 per cent respectively. More-recent information from the WNRDP impact study showed that average annual household income had reached US\$8,300, which is clearly higher than the yearly minimum wage of US\$2,200 or the yearly poverty benchmark indicator of US\$456 (based on US\$1.25/day); (ii) an increase in farm-gate prices of up to 33 per cent; (iii) decreases in irrigation costs by 25 per cent, through enhanced managerial capacity of WUO executive committees, conversion from diesel to electric pumping, and promotion of modern irrigation systems; (iv) 50-per-cent decreases in fertilizer use through drip irrigation – and 75 per cent when combining organic manure and

chemical fertilizers with drip irrigation, through “fertigation”; (v) a 925-per-cent increase in soil occupation through reclaimed lands (under the East Delta Newlands Agricultural Services Project); and (vi) a 20-fold increase in the market price of land, due to improved infrastructure and access to services promoted by WNRDP.

B. Lessons learned

23. The current RB-COSOP reflects lessons from recent analytical work on the agriculture sector in Egypt, particularly those outlined in the Government’s *Agricultural Sustainable Development Strategy 2030*, the experience of IFAD’s ongoing projects and those of a number of relevant projects funded by other donors (the World Bank, German Agency for International Cooperation [GIZ], Japan International Cooperation Agency [JICA], African Development Bank [AfDB], Arab Fund for Economic and Social Development [AFESD], Islamic Development Bank [IsDB], etc.). Some important lessons include: (i) with regard to water-use efficiency, and as part of the Government’s *Agricultural Sustainable Development Strategy 2030*, the MALR is launching a comprehensive national programme for on-farm irrigation improvement, with the overall goal of optimizing the use of water in 5 million feddan in the old lands. The IFAD-supported OFIDO project is the first under the programme. The programme is demonstrating that WUOs show much potential for coordinating local water management to enhance service delivery efficiency; (ii) the importance of including the non-farm rural sector as key in employment generation and poverty reduction in rural areas; (iii) a greater focus on marketing interventions and linking farmers to markets, particularly through contract farming; (iv) the need to develop the capacity of producer groups to enable them to realize economies of scale and enhance their bargaining power; (v) the importance of providing financial services along the value chain – including farmers, market intermediaries, small and medium-sized entrepreneurs; and (vi) the importance of complementarity between sustainable natural resource management (mainly on-farm water-use efficiency and soil improvement) and the enhancement of agricultural competitiveness and market access.

IV. IFAD country strategic framework

A. IFAD’s comparative advantage at the country level

24. IFAD is a small donor in Egypt in terms of the volume of financial assistance it provides compared with others. However, its assistance has been targeted very strategically. IFAD’s comparative advantage lies in continuing to work closely for and with smallholder farmers and their organizations, the small rural entrepreneur and women in rural areas. This is particularly important within a post-revolution socio-economic and political context characterized by the strong voices of the poor.

B. Strategic objectives

25. The overall development goal of the RB-COSOP is to contribute to the reduction of rural poverty and the enhancement of national food security in Egypt. In line with the poverty reduction objectives of the Government and the *IFAD Strategic Framework 2011-2015*, and taking into consideration the post-revolution aspirations of poor rural Egyptians, this RB-COSOP will strive to: contribute to reducing poverty in a manner that enables a more sustainable use of natural resources; combat the risk posed by climate change by adopting a climate-smart strategy; and capitalize on the opportunities provided by the growing private sector involved in agriculture. The manner in which IFAD will undertake this goal is well aligned with the Government’s Poverty Reduction Action Plan, the *Agricultural Sustainable Development Strategy 2030*, and its Water Resources Management Strategy (2009-2017). The RB-COSOP will have three strategic objectives. Gender equity and environmental sustainability will be pursued as cross-cutting themes in the overall country programme.

26. **Strategic objective 1.** The technical skills and organizational capacity of poor rural men and women to take advantage of rural on- and off-farm economic opportunities are strengthened. IFAD-financed projects will organize rural households around mutual interests through FMAs, WUOs and CDAs. These organizations could be used to: (i) plan, operate and maintain community-level social and economic infrastructure and enterprises; (ii) allow small producers to take advantage of economies of scale in production and marketing and to increase their bargaining power both in market transactions and with government authorities; and (iii) reduce the transaction costs of gaining access to a range of services. Greater attention will be paid to enhancing the capacity of unemployed youth and poor rural landless people to undertake small enterprises and profit from employment opportunities in rural areas. This will be done mainly through the provision of vocational training and financial services.
27. **Strategic objective 2.** Pro-poor sustainable use of natural resources is enhanced, especially land and water. IFAD projects will enable poor rural people to make use of their land and water resources more efficiently and sustainably through investment in improved agricultural practices and irrigation systems. This will be achieved by means of: (i) improved irrigation systems at the on-farm level for more rational use of irrigation water; (ii) enhanced water management practices for more equitable distribution of available water; (iii) greater and more effective participation of users and stakeholders in water management for sustained irrigation and crop production; and (iv) soil improvement.
28. **Strategic objective 3.** The access of poor rural farmers to better quality services is improved, for example to technology, finance and markets. The existing extension structures of MALR and the advisory system of MIWR, with their conventional approach, have not been very successful in changing the way small farmers use water to produce and respond to market demand. Developing an adequate methodology to make farmers themselves identify differentiated viable practices (innovations) as answers to new conditions and requirements is a precondition to improving water-use efficiency. There is a need to promote participatory demand-driven training and agricultural technical assistance to farmers, individually and through their associations. This participatory research/extension approach calls for strong capacity-building of the services of research, extension and irrigation, largely through training and technical assistance. There is also a need to partner with private exporters and processors to transfer their knowledge to small farmers. A lack of post-harvest, processing and marketing facilities creates significant losses in the sector. Access to markets can help reduce these losses, mainly through contractual farming. Limited access to finance remains a key constraint on the development of rural economies. IFAD projects will provide financial services to and through the agriculture value chain to enhance incomes and employment opportunities for poor rural smallholders and microentrepreneurs. Future projects will also explore the feasibility of enhancing access to rural finance through the IFAD Financing Facility for Remittances' Diaspora Investment in Agriculture initiative.

C. Opportunities for innovation

29. With regard to strategic objective 1, several projects are experimenting with diverse approaches to organizing smallholder farmers around critical resources such as high-value agricultural products, water resources and financial services. Two examples are given: (i) WNRDP has promoted the establishment of FMAs, which for the first time made small farmers an attractive proposition for large exporters and processors. As a result, small farmers, through their market associations, signed contracts with private-sector companies exporting produce to Europe and the Middle East. Some successful features of the USAID-financed Enhanced Livelihoods from Smallholders Horticultural Activities Managed Sustainably (EL SHAMS) Project were incorporated in replicating this experience, which is being further built on in

the ongoing IFAD-supported UERDP and OFIDO. The innovative contractual farming arrangements established under these projects will be further refined and scaled up during the RB-COSOP period in new IFAD projects, such as PRIME for high-value commodities (horticulture, medicinal plants, spices and dairy products); and (ii) the Government has been experimenting with diverse arrangements for the management of its water resources, with support from donors including IFAD. In accordance with Law No. 213, formation of WUOs by beneficiary farmers is a prerequisite for government support for Mesqa improvement. The Government recovers the full capital costs of such improvement from the beneficiaries, without interest, over a 20-year period. Many donor projects, including IFAD-supported ones, have invested in the formation of WUOs (for example, the ongoing WNRDP and OFIDO). The experiences of these projects, as well as those of other donors, will be used to scale up the formation of WUOs with any required modifications.

30. With regard to strategic objective 2, special efforts will be made to adopt a climate-smart strategy and to provide smallholders with innovative technologies that will help them use water and land resources more efficiently and sustainably. The MDG Achievement Fund, supported by the Government of Spain, was established in 2007 to support Egypt in responding to climate change challenges. IFAD has been participating in the programme, along with other United Nations Country Team members.¹⁵ The Spanish initiative is designed to assist, among other things, national research programmes in the Agricultural Research Centre and the Desert Research Centre on the adaptation of the agriculture sector to accommodate possible shortages of water and on the impact of increased temperature on cultivated species. IFAD will focus on assisting MALR and its research centres in improving water management and providing drought resistant and heat tolerant crops to cope with the increase in temperatures expected due to climate change. Results and lessons learned from these demonstration projects will be fed into the policy level, and innovative ideas scaled up and mainstreamed in extension advice to farmers. IFAD will also explore the involvement of the Global Environment Facility in using loan and grant resources.
31. With regard to strategic objective 3, the RB-COSOP will explore innovative ways to link smallholders with technologies, markets and financial services. During the RB-COSOP period, IFAD expects to foster a closer relationship between the private sector and the Fund's target group through innovative arrangements that will enhance smallholder access to both input and output markets. In the provision of technical services, IFAD expects to leverage the technical capacity of the Agricultural Research Centre and the ARDF, and to assess how to partner with the private sector in delivering pro-poor agricultural and livestock extension services. The RB-COSOP will experiment with agricultural value-chain financing and community-based arrangements for the provision of financial services through local financial intermediary organizations. In addition, IFAD expects to leverage commercial capital to scale up investments in the rural and agriculture sectors. Several innovative experiments will be launched under the PRIME project to assess how to make financial services more easily accessible to poor rural people. Successful initiatives will be scaled up under subsequent phases of PRIME.

D. Targeting strategy

32. The incidence of rural poverty is currently assessed to be the highest in Upper and Middle Egypt. In addition, several areas in Lower Egypt can also be classified as very poor. Thus IFAD's future interventions will focus on Upper and Middle Egypt and the poorest governorates of Lower Egypt. The proposed targeting approach will be three-pronged: (i) governorate level: IFAD will direct its interventions to those

¹⁵ United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), United Nations Environment Programme (UNEP), Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP) and United Nations Development Programme (UNDP).

governorates with high concentrations of rural poverty and those areas within governorates that have higher concentrations of poor households; (ii) household level: within the selected governorates, targeting will be directed at smallholder farmers, poor rural entrepreneurs and landless youth. Women will be especially targeted within each category; and (iii) thematic focus: IFAD will focus on those thematic areas of special relevance to the poor. These will include: (a) organizational development; (b) farm-level irrigation infrastructure; (c) financial services; and (d) market linkages.

E. Policy linkages

33. IFAD's opportunities to undertake policy dialogue with the Government are rather limited, given that it does not provide budgetary support or policy development loans appended to a policy agenda. However, there are a few forums that provide opportunities for dialogue with the Government on how best to provide the enabling policy and legal framework within which its strategic objectives can be pursued. These opportunities include: (i) annual performance-based allocation system (PBAS) consultations; (ii) participation with other donors in the DPG and thematic subgroups; and (iii) a greater role, through IFAD's country presence, to participate effectively in regular meetings and consultations with the Government and other donors on broader policy issues.
34. The RB-COSOP has identified two policy dialogue issues related to microfinance and one related to water resource management. With regard to microfinance, several studies have confirmed that this sector is still underdeveloped relative to the large market potential. The Law for the Regulation of Non-Banking Financial Markets and Instruments (Law No. 10) was approved by Parliament and published in the *Egyptian Official Gazette* in March 2009. While the law is one step in the right direction, microfinance remains constrained by the following: (i) the interest cap of 7 per cent on all lending rates by NGOs and microfinance companies (MFCs) (although in practice this cap is not enforced). A legal intervention is needed to exempt microfinance activities from interest rate caps for both NGOs and MFCs; and (ii) the inability, by law, of MFCs to act as agents for banks or the national postal office, thereby hindering them from diversifying their product range and responding to client demand. MFCs should be enabled to act as agents for such duly regulated financial institutions – offering savings and/or remittances services – with the prior approval of the relevant authority. IFAD cannot pursue such dialogue alone. There is a strong need to partner with the major players, such as USAID, the World Bank, AfDB, United Nations Development Programme (UNDP), Agence Française de Développement (AFD), etc. With regard to water supply, the law on branch canal WUOs was passed by the former Parliament. This law will now need to be enforced. IFAD will partner with the World Bank, as the other major donor on water-related issues, to pursue such enforcement.

V. Programme management

A. COSOP management

35. The primary responsibility for RB-COSOP management will be assigned to the Country Programme Management Team, which comprises staff members based at IFAD headquarters and in Egypt. IFAD-based team members will visit the country at least three times per year to review implementation progress, hold knowledge-exchange seminars on specific topics (farmers' organizations, marketing, rural finance, gender issues, climate change, etc.) and identify issues related to innovation, policy dialogue and opportunities for partnership. The IFAD country presence officer in Egypt will be expected to play a critical role in coordinating with the Government and donors to identify opportunities that would enable IFAD to leverage its investments to enhance its strategic impact in the country. RB-COSOP management and monitoring will involve annual review workshops, a mid-term review to assess achievements, and a completion report to identify key lessons. The

results management framework of the RB-COSOP will be carefully monitored during these assessments.

B. Country programme management

36. The country programme manager (CPM) will be expected to play a principal role in ensuring that the guidelines outlined in the RB-COSOP are adhered to and that the opportunities that become available during the RB-COSOP period are capitalized on in modifying ongoing projects and designing new ones. The CPM has primary responsibility for ensuring that the teams designing new projects systematically pursue the strategic objectives outlined in the RB-COSOP.
37. **Supervision.** All ongoing IFAD-funded projects in Egypt are supervised directly by IFAD. All new projects will also be directly supervised. Supervision will focus on implementation support and problem-solving geared to the achievement of results and impact.
38. **Project-at-risk ratings.** There are no projects at risk in Egypt, and all ongoing projects in the portfolio are progressing satisfactorily. However, some projects have been slow to take off – for example UERDP and OFIDO.

C. Partnerships

39. The RB-COSOP will be implemented through a diversified partnership framework bringing together government institutions, autonomous semi-public organizations, the private sector and donors. Key IFAD partners within the government system will be MOPIC and MALR. However, there will be key areas in which collaboration with MIWR will be vital in ensuring the success of IFAD investments. This is the case with the recently initiated OFIDO project. Coordination with this ministry is envisaged as a key aspect of IFAD's partnership approach to water resource management.
40. With regard to partnership with semi-public autonomous institutions, the SFD has increasingly emerged as a key partner in rural finance and SME development. In the future, however, IFAD would like to see the SFD develop as a specialized agency for providing technical and financial services to non-bank microfinance institutions. During this RB-COSOP, IFAD will provide funds to the SFD for specialized activities involving a range of intermediary financial institutions with outreach to poor rural people. In order to ensure greater resource flows to the agriculture sector, IFAD will also partner with the ARDF, another semi-autonomous institution increasingly active in rural finance. The SFD and ARDF will be the main channels for providing suitable financing to small and medium entrepreneurs, using commercial banks as financial intermediaries.
41. Partnerships with private-sector entities engaged in agroprocessing and agricultural export will be an important feature of IFAD's strategy. Through its projects, IFAD will create opportunities to encourage collaboration between the private sector and smallholders and poor rural entrepreneurs. The main private-sector partners will be exporters, agroprocessors and commercial banks. Key file 2 provides a strengths, weaknesses, opportunities and threats (SWOT) analysis of some of the key in-country institutions and identifies areas of potential complementarities with IFAD.
42. **Donor coordination.** Identifying opportunities for partnership with donors will be a key aspect of the RB-COSOP. Such opportunities will not only leverage resources, but also build synergies and harmonize the IFAD country programme with donors as much as possible. The United States and the European Union are the largest providers of development assistance to Egypt, with other major donors including AfDB, the World Bank, JICA, AFD, IsDB, AFESD and the OPEC Fund for International Development. IFAD projects will capitalize on the research undertaken by JICA in the horticulture sector, learn from the experience of all major donors in the irrigation sector (such as the World Bank and GIZ) and find opportunities to involve the graduates of the USAID-funded agricultural technical schools. During the RB-

COSOP, IFAD will share lessons with the World Bank and AfDB on experiences using the SFD. Similarly, it will assess how to forge a closer partnership with AFD, which has indicated its willingness to finance the SME sector in Egypt. IFAD will assess how to capitalize on the availability of Italian Debt Swap funds within the framework of the Green Trade Initiative of the Government of Italy. It will also try to capitalize on partnership opportunities with UNIDO (for SME development), UNDP (for microfinance promotion), WFP and FAO to strengthen the research and implementation capacity of its partners.

D. Knowledge management and communication

43. The management and communication of knowledge is expected to be an ongoing process during the RB-COSOP period. The key sources of knowledge generation should be at four levels: at the project level, IFAD will encourage farmers to provide lessons drawn from their participation in project activities, and to promote farmer exchange visits and workshops on specific themes in order to review and document best practices. The IFAD country presence officer in Cairo will organize yearly national project implementation workshops, allowing project staff and other implementing partners to communicate and to share lessons learned across projects. At the national level, IFAD will work closely with the Agricultural Research Centre to identify areas for research and analysis in key areas of interest to smallholders. At the level of donors, IFAD hopes to share its experience in the DPG and learn from the experience of others. At the regional level, reporting and knowledge dissemination will be supported through the Cairo-based and IFAD-supported regional Knowledge Access for Rural Inter-connected Areas Network (KariaNet) to learn from and share experience with IFAD projects in the NENA region.

E. PBAS financing framework

44. The current RB-COSOP covers the period 2012-2015. Egypt was allocated US\$85 million for the PBAS cycle of 2010-2012. From this allocation, US\$71 million has been used to cofinance the PRIME project. And at the request of the Government, the remaining US\$14 million under this PBAS cycle would be applied to the ongoing OFIDO project in order to add two more governorates to the current five. Egypt is expected to receive a PBAS allocation of US\$80 million for the cycle 2013-2015. Moreover, it was to graduate to ordinary terms in 2012. However, following the outcome of the recent uprisings, the Government has expressed a strong interest in debt assistance, through the application of highly concessional loan terms.
45. As part of the Government's *Agricultural Sustainable Development Strategy 2030*, MALR is launching a comprehensive national programme of on-farm irrigation improvement, with the overall goal of optimizing the use of water in five million feddan in the old lands in order to supply a considerable amount of water for the future needs of the country, which is growing at a rapid pace. OFIDO is the first project under the programme to pilot implementation modalities of on-farm irrigation improvements. In addition, in the long run, the Government is planning to link all small farmers to the market. The Government considers IFAD's recently approved PRIME project as the first market project within this long-term programme. Thus the two pipeline projects proposed for financing in the current RB-COSOP are the scaling up of on-farm water investments and the market-linking of investments through follow-up projects to OFIDO and PRIME respectively.

Table 1
PBAS calculation for COSOP year 1

<i>Indicators</i>		<i>COSOP year 1</i>
Rural sector scores		
A (i)	Policy and legal framework for rural organizations	4.50
A (ii)	Dialogue between the Government and rural organizations	4.50
B (i)	Access to land	5.00
B (ii)	Access to water for agriculture	4.75
B (iii)	Access to agricultural research and extension services	4.17
C (i)	Enabling conditions for rural financial services development	4.88
C (ii)	Investment climate for rural businesses	5.00
C (iii)	Access to agricultural input and produce markets	5.00
D (i)	Access to education in rural areas	4.25
D (ii)	Representation	4.50
E (i)	Allocation and management of public resources for rural development	4.63
E (ii)	Accountability, transparency and corruption in rural areas	3.88

Table 2
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural-sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	1	3.89	-25
Base case	0	4.19	0
Hypothetical high case	0	4.49	+29

F. Risks and risk management

46. There are several risks associated with achieving the RB-COSOP's strategic objectives. The uncertain political environment after the 25 January revolution is one of these risks. However, the current Government has demonstrated strong commitment to the strategies and has endorsed the COSOP's recommendations. The democratically elected Parliament will help stabilize the overall security and economic situation. Moreover, the post-revolution pro-poor environment is conducive to a stronger role for civil society and good governance.
47. The main risk associated with achieving the first strategic objective is the unwillingness of small farmers to work together due to their individualistic nature. This risk can be mitigated through the elaboration of clear incentives for participation, and through building organizations in a way that suits the needs and requirements of small farmers. With regard to the second strategic objective, the main risk to efficient and sustainable use of land and water resources is price signals that persuade farmers to grow crops that are water intensive, such as rice. This risk will be mitigated by introducing high-value crops that offer viable alternatives. Lack of financial resources could limit the introduction of technologies to use land and water more efficiently, such as farm-level irrigation improvement, laser land-leveling, the use of improved inputs, etc. This risk will be mitigated by the introduction of financial services as a key part of the current strategy. The main risk to achieving the third strategic objective is that the private sector finds it more attractive to negotiate with large farmers. This risk will be mitigated by organizing farmers, providing them with training and helping them become Global Agricultural Practice (GlobalG.A.P.) certified. The main risk associated with access to financial services is that the agriculture sector is perceived as high-risk and the transaction costs for delivering services to small farmers are high. This risk will be mitigated by building the capacity of financial intermediaries and their clients (target group) and by promoting agricultural value-chain financing.

COSOP consultation process

1. **Initiation of the RB-COSOP Approval and Formulation Process.** The RB-COSOP formulation process for Egypt was initiated in January 2011 when a mission visited Cairo and met key stakeholders in the country. The process was further elaborated in August 2011 when a second mission visited the country to meet with Government representatives, donors and potential implementing partners.
2. To build government ownership for the process and make them a key partner in the preparation of the new RB-COSOP, meetings were held with the Ministry of Planning and International Cooperation, Ministry of Agriculture and Land Reclamation, Ministry of Water Resources and Irrigation, the Social Fund for Development, ARDF and PBDAC. Meetings were also held with all main donors such as the World Bank, the African Development Bank, USAID, European Commission, JICA, Italian Cooperation, AFD, KFW, and UN partners such as UNDP, UNDO, FAO and WFP, etc. Meetings were also held with selected Farmers Unions and private sector actors, such as Makro-Egypt, Galina Agrofreeze Company and Agrofood Company. These consultations with public, private, and community-based stakeholders and donors helped to identify government priorities, assess the strategic direction and projects of other donors and synchronize the IFAD programme to capitalize on the available opportunities.
3. **Preparation and Finalization of Draft RB-COSOP.** A draft RB-COSOP was prepared in August 2011 and submitted for review by the Government of Egypt and members of the CPMT.
4. **In-house Reviews and Approval.** The Draft RB-COSOP was submitted for review within IFAD to a divisional review, PMDT review between August – October 2011, QE review in December 2011, and to OSC review 9 February 2012.
5. **Endorsement of the RB-COSOP by Government.** The Government endorsed all main findings and recommendation during the final meetings in August 2011, and subsequently during in-country meetings with stakeholders in February 2012.
6. **Board Discussion.** The RB-COSOP will be submitted to the Executive Board for discussion in September 2012.

Country economic background

Land area (km ² thousand) 2009 1/	995	GNI per capita (USD) 2010 1/	2 440
Total population (million) 2009 1/	83.00	GDP per capita growth (annual %) 2009 1/	4
Population density (people per km ²) 2009 1/	83	Inflation, consumer prices (annual %) 2009 1/	12
Local currency Egyptian Pound (EGP)		Exchange rate: USD 1 = EGP	5.70
Social Indicators		Economic Indicators	
Population growth (annual %) 2009 1/	2	GDP (USD million) 2009 1/	188 413
Crude birth rate (per thousand people) 2009 1/	24	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2009 1/	6	2000	5.4
Infant mortality rate (per thousand live births) 2009 1/	18	2009	4.6
Life expectancy at birth (years) 2009 1/	70		
		Sectoral distribution of GDP 2009 1/	
Total labour force (million) 2009 1/	27.42	% agriculture	14
Female labour force as % of total 2009 1/	23	% industry	37
		% manufacturing	16
		% services	49
Education		Consumption 2009 1/	
School enrolment, primary (% gross) 2009 1/	112	General government final consumption expenditure (as % of GDP)	11
Adult illiteracy rate (% age 15 and above) 2009 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	76
		Gross domestic savings (as % of GDP)	13
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2009 1/	23 062
Malnutrition prevalence, height for age (% of children under 5) 2008 1/	31	Merchandise imports 2009 1/	44 946
Malnutrition prevalence, weight for age (% of children under 5) 2008 1/	7	Balance of merchandise trade	-21 884
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2009 1/	5.0	before official transfers 2009 1/	-11 655
Physicians (per thousand people) 2008 1/	n/a	after official transfers 2009 1/	-3 349
Population using improved water sources (%) 2008 1/	99	Foreign direct investment, net 2009 1/	6 140
Population using adequate sanitation facilities (%) 2008 1/	94		
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2008 1/	17	Cash surplus/deficit (as % of GDP) 2009 1/	-7
Fertilizer consumption (kilograms per ha of arable land) 2008 1/	724	Total expense (% of GDP) a/ 2009 1/	30
Food production index (1999-01=100) 2009 1/	139	Present value of external debt (as % of GNI) 2009 1/	16
Cereal yield (kg per ha) 2009 1/	7 635	Total debt service (% of GNI) 2009 1/	2
Land Use		Lending interest rate (%) 2009 1/	
Arable land as % of land area 2008 1/	3	Deposit interest rate (%) 2009 1/	13
Forest area as % of total land area 2006 1/	n/a		
Agricultural irrigated land as % of total agric. land 2008 1/	n/a		

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2010-2012

COSOP results management framework

Country Strategy Alignment	Key Results for RB-COSOP			RB-COSOP Institutional, Policy Objectives
Poverty Reduction Action Plan: Sustainable Agriculture Development Strategy Towards 2030: Strategy for Water Resources 2009-2017.	Strategic Objectives (See indicators in Table 1)	Outcome that RB-COSOP is expected to influence.	Milestone indicators showing progress towards SO*	(See Indicators in Table 1)
<p>The creation of employment opportunities as the surest way to combat poverty.</p> <p>Promoting and supporting small farmer's associations, particularly in the field of agriculture marketing.</p> <p>Promote water users associations and enhance cost recovery mechanisms.</p> <p>Participatory governance for enhancing the voice of the poor.</p> <p>Women's advancement, closing of gender gaps and greater involvement of rural women in the development process.</p>	<p>SO1: The technical skills and organizational capacity of the poor rural men and women to take advantage of rural on-farm and off-farm economic opportunities are strengthened</p>	<p>1.1 About 70% of the individuals provided training and skills are able to enhance their employment and incomes. Of these at least 30% are women.</p> <p>1.2 About 70% of the WUOs established collect membership fees, maintain common irrigation infrastructure and follow improved irrigation practices.</p> <p>1.3: About 70% of small farmers engage into contractual farming with exporters and processors.</p>	<p>At least 500 farmer organizations, farmer market associations, water user organizations and community development associations organized around mutual interests. Of these 35% are expected to be formed by the mid-RB-COSOP period and 70% by the end of the RB-COSOP period. At least 30% of the members in these organizations will be women.</p>	<ul style="list-style-type: none"> - Existing legal and regulatory framework in enforced in project area. - Law reformed through advocacy to change the policies which places the smallholder farmer at a disadvantage such as (i) the one restricting eligibility for export of agricultural produce only from farms larger than 50 feddans and (ii) the law 122/1982 to regulate the establishment of special purpose associations in light of market economy requirements.
<p>Promoting agriculture growth through the efficient and environmentally sustainable management of land and water;</p> <p>Achieve a gradual improvement in efficiency of irrigation systems to reach 80% in an area of 8 million feddans by 2030. Reclaiming additional new areas estimated at 1.25 million feddans by 2017 and 3.1 million by 2030. Increasing cropping area to 23 million feddan by 2030 with an estimated crop efficiency rate of</p>	<p>SO2: Pro-poor sustainable use of the natural resources, especially land and water is enhanced</p>	<p>2.1 About 75% of the target farmers are able to change agricultural practices and cropping patterns for more efficient use of land and water resources.</p>	<p>At least 35% of target households adopt new crop technologies and modern irrigation systems by mid-term and 70% by RB-COSOP end;</p> <p>At least 20% of the target households trained in Global Gap practices and 10% certified and registered by RB-COSOP end.</p>	<ul style="list-style-type: none"> - Approval through advocacy of the supplementary Law 12 of 1994 which provides the legal base for formation of WUOs at the branch canal level. - In-country capacity to assess and adapt to climate change impacts on land, water and other natural resources is strengthened.

Country Strategy Alignment	Key Results for RB-COSOP			RB-COSOP Institutional, Policy Objectives
200%.				
<p>The Government strategies view farmer's access to new technologies, markets and access to rural finance as key to enhancing their productivity, food security, incomes and employment.</p> <p>Focus on the economically active poor and those excluded or underserved by the formal financial sector.</p>	<p>SO3: The access of poor rural farmers to better quality services, such as technology, finance and markets, is improved</p>	<p>3.1 About 30% of the target households report an increase in their yields from farming as a result of enhanced production skills.</p> <p>3.3 Increase in the volume of output sold by 50% of the small farmers due to the increase in contractual arrangement with processors and exporters.</p> <p>3.2 Enhanced flow of financial services to and through the value chains for at least 50% of the target households.</p> <p>3.4 Improved profitability through greater access to financial services for at least 80% of the target SMEs.</p>	<p>About 30% of the target group of the IFAD funded projects under the current RB-COSOP report an increase in access to improved technology, financial services and access to markets by RB-COSOP mid-term and 70% by RB-COSOP end. At least 30 % of all beneficiaries will be women.</p>	<p>Advocacy through coordination with other donors to: (i) amend Law No. 10 for the Regulation of Non-Banking Financial Markets and Instruments to exempt MF activities from interest rate caps for both NGOs and MFCs; and (ii) to allow the Microfinance Companies to act as agents for banks or National Postal Office to enable them provision of savings and/or remittances services to their clients.</p>

Baseline Poverty Analysis

1. The population of Egypt was estimated to be 83 million with a Gross National Income of US\$ 2,440 per capita in 2010.¹⁶ Around 40 per cent of Egyptians were estimated to be poor according to the latest estimates.¹⁷ About 19.6 per cent were estimated to live in absolute poverty and 21 per cent were near poor. A small drop in incomes or increase in prices would make many of them fall back into poverty. However, after a period of improvement in the first years of the current decade, poverty has worsened again as a result of the soaring food prices and other factors: extreme income poverty in rural Egypt rose from 6.6 per cent to 9.1 per cent [UNDAF MTR p 27]. Beneficiaries of subsidised food ration cards increased from 45 million to 63 million during the food price crisis of 2008.

2. Egypt's Human Development Indicators rank it among the medium development group. Its population has a life expectancy at birth of 71.7 years and an overall adult literacy rate of 70.4 per cent, with a gross school enrolment ratio of 66 per cent and a PPP [purchasing power parity] per capita GDP of EGP 7787 in 2008 [EHDR 2010]. Improvements in Egypt's HDI are largely due to the major efforts which have been undertaken in recent decades in the social sectors, particularly in health and education, as well as in social infrastructure.

Demographic features

3. The population of Egypt increased from 59 million in 1996 to 74.3 million in 2008 and is currently reported as 83 million. The population pyramid shows a high proportion of young people: 34 per cent of the population is under 15 years old and a mere 4 per cent are over 65. The dependency ratio was still 65.5 in 2008 though it had dropped significantly in the previous 20 years as it had been 82 in 1988. Mean household size is 4.6 nationally though there are significant differences. In rural Upper Egypt, the poorest area, it is 5.8 while in rural Lower Egypt it is 4.7

Poverty and inequality

4. Egypt is a country which suffers from high levels of inequality and where the poorest 40 per cent of the population control a mere 22.3 per cent of the country's income. Data also show that there has been an increase in inequality, with the Gini-coefficient rising from 28.7 to 30.5.¹⁸ The Gini-coefficient is 22 in rural areas according to the 2010 EHDR. Most significantly in the past 4 years, it has increased by 2 points, indicating a worsening of inequality levels and also suggesting that growth has not particularly benefited the poorer sections of society. According to the DHS, the most recent detailed data collected, distribution of income by fifths is as follows:

Table 1: Percentage of each wealth fifth by area (2008)

Fifth	Urban	Rural	Rural LE	Rural UE
Lowest	5	31	16	50
Second	7	29	30	29
Middle	16	23	30	14
Fourth	31	12	18	5
Highest	41	4	7	2

Source, EDHS 2008, p 26

¹⁶ World Bank, 2010.

¹⁷ Poverty Assessment Update (2007) – World Bank and Government of Egypt's Ministry of Economic Development.

¹⁸ Economic growth, inequality and poverty: social mobility in Egypt between 2005 and 2008, 2009. World Bank. 2010.

Gender differentials

5. Nationally 13 per cent of households are female headed. The most significant gender gaps continue to be found in labour force participation, with only 24 per cent of women included in the labour force in 2010. Labour statistics commonly under-estimate women labour force participation as they do not take into account their high engagement in the informal sector or in home based activities. Employed women in the rural areas were principally engaged in the following sectors: 55 per cent in agriculture; 15 per cent in the education sector; 20 per cent in health and social work together with public administration. Generally, rural women occupy the lower tier of jobs across sectors i.e. jobs that are characterized by limited manual skills and low pay. Inequalities in earned income remain high, with women estimated to earn the equivalent of 26 per cent of men's income. Women's role in the household, involving all child care, cooking and cleaning responsibilities, take a lot of their time, something which men do not do. In addition, women's work in agriculture and other income generating activities take the remaining available time. As a result, rural women have little or no time to engage in new activities and in particular cannot further their education or develop their skills, regardless of whether their husbands or fathers' would allow it.

6. The growing sectors such as tourism and trade are not easily accessible due to social norms regulating women's mobility and presence in public places.

(a) Women's participation in decision making within the household varies according to the wealth and educational status of the household adults as well as the type of expenditure. With respect to decisions concerning their own health care, 26 per cent of women make their own decisions, while 61 per cent decide jointly with their husbands; with respect to major household purchases 50 per cent of couples decide jointly, while in 40 per cent of cases the men decide and in 5 per cent the women decide alone. For daily household purchases, women decide alone in 44 per cent of cases, while in 34 per cent it is a joint decision and in 15 per cent the husband decides alone. As for visits to family 9 per cent of women decide alone, 73 per cent jointly with their husbands and in 16 per cent of cases the husbands decide alone. With respect to all these issues the percentage of men deciding alone is higher in rural Lower and Upper Egypt than elsewhere. [EDHS 2008 pp. 41-42]

(b) With respect to the use of cash income, in Lower Egypt 17 per cent of rural women decide on the use of their own income, while 74 per cent decide jointly with their husbands and in 2 per cent of households, the husband decides alone. In rural Upper Egypt, the figures are 24 per cent women deciding, 68 per cent joint decision and 8 per cent husband deciding, so women overall have a reasonable level of control over their own income. With respect to the husband's cash income, decision making is as follows: in rural Lower Egypt, 2 per cent of women decide, 77 per cent of couples decide jointly, and in 16 per cent of cases the husband decides alone. In rural Upper Egypt, 5 per cent of women decide on the use of their husband's income, 56 per cent decide jointly and 32 per cent of husbands decide on their own. Overall, the higher the level of education, the more likely it is that decisions will be joint [ranging from 59 per cent for uneducated households to 80 per cent for couples with higher education]. Similarly, the wealthiest are more likely to decide jointly than the poorest [lowest fifth 58 per cent joint decision and highest fifth 78 per cent]. [EDHS 2008 pp. 38-39].

7. Control over their fertility is a major feature of women's control over their lives. Use of contraception has had a significant impact on lower fertility in past decades and it is now the case that the vast majority of women use contraception at some point in their

lives: in rural lower Egypt 83 per cent have done so, while in rural Upper Egypt, the percentage is only 73, while nationally in rural areas it is 78 per cent [EDHS p 69]. Family planning methods are usually used after the first birth and in most of Egypt, a woman is expected to produce a child as soon as possible after marriage, to prove her ability to supply an heir to the family in which she has married.

Child health and nutrition

8. Infant mortality rates have shown remarkable improvements in the past 4 decades, dropping from 141/00 in the mid-1960s to 25/00 in 2008. Child mortality dropped from 243/00 to 28/00 in the same period. Malnutrition of children is a significant problem: while 22 per cent of children were below standard height for age in urban areas, in rural Lower Egypt the percentage was 34 per cent and in Upper Egypt 27 per cent. For weight for age, the percentages were around 6 per cent everywhere [EDHS page 187]. However according to the WHO growth standards assessment of nutritional status of young children, the situation has worsened between 2000 and 2008, with stunting (height for age) increasing from 23 to 29 per cent, wasting (weight for height) increasing from 3 to 5 per cent, and low weight for age from 4 to 6 per cent [EDHS p 188]. While reasons for this are unclear, the culling of millions of chickens due to avian flu is considered a possible factor, reducing the availability of eggs as well as financial resources of poor households and consequently leading to worsening nutritional standards.

Water and Sanitation

9. About 93 per cent of rural households have access to piped water but only 24 per cent have sanitation. However these figures overestimate the availability of services: for example many villages have a pipe network for water, but these are frequently not operational for lengthy periods for one reason or another. Similarly in many areas electricity is not available in a constant and reliable manner. The 2008 DHS found that in rural Upper Egypt only 82 per cent of households had water piped into the house though 95 per cent had some kind of access to an improved source, such as a public tap or borehole. For Lower Egypt, 90 per cent of households have piped water into the residence and a further 6 per cent have access to a public tap or a borehole. However 37 per cent of households in rural Upper Egypt and 29 per cent in rural Lower Egypt complained of water supplies being interrupted. As the question referred to the 2 weeks prior to the survey and the field work took place in March, the problem is significantly greater in the summer when pressure on supplies is higher. Importantly the vast majority of people do not treat water before drinking it (97 per cent in rural Upper and 96 per cent in rural Lower Egypt).

10. Sanitation facilities are far less widespread. In rural Upper Egypt, only 9 per cent of households have a modern flush toilet, 4 per cent a traditional one with tank flush and 84 per cent with bucket flush, while in rural Lower Egypt the figures are respectively 30 per cent, 2 per cent and 64 per cent. Most of these households have some kind of drainage system [public sewer, vault or septic tank], but 2 per cent in Upper and 5 per cent in Lower Egypt have pipes draining sewerage directly in a canal.

11. Solid waste disposal is also a problem. While 14 per cent in rural Upper and 38 per cent in rural Lower Egypt had waste collected from the home and a further 3.5 per cent and 17 per cent respectively had it collected from a container in the streets, 50 per cent and 46 per cent respectively dump their waste into the street or a canal. Surprisingly, only 4 per cent of households in Upper and 5 per cent in Lower Egypt recycle kitchen waste by feeding it to animals.

Household consumer durables and living conditions

12. Availability of consumer durables is high, with 95 per cent of households owning a television, and over 70 per cent a connection to a satellite dish. Over 90 per cent of households have a refrigerator and a fan, and 40 per cent a water heater. Less than 5 per cent have a sewing machine, freezer or air conditioner. Land telephones are owned by 67 per cent of households, and 41 per cent have a mobile phone [DHS p 23-4].

B. Who are the poor?

13. As poverty is mostly a rural phenomenon, the following characteristics are particularly acute in rural areas although they are also relevant to a lesser extent in urban areas. According to the World Bank and the UNDP, the main factors contributing to poverty are:

- (a) household size: With a national average household size of five people, one third of households with six or more members are poor, accounting for 74 per cent of poor individuals in the country: 52 per cent of such households in rural Upper Egypt are poor whereas in the same region only 35 per cent of urban ones are poor; in Lower Egypt 29 per cent of households with over six members are poor in rural areas and only 19 per cent in urban areas. Nationally 80 per cent of poor households have five or more members.¹⁹
- (b) Dependency ratios: A high dependency ratio worsens the likelihood of poverty. Overall 29 per cent of households with three or more children were poor in 2005; in this context it is worth noting that, in rural areas with an overall poverty incidence of 26 per cent, there are about twice as many households with three or more children than in urban areas. Rural households with three or more children contributed 7.8 per cent of the total national poverty headcount.
- (c) Children and young adults are more likely to be poor than older people: in 2005, 21 per cent of children were poor and the risk of poverty was highest among youth aged 10-14 and 15-19. By contrast those over 60 had the lowest poverty ratio at 13 per cent.
- (d) Households which have lower access to health services are poorer than others and therefore have a higher incidence of child mortality; they also have higher fertility rates as their access to family planning services is insufficient.
- (e) Low educational levels: Poor people have lower education levels than others; almost 80 per cent of the poor had only basic education or less, indeed 40 per cent are illiterate.
- (f) Access to employment and wage levels clearly affect poverty with the poor having limited access to stable wage employment, and the work they have is in lower paid activities on an irregular basis.
- (g) Households headed by those employed in agriculture are poorer than those employed in other sectors and, moreover the majority of poor households are headed by illiterate or semi-literate people who are mostly middle aged. The World Bank found no significant gender differences among household heads with respect to poverty levels.

¹⁹ Ministry of Economic Development, Government of the Arab Republic of Egypt, Social and Economic Development Group, Middle East and North Africa Region, The World Bank, 16 September 2007, *Arab Republic of Egypt Poverty Assessment Update*, para 2.4

- (h) Poorer households have less access to basic social services although most had electricity, access to clean water is not available to many poor people and sewerage services even less so. Unsurprisingly the poor own less durable consumer durables than the non-poor.

C. Regional differences: where are the poor?

14. The main change in poverty distribution in recent years has been a worsening concentration of poverty in rural areas. While the total number of poor decreased in urban areas, it increased by about 2.3 million in rural areas and, although extreme poverty doubled between 2000 and 2005 in urban areas, the problem remains mainly rural where more than 78 per cent of the poor and 80 per cent of the extreme poor are found. The relative poverty rates for the different governorates in 2008 are the following:

Table 2: Poverty rates and Gini-coefficient for Egypt Governorates, 2008/9

Governorate	% Poor	Gini-Coefficient
Alexandria	6.4	30.0
Assiut	61	27.0
Aswan	18.4	27.0
Beheira	23.5	19.0
Beni Suef	41.5	21.0
Cairo	7.6	38.0
Dakahlia	9.3	22.0
Damietta	1.1	21.0
Fayoum	28.7	21.0
Gharbia	7.6	24.0
Giza	23.0	34.0
Ismailia	18.8	27.0
Kafr El Sheikh	11.2	21.0
Kalyoubia	11.3	23.0
Luxor	40.9	24.0
Menia	30.9	24.0
Menoufia	17.9	23.0
North Sinai	No data	No data
Port Said	4.4	34.0
Qena	39	23.0
Sharkiya	19.2	19.0
Suez	1.9	29
Sohag	47.5	23.0

Source: UNDP Egypt Human Development Report 2010, page 269

15. Within the rural areas, Upper Egypt is significantly poorer than Lower Egypt. With only 25 per cent of the total population, it has 66 per cent of the extremely poor, 51 per cent of the poor and 31 per cent of the 'near poor'. It is worth noting that there are some significant differences in ranking between institutions and over time, which may, to some extent reflect the methodologies used as much as actual changes. Within each area, there are also differences, shown by the poverty maps of the WB and the Social Fund for Development, which each clearly show that some governorates and within governorates certain areas have much higher poverty rates than others: almost one third of Egypt's poor are in the poorest villages of Sohag, Assiut and Menia governorates according to the World Bank.²⁰

16. At the governorate level, there are fairly significant discrepancies between the four main recent rankings, as seen in the table below. However, it is to be noted that,

²⁰ Ministry of Economic Development, Government of the Arab Republic of Egypt, Social and Economic Development Group, Middle East and North Africa Region, The World Bank, 16 September 2007, *Arab Republic of Egypt Poverty Assessment Update*, para 11.

with the exception of Kafr el Sheikh, all the proposed project governorates are clearly among the very poorest according to all three sources: Sohag, Assiut and Beni Suef are the

17. poorest, closely followed by Qena and Menia, while in Lower Egypt, Kafr el Sheikh and Beheira are among the poorer governorates. Each of the sources uses different characteristics and basic data to determine their criteria; these have been described above in paragraphs under section headed Data Sets.

Table 3: Poverty ranking of governorates according to different sources

Governorate	WB 2007	EHDR 2008	SFD*	EHDR 2010
Alexandria	9	4	5	3
Assiut	22	21	26	20
Aswan	16	8	16	12
Beheira	15	11	19	15
Beni Suef	21	18	24	17
Cairo	3	5	4	13
Dakahlia	7	9	18	9
Damietta	2	3	7	4
Fayoum	11	22	25	22
Gharbia	5	7	13	6
Giza	12	15	10	8
Ismailia	6	6	8	5
Kafr El Sheikh	13	16	12	16
Kalyoubia	10	10	11	11
Luxor	4	14	17	10
Menia	19	20	20	21
Menoufia	14	11	21	7
Port Said	8	1	2	1
Qena	18	17	22	18
Sharkiya	17	12	23	14
Suez	1	2	3	2
Sohag	20	19	27	18

* SFD also has five additional governorates, not ranked by HDR or World Bank, namely North Sinai, Marsa Matruh, Wadi al Jadid, Red Sea and South Sinai.

D. Causes of rural poverty: why are they poor?²¹

18. The worsening of poverty rates between 2000 and 2005 was primarily due to a fall in consumption resulting from inflation. Similar causes can be given for the worsening between 2008 and 2010. While the following quotation from the World Bank's Poverty Update refers to the period 2000-5, it should be seen as particularly relevant and explaining the clear worsening of the situation since early 2007: "high inflation disproportionately affected the poor. The differential impact of inflation on the poor was driven by a 10 per cent increase in the relative price of food. Faster increases in food prices were disastrous for poor households, because food occupies a larger share in their budgets and because most of them are net consumers of food, even in rural areas."²²

19. While inflation is one of the causes of the recent increase in poverty, other structural causes are directly related to the production conditions of rural people: the small size of farms owned by the majority of rural people is a main cause of poverty. The vast majority of landowners in rural Egypt (81 per cent) own less than 3 feddan which,

²¹ The data in this section are primarily from field work during the mission. They are supplemented and complementing data from the various data sets mentioned in the beginning of this paper.

²² Ministry of Economic Development, Government of the Arab Republic of Egypt, Social and Economic Development Group, Middle East and North Africa Region, The World Bank, 16 September 2007, *Arab Republic of Egypt Poverty Assessment Update*, para 13.

on its own is insufficient to maintain an average family of 5 members. Holdings of one feddan or less form 58 per cent of all holdings, i.e. only 23 per cent have between 1 and 3 feddan. Clearly for those with less than 1 feddan agriculture can only be an increasingly small source of income. The inability of small farms to have access to credit and to good marketing mechanisms further exacerbates this situation.

20. Those who have land [either owned or rented], farm it according to systems which do not maximise its potential: their cropping patterns are traditional and give insufficient attention to potentially higher value crops and their water management skills are far below requirement to enhance irrigation efficiency. The use of chemicals and other inputs is generalised and the rate of input price increases in the past two years has been significantly higher than the returns achieved on farm gate prices. Finally, while farming systems are antiquated, the responsibility for this situation is largely attributable to the research, extension, and water management systems which have done little to address the problems and needs of smallholders. For example when farmers complained about not being trained to harvest vegetables in the optimal manner to satisfy the requirements of exporters and major traders, the extension staff present at the meeting said they did not provide that kind of training.

21. The low quality of much water and the fact that farmers actually use drainage, rather than irrigation water when they have no alternative, affects their yields and hence worsens their position in the market, as their produce are of lower quality. Many rural people are landless, either relying entirely on wage labour for their survival, or working as sharecroppers or tenants on smallholdings in addition to wage labour. While sharecropping and tenancy mechanisms are described below it is clear that, if an owner-farmer cannot make an adequate living from less than 3 feddan from which s/he obtains 100 per cent of the income, the same land cultivated by someone who either only gets $\frac{1}{4}$ of the crop or pays a minimum of US\$ 300 rent per feddan, cannot sustain a household on its own.

22. Among the challenges to agricultural Development the ARC²³ identified the following, which concern small holders: inefficient use of water, fragmentation of holdings, encroachment on cultivation land, absence of small farmers' organizations, lack of information, weak research and inappropriate extension services, and the worsening impact of climate change.

23. For the landless and the smallholders, their ability to raise livestock is another crucial factor affecting their poverty. Many households are unable to maintain small or large ruminants either because they have no land and hence no fodder of their own, or they cannot afford to buy fodder or because they have no space to house the animals. It is only through significant additional income from livestock and other sources that people can raise their incomes above the lowest poverty line. Hence, those who are unable to do so, are at a serious disadvantage. Similarly, for the landless and smallholders, particularly those who are unable to keep livestock, the limited opportunities for wage labour further affects their poverty. The income gained from it is insufficient to maintain families, and work is rarely available for sufficient days per month.

24. The causes of poverty mentioned here are relevant to both men and women. Women have additional causes for poverty, including the following:

- (a) the time they spend in home and child care as well as care for elderly or disabled people is time which is not available for earning an income;
- (b) their lower wage rates for casual work as well as reduced opportunities for work;

²³ ARE, MALR, Agricultural Research and Development Council (2009), *Sustainable Agricultural Development Strategy, towards 2030*, pp 62-66.

- (c) in some parts of Upper Egypt, many women are restricted to the home and to home based activities and this worsens their likelihood of poverty, as they cannot take up opportunities outside their homes;
- (d) the low income obtainable from the kind of handicrafts and other off-farm activities done by women;
- (e) Prevailing gender norms that give preference to early marriage of girls and deprives them of education; and
- (f) Recently the culling of chickens and other poultry has been a major blow to rural women, and particularly poorer rural women, depriving them of the single home based source of income which had been the mainstay of their very limited economic independence.

E. Recent trends

25. Improvements in social aspects of poverty have been notable in recent years in the increase in access to education, drinking water and improvements in infrastructure. These have resulted in higher HDR scores even in areas where income has not improved. This is clearly noticeable throughout rural areas where asphalted roads are now the norm, where many villages have water purification plants as well as schools and health centres. Household infrastructure has also improved significantly, with most villages having many brick and cement buildings, mostly multi storey allowing for individual nuclear families to live independently within an extended family construction and saving on space needed for agriculture. The presence of mud brick single storey houses is nowadays a clear indicator of poverty, and is becoming rarer. Most villages now have access to public transport services by privately run minibus services, making market towns and administrative centres more easily accessible.

26. Despite improvements in social structure, rural life in Egypt is still by no means pleasant and presents many significant health hazards to its population: sewerage and sanitation systems still have limited coverage. Solid waste disposal systems are still largely absent: laundry and household washing up are still all too frequently carried out in canals where livestock are being washed and are drinking; canals are lined with animal and other waste.

27. Schools are found everywhere and the concentration of population in larger villages and significantly sized hamlets means that schools are physically accessible to most people. In practice there are still notable differences in enrolment rates between rural and urban people with respect to education. The poor are generally in disadvantaged areas where schools are further away and standards are lower: the percentage of the poor who have schools in their villages is 83 per cent for primary schools, 70 per cent for preparatory schools and only 30 per cent for secondary schools (World Bank box 2.1 p 43) The outcome of this situation can be seen in the rural literacy rate which is only 62 per cent [compared to 79 per cent urban].

28. Although enrolment at primary school level is now very high, with an intake of 95 per cent of the age group, it is noticeable that girls are withdrawn earlier than boys and that only 72 per cent enrol at secondary level [70 per cent female]. Rural-urban differentials in education are notable with respect to gender issues: in rural Upper Egypt 20 per cent of girls are not enrolled, and this rises to 26 per cent of poor girls. The relationship between poverty and school enrolment is made explicit by the World Bank: "Poverty affects school enrolment directly through out-of-pocket expenditure and opportunity costs, and indirectly through parental background contributing to dropout." [World Bank p 44 para 2.42] Moreover poor households depend on the income brought by the children and cannot afford the cost of education.

29. In 2009 an interagency mission produced a report on the impact of the 2007-8 food price rises²⁴. Although no comparable data have yet been produced for 2010, the new wave of grain price rises has had a similar impact, thus worsening the situation of the poor, and particularly the extremely poor for which food purchases constitute the main item of expenditure. The 2009 study's main findings included details on the impact of inflation on different socio-economic groups: "Chronic poverty affects 10 per cent of the population and is heavily concentrated in rural areas and in Upper Egypt. Steep increases in food prices played a significant role in reducing the positive impact of rapid economic growth on living standards.

F. Coping Strategies of the poor

30. While a high proportion of rural households depend on farming, due to the small size of holdings, agriculture is only one of their sources of income. Farm income is estimated to average between 25 and 40 per cent of total rural incomes, while non-farm incomes, in particular wages, account for a minimum of 40 per cent of rural household income. For poor rural people, 26 per cent of their income overall is from agriculture while 42 per cent is from wages and salaries.

31. The main government strategy for addressing poverty is the provision of subsidised bread. According to the 2009 Interagency study on soaring prices " in 2007-08, Egypt spent approximately US\$3 billion on food subsidies out of a total subsidy bill (including energy subsidies) of about US\$12 billion, which is more than public spending on education and health combined. Given that the overall subsidy is biased towards energy products, the non-poor benefit more than the poor. Leakages in the food subsidy programme are significant, some recording that as much as 61 percent of the benefit from the *baladi* bread subsidy has benefited the non-neediest (IFPRI 2001)²⁵. While overall coverage over the past years has improved, poor targeting results in a large proportion of people highly vulnerable to food insecurity not having access to these income transfer.

32. At the household level, the main coping strategy of the poor is to engage in casual labour locally and migrate to cities or beyond in search of casual unskilled employment. Women sometimes take over the farming business when their husbands are engaged in wage labour.

33. Out-migration abroad is another coping strategy for the educated and uneducated alike, but is mainly used by young men who take up mostly unskilled positions in building and in agriculture in Jordan, Libya, Lebanon or the Gulf states on a temporary basis, staying there a few years.

34. Rural people in Egypt and in particular the poor, are extremely aware of the importance of education as a means of escape from poverty. They do their best for their children to achieve the highest levels of education they can afford. They also attempt to select subjects of study which they believe are most likely to lead to reliable and well paid employment; in recent years this has meant a focus on business and trade studies. It is clear from fieldwork that efforts to achieve adequate educational levels are not just restricted to male youth but that many families do their best to ensure that their daughters are also qualified for office or business jobs. However, this effort and investment in education has largely failed to produce the expected results: many people with reasonable qualifications find it difficult to obtain employment commensurate with their diplomas; this problem is particularly acute for educated youth, and is very discouraging for them and their families. It is likely to lead to considerable social unrest unless opportunities are provided for the large number of middle level educated young

²⁴ Inter-Agency Assessment, (February 2009), Initiative on Soaring food prices (ISFP), Main Report, pp 44

²⁵ IFPRI 2001. The Egyptian Food Subsidy System Structure, Performance, and Options for Reform. Akhter U. Ahmed, Howarth E. Bouis, Tamar Gutner, and Hans Lofgren.

men and women who are currently staying at home and hoping for a better future. However the body of youth who have studied business related subjects form potential micro-entrepreneurs and potential trainers for market related activities.

35. What success took place in the last ten years with respect to poverty reduction has been based on an increase in wage employment opportunities in the cities, but specifically of the kind of employment available to educated and skilled people. Those with higher educational levels have been able to access the higher paid jobs. Economic recession in urban areas is likely to seriously worsen living standards in the poor rural areas.

IFAD portfolio impact

1. This Appendix provides statistical information on the impact of the IFAD portfolio in Egypt, including completed and ongoing rural development interventions. Information is extracted from Project Completion Reports (PCR), Egypt's Country Programme Evaluation (IFAD, 2005), Supervision Reports, Results and Impact Management System (RIMS), Project and Portfolio Management System (PPMS), the *Impact Study* for the West Noubaria Rural Development Project (IFAD, 2011), the *Contract Farming* study (IFAD, 2008), the *Pro-poor value chain development* study (IFAD, 2010), *Seeds of Innovation – Increasing Exports through Contract Farming* (IFAD), and *IFAD's Efforts and Achievements in Gender Equality and Women's Empowerment* (IOE, 2010).

2. Section I includes statistical information on IFAD's portfolio achievements in general. Section II presents a case study on West Noubaria Rural Development Project (WNRDP) based on real life data collected by IFAD missions from the field.

A. Executive Summary

3. IFAD's previous and ongoing projects have:

- (a) reached 1.3 million households, or about 7.0 million rural poor people;
- (b) reclaimed 447,000 feddan of land (188,000 ha);
- (c) established and strengthened 570 Water Users' Organizations (WUOs), reaching 14,100 members (in addition to the 230 WUOs expected under the recently approved On-farm Irrigation Development Programme in the Oldlands, OFIDO);
- (d) established and supported 30 Farmers' Marketing Associations (FMAs), with 31,170 members (in addition to 676 FMAs expected by the ongoing Upper Egypt Rural Development Project – UERDP, and Promotion of Rural Income through Market Enhancement Project - PRIME);
- (e) established and supported 37 Community Development Associations (CDAs) as financial intermediaries to provide microfinance to end-users (in addition to 70 CDAs expected by PRIME); and
- (f) extended 0.1 million loans to beneficiaries for a total value of US\$ 66.4 million.
- (g) Established 33 schools (junior, primary and secondary) with yearly in-take of 14,560 students (under WNRDP); and
- (h) Rehabilitated 14 medical clinics, and provided 126 medical caravans, benefitting about 43,600 people (under WNRDP).

4. In terms of impact, IFAD's interventions have resulted in:

- (a) increased smallholders' incomes by 43 per cent for conventional export crops, and 63 per cent for organic horticulture products, through contract farming arrangements and establishment of FMAs. Further increased in household incomes have been achieved when FMAs sold directly production in village, governorate and metropolitan wholesale markets, in the order of 7, 15 and 22 per cent respectively. More information from the recent WNRDP impact study showed that the average household income reached US\$ 8,300, which is clearly higher than the yearly minimum amount of US\$ 2,200, or the yearly poverty benchmark indicator of US\$ 456 (based on US\$ 1.25/day);
- (b) increased farm-gate prices up to 33 per cent;
- (c) decreases in irrigation costs by 25 per cent and increases in water savings of 285,270 m³, through establishment of WUOs, enhanced managerial capacity of

- these associations' Executive Committees, conversion from diesel to electric pumping, and promotion of modern irrigation systems;
- (d) savings in energy costs amounting to US\$ 6,743/day for the additional land with drip irrigation (28,527 feddans, or 11,986 ha, under WNRDP);
 - (e) 50 per cent decreases in fertilizer use through drip irrigation and 75 per cent when combining organic manure and chemical fertilizers with drip irrigation, through fertigation (under WNRDP);
 - (f) 925 per cent increase in soil occupation by through reclaimed lands (under the East Delta Newlands Agricultural Services Project, EDNASP); and
 - (g) 20-fold increase in market price of land by due to improved infrastructure, and access to services promoted by WNRDP.

B. Statistical Information

5. **Beneficiaries reached.** IFAD support in Egypt initiated in 1980, totalling 10 interventions, 6 of which have already been completed. The completed projects have reached a total of **1.1 million households** or about **6.0 million people**. An additional **180,000 households** or about **1.0 million people** are expected to be reached by the ongoing projects, and 570,000 households or 3.0 million people are expected to benefit indirectly from these projects.

6. **Women reached.** In Egypt, the special status of women and their contribution to agriculture has always been recognized in IFAD projects, as early as 1982. In addition to women reached as part of the 1.3 million households, the number of women reached directly through gender-specific activities is **70,000**.

7. Under WNRDP, **1,103 women received ID cards** in 47 villages, thereby enhancing their social status and access to government services. In collaboration with various local businesses and civil society organizations, WNRDP has also facilitated, among others, employment opportunities for deaf women, and breast cancer prevention and early detection and medical treatment; this has benefited an **additional 20,127 women**.

8. The recently approved Promotion of Rural Incomes through Market Enhancement Project (PRIME) is designed to address – among others - gender issues. Under the marketing support component, the Project targets directly 6,000 women, and 30 per cent of total funds available for micro and small credit are earmarked for women.

9. **Reclaimed lands.** The cumulative area reclaimed by IFAD-financed projects covers **447,000 feddan** (equivalent to **187,815 ha**). The development of cultivated land in the East Delta, under the IFAD-supported EDNASP has contributed to a **925 per cent increase in soil_occupation** (from 25,000 feddan - or 10,504 ha - in 1999 to 234,000 feddan - or 98,319 ha - in 2008). This increase was achieved through comprehensive land reclamation (on 203,000 feddan or 85,294 ha) works as well as rehabilitation. NLASP covered a total of 188,000 feddan (78,992 ha) of reclaimed land. WNRDP covers 56,000 feddan (23,529 ha), and comprises the two Noubaria reclamation zones of El Bustan Extension (27,810 feddan, or 11,685 ha) and Branch 20 (28,190 feddan, or 11,845 ha).

10. **Access to loans.** Total number of loan beneficiaries amounts to **0.1 million** for a **total value of US\$ 66.4 million**. Under UERDP, a total of 14,100 beneficiaries have accessed to credit (43 per cent of which were women) and the total amount of loans was US\$ 7.7 million. As of 31st March 2011, IFAD's Credit line and IDS Revolving Fund under WNRDP, amounted to US\$ 5.9 million (2,682 loans) and US\$ 16.2 million (with 356 loans allocated to women, and the remaining to cooperatives) respectively. Through APIP, 76,403 borrowers had access to short- and medium-term loans, amounting to US\$ 24.9

million. The number of borrowers under NLASP was 7,133, amounting to US\$ 11.7 million. The average loan recovery rate for all projects averaged 95 per cent.

11. Community Development Associations (CDAs) engagement in rural finance. Achievements in microfinance through NGOs and CDAs have proved to be significant and successful in empowering community organizations towards effectively servicing their constituency. In the context of UERDP, the supervision mission (in 2011) noted that the number of active borrowers exceeded the annual targets by far and so did the number of staff trained from financial institutions. IFAD has managed to prod SFD to consider poor people in rural Egypt as an important sector with credit-worthy clients and partners; indeed the **performance of CDAs in rural Egypt has been solid** and has encouraged SFD regional offices in the Project area to propose new CDAs and request additional funding. The SFD lending portfolio to CDAs is growing in both Project Governorates. The CDAs are operating effectively and efficiently managing funds, and revolving them. As of December 2011, **SFD has disbursed a total US\$ 4.6 million** (out of the US\$ 5.7 million approved funding) **to 37 CDAs**. CDAs have revolved the aforementioned SFD loans into an aggregate of US\$ 11.2 million on-lent to **14,100 borrowers** - more than double the amount on-lent to end beneficiaries compared to the previous year. The average **repayment rate** to CDAs by end-users is **98** per cent. An additional 72 CDAs are expected to be formed and supported under PRIME project.

12. Farmers Marketing Associations' (FMAs) engagement in contract farming. In 2008, IFAD commissioned a study, *Egypt: Smallholder contract farming for high-value and organic agricultural exports* (IFAD, 2008). The study confirmed that contract farming (promoted by the IFAD-supported WNRDP) is an effective way of making small farmers become stronger actors within horticultural export value chains. Moreover, the study showed that smallholder households **increased their income** by **63** per cent through engaging into **contract farming of organic horticultural produce**, and **43** per cent for **conventional export crops**. The study also found that **further increased in household incomes** have been achieved when farmers organized in FMAs sold directly their own production in village, governorate and metropolitan wholesale markets, in the order of **7, 15** and **22** per cent respectively.

13. Increased farm-gate prices have been reported under WNRDP (and have also been documented in IFAD's *Pro-Poor Value Chain Development* thematic study). Differences mainly relate to the type of market for which a particular commodity is produced and whether producers are interacting with wholesalers or processors. **Impacts of contract farming arrangements** developed under WNRDP **include increased farm-gate price** (compared to baseline situation without project) of: (i) 33 per cent in the case of potatoes; (ii) 19 per cent for limes; (iii) 25 per cent for apricots; and (iv) 20 per cent for peaches. More details are provided in Section II, where price transmission along the value chain for several crops and increased farm-gate price when farmers move up the chain are illustrated.

14. A key element of the IFAD-supported WNRDP is the assistance it has provided to farmers in forming and strengthening FMAs. The Project has helped establish **6 FMAs** in Bangar Al Sokar, El-Bustan, El-Hamam, Entelak, Tiba and West Noubaria. Total **membership** in the six associations is **30,570 smallholders** (comprising 20 per cent formal and 80 per cent informal members). Under WNRDP a total of **63 contracts** have been signed between producers/FMAs and export and processing companies to sell a range of **26 commodities**, among which apricots, artichokes, beans, grapes, peaches, peanuts, peppers, potatoes and tomatoes. The total number of **private companies purchasing directly from FMAs** reached **49**²⁶ in 2011. UERDP is currently supporting

²⁶ These include the following: Al Nasr For Drying; Agro Food; Al Knana; Ragab; Al Noubaria For Sugar; Al Mghraby; Al Dieb; Al Wahsh; Wady Food; Tieba for Benut; Farm Frets; Al Aeen; Egests; Al Fraana; Agro Land; P&G; Agro Alex; Grand Group; Hero for Processing; Alex Jet; Al Shimaa; Unicco; Nana; Hasad Egypt; Al Nor; Haynes; Best for Juice; Galena; Al Gawhara; Americana; Tama Jet; Green Egypt;

24 FMAs, with a **membership of 600** farmers (and expects to support a total of 400 FMAs by project completion). PRIME is expected to establish and support 300 FMAs, and a total of 12,000 smallholders.

15. **Water Users Organizations (WUOs)**. WUOs are important community-based organizations. They facilitate a better (and efficient) sustainable management of the scarce water resources. IFAD has played an important role in this context. All IFAD-financed projects in the reclaimed newlands (NLASP, EDASP and WNRDP) have supported formation of WUOs in order to assume responsibilities for operation and maintenance of the mesqas, relevant to the overall Government and IFAD respective strategies in the country. Some **12,100 settlers** under the completed projects and **2,000** under the ongoing projects have been **assisted and trained to form 450 and 117 WUOs** respectively. The ongoing OFIDO project is expected to establish and/or strengthen 225 mesqa canals and 6 branch canal WUOs by 2018.

16. The number of WUOs is relatively small compared to the number of beneficiary settlers. This is because WUOs are formed on a voluntary basis and those with immediate problems usually have a greater incentive to initiate formation of an association, contribute to the resolution of their problems and improve their irrigation systems, compared to those without problems. The projects have successfully introduced the role, responsibilities and advantages of forming WUOs to the settlers, through promotion and training. Establishment and strengthening of WUOs has resulted in **reduced irrigation cost by an average of 25 per cent** due to conversion from diesel to electric pumping, enhanced managerial capacity of the WUO Executive Committees, and conversion to modern irrigation systems.

17. **Use of modern irrigation systems**. Under NLASP, 7,812 feddan (3,551 ha) were converted from hand-move/portable sprinklers to 4,494 fixed sprinklers and 3,318 feddan (1,394 ha) to drip irrigation. This has **increased the water-use efficiency from 50% to around 85%**. Under WNRDP, there has been continuous change from mobile sprinkler irrigation to modern irrigation (drip or fixed). The **irrigated area has increased from 6,000 feddan (2,521 ha) in 2002 to 28,527 feddan (11,986 ha) in 2011**, representing 51% of the primary target area (comprising 56,000 feddan, or 23,529 ha, of reclaimed lands). Such an increase in the area is facilitated by the PMU far-reaching extension efforts and farmers' access to credit.

WEST NOUBARIA RURAL DEVELOPMENT PROJECT - IMPACT STUDY

A. Overall Project Performance

18. The WNRDP Project is considered one of the better integrated developmental poverty reduction oriented projects in the land reclamation sector in the Arab Republic of Egypt, due to the multiplicity of its objectives. It seeks to enhance the livelihood and food security of households in newly settled areas, helping beneficiaries establish sustainable economic activities and enhancing market linkages while promoting social cohesion and self-reliance. In collaboration with IFAD, BBC produced a very revealing film documentary in 2010.

19. **Impact on target group**. The total number of beneficiaries reached by WNRDP, amounts to **36,000 households**, with an average of 4 to 8 members per family. The target population includes: (i) graduates; (ii) small farmers; and (iii) displaced households. The Project is nearing its completion, and has serviced a total area of **226,000 feddan (94,958 ha)**. It has been implemented in two main areas, and

Al Gozor; Makro, Agromatico; Syngenta; Al Sammak; Upehc; Saqqara; El Wady El Akhdar; El Gebali; Seif; Alexandria Chamber of Commerce; Merete; El Sharbtly; Egypt for Supplying; Fatahallah Market; Green Corridor.

specifically: (i) the primary zone that includes Tiba (28,190 feddan – or 11,845 ha -, in 6 villages) and Al Entelek (27,810 feddan – or 11,685 ha -, in 12 villages); and (ii) the secondary zone in the Banjar Al Hammam, West Noubaria, Al Boustane regions (170,000 feddan – or 71,429 ha - in 67 villages).

20. Substantial **support** has been given **to associations** and has included, among others: (i) the creation and strengthening of 20 CDAs which include 139 administration council members; and (ii) elaboration of national identity cards for 1,200 beneficiaries (97 males and 1,103 females).

21. **Ensuring sustainability.** Actions taken by the Project to promote sustainability of investments and services include: (i) gradual withdrawal of project financing of the operational costs of CDAs from 100% at the beginning, to 10% in 2011, and 0% at project-end. CDAs continued collecting fees from members, e.g. EGP5/person/visit to clinics; EGP 5/child/month for the child nurseries; EGP 20-25/event to use the social event halls; (ii) artificial insemination (AI) is implemented by 17 self-sustained AI technicians trained by the Project; (iii) the soil and water lab is currently 60% self-financed; (iv) the AI Centre is already 100% self-financed; (v) the 6 FMAs have been engaged in wholesale procurement of inputs to sell to their members at a profitable margin to the associations; and (vi) the FMAs have been collecting service charges from the companies with which they sign marketing contracts for the supply of agricultural produce at 1% rate on the value of total products supply.

22. **Project impact on water management: conversion of irrigation technique from mobile sprinkler to drip irrigation.** WNRDP has brought a major contribution to the ongoing national effort of improving the irrigation system in Egypt, through the promotion of water saving in irrigated agriculture in the Project area. Support provided by the Project to small farmers and WUOs (training, capacity building, credit) to change irrigation technique for fruit trees plantations have made it possible to have a total area of 28,527 feddan (11,986 ha) equipped with drip irrigation in 2011. This represents an **increase of 375%** compared to pre-project scenario (6,000 feddan, or 2,521 ha). The area equipped with drip irrigation represents 51% of total farming land area in Tiba and Al Entelek estimated at 56,000 feddan (23,529 ha). The Project succeeded in the creation of **117 registered WUO**, and **servicing 20,000 feddan (8,403 ha)**.

23. The impact on protection of natural resources and water has been satisfactory. The amount of water saved by converting from sprinkler irrigation to drip irrigation amounts to 10 m³/feddan. In other words, **for the additional 28,527 feddan (11,986 ha)** with drip irrigation, a total volume of **285,270 m³ of water is saved**. The total amount of water saved, makes it possible to irrigate an additional 9,010 feddan (3,786 ha), given that 25 m³ are needed to irrigate 1 feddan (0.42 ha) through drip irrigation. Given that the cost of 1KWh is EGP 0.26 (equivalent to US\$ 0.05), and that 5 hours are saved from converting from mobile sprinkler to drip irrigation, daily savings in energy costs per feddan amount to EGP 1.3 (or US\$ 0.24). In other words, for the additional 28,527 feddan (11,986 ha) with drip irrigation, **savings in energy costs amounts to a total of EGP 37,085 (or US\$ 6,743) per day**.

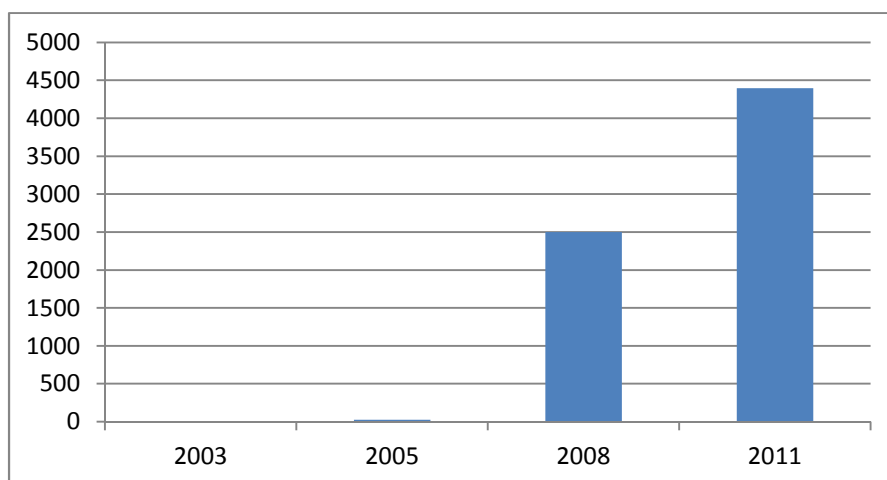
24. Depending on crops, **reduction in fertilizer use can reach 50%** when using drip irrigation (compared sprinkler irrigation), and **up to 75%** when combining organic manure and chemical fertilizers. Introduction of **fertigation** by the Project have resulted in **30% reduction in use of Potassium (K)**, from 110 units of K/feddan before project start, to 88 units of K/feddan. In other words, fertigation has resulted in **total yearly savings of 1.2 million units of K used for the 56,000 feddan (23,529 ha) with drip irrigation**.

Story from the field. Abderrahmane is a Project beneficiary and has 2.5 feddan, in the Salah Al Abd village. He grows groundnuts and corn and has two cows. With the support of WNRDP, he converted from movable sprinklers to drip irrigation, and uses cow manure. He reports a two thirds savings in fertilizers use.

25. Furthermore, as an example, thanks to drip irrigation tomato **annual production increased** from 11 tons/feddan in 2004 to 18 tons/feddan as an average over the past three years (an increase of 63%).

26. **Organic potato production.** The villages of Abul El Youshr, El Yashaa, and Solomon are located in the desert, which is by nature, pest free. The Project worked to have these **lands officially recognized as pest free areas**: locally produced potatoes increased their comparative advantage (and became eligible for the export markets) and producers were able to receive **premium prices**. The **farm-gate price increased** from US\$ 110/ton to US\$ 183/ton (66% increase). Initially, smallholders' skepticism was a key obstacle in reaching the minimum quantities required by the Egyptian exporters; a major **driver for change was the increased profitability**, and organic potato production quickly expanded: from 0 feddan in 2003, to 28 feddan (12 ha) in 2005, to 2,500 feddan (1,050 ha) in 2008, and 4,394 feddan (1,846 ha) in 2011, as illustrated in the graph below.

Graph 1: Increase in potato organic farming (feddan), 2003-2011



27. The list of **social services and infrastructure** created by the Project includes: (i) furnishing and rehabilitation of 18 junior schools (12 in Al Entelek and 6 in Tiba) with an average intake of 7,596 children per year; (ii) creation of 9 primary schools (7 in Al Entelek and 2 in Tiba) with an average intake of 1,843 pupils per year; (iii) creation of 6 institutes (4 in Al Entelek and 2 in Tiba) with an average intake of 5,118 pupils per year; and (iv) creation of 234 literacy classes benefitting 15,118 persons (6,343 males and 8,775 females). The Project has rehabilitated a total of 4,000 houses, including their sanitation systems.

28. With respect to **health service**, within the Project area 14 medical clinics have been equipped and supplied with medical drugs and devices (8 in Al Entelek and 6 in Tiba); 126 medical caravans have been provided, benefitting 43,565 persons (21,501 males and 22,064 females) through a range of medical services.

29. **Resettlement.** Before project intervention, average settlement area indicators in the areas of Tiba and Al Entelek were limited to 25%, given the lack of schools, health services, lack of necessary technical information, and other basic infrastructures. During

the project life, several services (as mentioned above) were provided for, among which: (i) houses rehabilitated; (ii) primary, junior, and high schools established; (iii) mesqas and drainage networks improved and maintained; (iv) extension structures created; (v) contract farming arrangements developed; (vi) WUOs created; and (vii) electric power failure problems solved. All these improvements facilitated average **settlement rate increase**, which **reached 95%** compared to the pre-project scenario. Due to all the range of services that currently exist in these areas, the **market price of land has also significantly increased** – from about US\$ 909 per feddan in 2003 to US\$ 18,200 in 2011. In other words, the value of land is now 20 times higher than before.

Story from the field. Ebeid is a business graduate and Project beneficiary in Al Entelak, who has received land. His land is now worth US\$ 137,000, and – among all the other benefits – land possession has allowed him to become a well-established and solid client with all banks in the area.

30. **Increase in herd size.** Herd size has more than doubled with respect to initial figures, increasing from 9,252 heads of livestock in 2003, to 18,000 in 2011 (95% increase).

31. **Increase in productivity and crop diversification.** Before project start, most farmers were growing one single summer crop, such as groundnuts, or one single winter crop, such as wheat. The Project has encouraged, among others, crop diversification, rotation and intensification. According to the 2011 survey, cultivated area has increased by 35%. Furthermore, as a result of efforts undertaken by the Project, peanut yields for example have increased from 13 ardab per feddan, to 23 ardab per feddan, resulting in 77% increase.

Story from the field. An example of intensification and increased production is that of a Project beneficiary, Mrs Wafa Abdurrahman. Her farm is located on mesqa 3/1 in Yashaa village. She has managed to increase her farm productivity by 400%. She currently produces pomegranates, forage, garlic and orange trees.

32. **Marketing.** Marketing of agricultural products has benefitted from project efforts to support and advise farmers and livestock breeders. Marketing efforts have included: (i) registering and supporting (financially, technically) 6 FMAs located in the Project area, with a total (formal and informal) membership of 30,570 members, and covering a total of 226,000 feddan (94,958 ha); (ii) promoting contract farming, through implementation of 63 different contracts, covering an area of 14,003 feddan (5,884 ha) within the Project area, a total of 26 commodities (among which cucumbers and tomatoes, for which 31 different varieties were produced to meet market demand and contractual arrangement), and agreements signed with 49 companies; and (iii) cooperating and coordinating with various companies and regions to seek contractual farming arrangements. Table 1 (below) provides a few examples of contract farming arrangements under WNRDP, and illustrates details of private companies, commodities, number of farmers involved in the contract farming arrangement, and area cultivated (extracted and adapted from IFAD, *Seeds of Innovation – Increasing Exports through Contract Farming*).

Table 1: Examples of Contract Farming Arrangements under WNRDP

Company	Market	Commodity	Farmers contracted (no.)	Area cultivated (feddan)	Other services provided by firm
Agro Food	Europe	Organic potatoes	323	1 325	Seeds, fertilizers, training, credit
Almaghrabi Export	Europe	Raisins	3	8	-
Arnaut	Switzerland	Peanuts	80	300	-
Heinz	-	Sun-dried tomatoes	300	1 200	Tomato seedlings
Kenana	Italy	Sweet peppers, sun-dried tomatoes	15	30	Seeds, seedlings

33. The intervention has also promoted business linkages with the private sector (at national and international level), through the rehabilitation and establishment of **collection centres** as "one-stop shopping points": the collection point at Bangar El Sokkar has refrigeration facilities, is located on the Alexandria road, which is a convenient meeting point for producers and buyers.

34. **Value added/Vertical integration.** The Project has encouraged farmers to move up the value chain, allowing them to capture additional margins for many crops (tomatoes, guava, figs, potatoes, limes, apricots, peaches and grapes) as well as mozzarella. Farmers started engaging in early processing (e.g. sorting, washing, packaging, even sun-drying), both to reduce spoilage and to protect earnings during market gluts. For instance, tomato producers have been engaged in sun-drying tomatoes, which commands a higher price (US\$ 14/kg compared to only US\$ 3/kg for fresh tomatoes), and a longer shelf life; these producers were also linked with processing firms (for instance, the Kinana company employs about 800 people, and procures tomatoes from 3,000 producers). The Project encouraged the processing of guava into juice, jam and leather, and supported the establishment on a pilot basis of a mozzarella processing plant to introduce a new product in the country, promoting product diversification and enterprise development.

35. **Price transmission along the value chains.** Tables 2 to 6 illustrate the price transmissions along selected chains (potato, lime, apricot, peach and grape), based on information collected during field mission. The scenario differs according to crop, sale point (wholesaler or retailer), level of processing (raw or processed), and to the type of market for which the product is grown (local, regional or international).

36. **Potato chain** (Table 2). The average farm-gate price is US\$ 137/ton if sold to wholesalers, or US\$ 183/ton if sold to exporters. The farmer's earnings net of costs vary between US\$ 46/ton for sales to wholesalers and US\$ 91/ton for sales to exporters.

Table 2: Price transmission along the potato value chain

Stage in the chain	Price (US\$ /ton)
Farmers' profitability by selling to wholesaler:	
Farm-gate price	137
Farmers' costs	91
Farmers' earnings net of costs	46
Farmers' profitability by selling to exporter:	
Farm-gate price	183
Farmers' costs	91
Farmers' earnings net of costs	91
Prices:	
Wholesale price	173
Retail price	201

37. **Lime chain** (Table 3). The average farm-gate price ranges between US\$ 292/ton if sold to wholesalers, to US\$ 347/ton for sales to processors.

Table 3: Price transmission along the lime value chain

Stage in the chain	Price (US\$ /ton)
Farmers selling to wholesaler:	
Farm-gate price	292
Farmers selling to exporter:	
Farm-gate price	347
Prices:	
Wholesale price	319
Export retail price	475
Local retail price	548

38. **Apricot chain** (Table 4). The farm-gate price for apricots varies according to whether the product is processed or not. For fresh apricots, the farm-gate price is US\$ 365/ton if the product is sold to wholesalers (equivalent to earnings net of cost of US\$ 219/ton); US\$ 456/ton if it is sold to processors (US\$ 265/ton earning net of costs). For processed apricots, given that 1 ton of fresh apricots can produce 0.5 tons of sun-dried fruit, the farm-gate price received by the farmers is US\$ 913/ton (earnings net of costs estimated at US\$ 566/ton).

Table 4: Price transmission along the apricot value chain

Stage in the chain	Price (US\$ /ton)
Farmers' profitability by selling unprocessed product to wholesaler:	
Farm-gate price	365
Farmers' costs	146
Farmers' earnings net of costs	219
Farmers' profitability by selling unprocessed product to processor:	
Farm-gate price	456
Farmers' costs	192
Farmers' earnings net of costs	265
Farmers' profitability by selling processed product:	
Farm-gate price	913
Farmers' costs	347
Farmers' earnings net of costs	566
Prices:	
Wholesale price (fresh product)	502
Retail price (fresh product)	685

39. **Peach chain** (Table 5). Again, the farm-gate price improves with direct sale to actors at the higher end of the chain. Farmers who receive US\$ 274/ton from wholesalers will gain US\$ 192/ton earnings net of costs. Sales at US\$ 329/ton to processors will

increase earnings net of costs to US\$ 201/ton. As in the case of apricots, farm-gate price and farmers' earnings net of costs rise considerably if the farmer can sell processed peaches (US\$ 821/ton and US\$ 520/ton, respectively).

Table 5: Price transmission along the peach value chain

Stage in the chain	Price (US\$ /ton)
Farmers' profitability by selling unprocessed product to wholesaler:	
Farm-gate price	274
Farmers' costs	82
Farmers' earnings net of costs	192
Farmers' profitability by selling unprocessed product to processor:	
Farm-gate price	329
Farmers' costs	128
Farmers' earnings net of costs	201
Farmers' profitability by selling processed product:	
Farm-gate price	821
Farmers' costs	301
Farmers' earnings net of costs	520
Prices:	
Wholesale price (fresh product)	411
Retail price (fresh product)	639

40. **Grape chain** (Table 6). Farmers' earnings are again enhanced if they can bypass intermediaries (wholesalers) to sell directly to processors. The average farm-gate price is US\$ 548/ton for sales to wholesalers against US\$ 639/ton for sales to processors, and US\$ 913/ton for sales of processed grapes. Earnings net of costs are US\$ 430/ton for sales of raw grapes to wholesalers, US\$ 475/ton for sales to processors, and US\$ 612/ton for sales of processed grapes. Again, the farm-gate price is significantly higher (US\$913/ton) if the farmer sells processed grapes, moving up the value chain.

Table 6: Price transmission along the grape value chain

Stage in the chain	Price (US\$ /ton)
Farmers' profitability by selling unprocessed product to wholesaler:	
Farm-gate price	548
Farmers' costs	118
Farmers' earnings net of costs	430
Farmers' profitability by selling unprocessed product to processor:	
Farm-gate price	639
Farmers' costs	163
Farmers' earnings net of costs	475
Farmers' profitability by selling processed product:	
Farm-gate price	913
Farmers' costs	300
Farmers' earnings net of costs	612
Prices:	
Wholesale price (fresh product)	639
Retail price (fresh product)	876

B. Assessment of impact on farmers' incomes

41. **Farm models.** Based on field visits and discussions with several beneficiaries, IFAD conducted an impact assessment on a sample of small farmers engaged in various activities. The farm models provide examples of ways in which farmers can optimize the use of their lands in a sustainable manner based on the main support services offered by the Project. The analysis used real life data and parameters provided by farmers.

42. Given the minimum daily wage of EGP 40 (equivalent to US\$ 7), the **impact assessment** shows an **average yearly income per household of EGP 46,000** (or US\$ 8,300), clearly **higher than the yearly minimum wage** of EGP 12,000 (or US\$ 2,200), **as well as the poverty benchmark indicator** of US\$ 1.25/day, or US\$ 456/year.

Table 7: Impact assessment

Models	Current Model description	Household Average Yearly Income after financing		Returns/ Household per Day of Labour	
		EGP	US\$	EGP	US\$
I	This farm has a size of 2.5 feddan (1.05 ha), is cultivated twice a year (winter and summer), and the farming system consists of a mixture of crops and livestock. The farmer has a crop combination of about 1.25 feddan (0.53 ha) of wheat and 1.25 feddan (0.53 ha) of clover in the winter, followed by 1.25 feddan (0.53 ha) of groundnuts and 1.25 feddan (0.53 ha) of maize during the summer. The household owns two multipurpose dairy cows, obtained through an EGP 15,000 (US\$2,700) loan from PBDAC, while the farmer financed the cost for improved irrigation network from his own resources.	25,252	4,591	240	44
II	This farm extends over an area of 2.5 feddan (1.05 ha), cultivated twice a year. The farmer has a crop combination of about 0.7 feddan (0.29 ha) of wheat, 0.7 feddan (0.29 ha) of clover and 1.1 feddan (0.46 ha) of potatoes in winter, followed by 1.25 feddan (0.53 ha) of groundnuts, 0.75 feddan (0.32 ha) of maize and 0.5 feddan (0.21 ha) of green beans during the summer. The household received a loan of EGP 10,000 (US\$1,800) from PBDAC to invest in improved irrigation network.	27,768	5,049	196	36
III	This farm has a size of 5 feddan (2.10 ha), and is cultivated twice a year during winter and summer. The farmer grows wheat in winter, and groundnuts during the summer season. The household received an EGP 20,000 (US\$3,600) loan of from PBDAC to cover the costs of the improved irrigation network.	34,553	6,282	129	23
IV	The farm has a size of 5 feddan (2.10 ha), cultivated twice a year. The farming system comprises a mixture of crops and livestock. The farmer grows wheat on 2.5 feddan (1.05 ha), clover on 1.25 feddan (0.53 ha) and green beans on 1.25 feddan (0.53 ha) during winter, and groundnuts on 5 feddan (2.10 ha) during the summer. The household also maintains an average of two multipurpose dairy cows throughout the year from its own resources, and has received an EGP 20,000 (US\$3,600) loan from PBDAC to invest in improved irrigation network.	46,111	8,384	179	33
V	The farm size is 5 feddan (2.10 ha), of which 2.5 feddan (1.05 ha) are cultivated twice a year, with 1.25 feddan (0.53 ha) wheat and 1.25 feddan (0.53 ha) clover in the winter, followed by 1.25 feddan (0.53 ha) of groundnuts and 1.25 feddan (0.53 ha) of maize in the summer. The remaining 2.5 feddan (1.05 ha) are planted with citrus trees. The farming system includes a mixture of crops and livestock. The household has two multipurpose dairy cows, obtained from its own resources. A loan of EGP 20,000 (US\$ 3,600) from PBDAC has enabled this household to invest in improved irrigation network.	63,964	11,630	499	91
VI	The farm size is 5 feddan (2.10 ha), cultivated throughout the year with citrus trees. The household received a loan of EGP 20,000 (US\$ 3,600) from PBDAC to invest in improved irrigation network.	77,225	14,041	1,716	312
TOTAL AVERAGE		45,812	8,329	493	90

Project pipeline

1. IFAD's ongoing projects (UERDP, OFIDO, and PRIME) are adopting innovative approaches of organizing smallholder farmers around critical resources such as high value agriculture products, water resources and financial services. The specific innovative features in each of these projects would be further refined and scaled-up during the current RB-COSOP. It is expected that Egypt would have an allocation of around US\$ 80 million in the next funding cycle 2013-2015. By considering IFAD is a long term partner, the Government of Egypt would like to make use of these funds to co-finance the following two projects, which are part of government long term programme of converting all traditional irrigation systems into modern irrigation and linking all small farmers to markets. The two projects identified in the current pipeline are: (i) scaling up of the On Farm Irrigation Development in the Oldlands Project (OFIDO); and (ii) scaling up of the Promotion of Rural Incomes through Market Enhancement Project (PRIME). Given the strong complementarity between the two projects, and subject to borrower's agreement, the two projects could be merged into one. In addition the borrower is planning to make use of the remaining US\$14 million under the current PBAS cycle (2010-2012) as a supplementary financing for OFIDO with the aim of adding two governorates to the current project area. The supplementary financing is planned for December (2012) EB presentation.

A. Scaling up of On-Farm Irrigation Development in the Oldlands (OFIDO) Project

2. **Justification and Rationale.** The Agriculture Sector is a key sector in the Egyptian economy, providing livelihoods for 55% of the population and directly employing about 30% of the labour force. Although contribution of the sector has fallen over time, it still accounts for about 13% of GDP and 20% of total exports and foreign exchange earnings. Food security is a key issue in the country which imports about 40% of its food requirements and incurs a total import bill of US\$2.5 billion per year. A major issue facing Egyptian agriculture is the shortage of water. The Nile River is the main and almost exclusive source of surface water for Egypt. The Nile water is shared by ten countries with a combined population of about 300 million and growing demand for water. The Nile Water Agreement of 1959 with Sudan defines the allocation of Nile water between Egypt and the Sudan. Under this agreement, 55.5 billion m³ per year is allocated to Egypt.

3. The total amount of water used from various sources in Egypt is currently about 76.5 billion cubic meters, according to the latest estimates. The Nile River directly supplies 73% of this demand and the rest comes mostly indirectly from the Nile (its groundwater aquifers, reuse of agricultural drainage water and return flows from the river). High population growth during the past 30 years, and the related industrial and agricultural activities have increased the demand for water and will continue to do so in the foreseeable future. By 2017, the total water demand is projected to reach about 93.5 bm³ that is almost twice the fixed available supply. Climate change and global warming is another concern adding to the severity of the water deficit. The sector has therefore to face the greatest challenge in the efforts to rationalize water use.

4. Agriculture is and will remain the largest user of water. Water productivity and farmers livelihood security are intricately connected in rural Egypt because farming depends entirely on irrigation. The current status of irrigation and water management in the old lands gravely threatens livelihood security for poor farmers. The oldlands irrigation system in Egypt is currently confronted with pressing problems including the inequitable distribution of water at the tertiary (mesqa) and quaternary (marwa) level with the majority of farmers at the tail-ends receiving very little water, and the excessive water wasting and energy cost inherent in the current system operations. Both issues

affect primarily the poorer farmers and decrease their production and income potential. This has led to losses of cultivated land and irrigation water, below optimum utilization of water, low yields, rigid cropping patterns, and low household food security and income. There are substantial water losses at the field level, particularly at marwas where the losses are reported to be between 9% and 17%. Production and income losses at farm level have been estimated to be even higher and range between 6 to 40%.

5. IFAD is one of the few donors, in addition to the World Bank, KfDW, the Netherlands, which has invested in on-farm irrigation practices and institutions at the Marwa level. Its experience in the OFIDO project, which started implementation one year ago, will be scaled up and the lessons learnt will be further refined and replicated in other parts of the country.

6. **Geographic area of intervention and target groups.** The project area will be identified based on the experience of the current phase of OFIDO. Investments are likely to be made in Upper and Middle Egypt. The areas selected would include those with a high potential for gains from investments in the water sector, high population density, high incidence and concentration of rural poor, potential for producing high-value crops and livestock products under better management of water resources, etc. The target group would consist of: (a) smallholder farmers and tenants; (b) landless labourers; (c) unemployed youth; and (d) rural women.

7. **Project Goal and Objectives.** The development goal of the Project would be to contribute to the reduction of rural poverty and to increase food security in Egypt. The project objective would be to improve the livelihoods of poor rural people in the project area through targeted interventions to enhance farms production potential and raise households' income. This would be achieved through: (i) improvements in the irrigation network; (ii) improvements in agricultural productivity on small holdings through an appropriate integrated research and extension system; (iii) support to marketing for small holders and the landless; and (vi) support for employment and income generating micro and small enterprises and better access to skills and rural financial services.

8. **Ownership, Harmonization and Alignment.** The project is fully consistent with IFAD's current Strategic Framework (2011-2015). The scaling up of OFIDO's goal and objectives are fully aligned with the strategic emphasis of the COSOP on strengthening farmer organizations, water use efficiency, and access of rural poor to improved technologies, financial services and markets. The project is also consistent with IFAD's policies related to targeting, gender, innovation, scaling up, private sector participation and RIMs indicators.

9. The Project is also consistent with **the Government's Agriculture and Rural Development Strategy**. Its Sustainable Agricultural Development Strategy Towards 2030 calls for the promotion of more efficient and market oriented agriculture that optimises the use of land and water, takes advantage of export markets and builds the strength of farmers and users organizations to manage resources and increase their market share.

10. The project is also designed to build on and complement other donor activities in the irrigation sector such as the World Bank, USAID, KfW and The Netherlands. The lessons learned from these initiatives and those previously supported by IFAD in the reclaimed newlands and in the oldlands would be taken into consideration during the design and implementation of the proposed project. Full coordination with other donor-supported initiatives would be pursued. IFAD's niche is at the Marwa level while other donors are working at the Mesqa level and above.

11. **Project Components.** The project would comprise the following four components; (i) irrigation and water management; (ii) agriculture competitiveness enhancement; (iii) rural enterprise and micro finance development; and (iv) project coordination and management.

12. The Irrigation and Water Management Component would include: (a) improvement of farm level irrigation systems for more rational use of water for irrigation; (b) enhancement of water management practices for more equitable distribution of available water; and (c) greater and more effective participation of users and stakeholders in water management for sustained irrigation and improved crop production.

13. The Agriculture Competitiveness Enhancement Component would provide demand-driven training and agricultural technical assistance to farmers, individually and through the Farmers Associations and Water Users Organizations. Strong emphasis would be placed on the following themes: (a) better water management and promotion of modern irrigation systems; (b) soil quality improvement; (c) the promotion of crop diversity and the introduction of high-value crops with potential markets, such as non-traditional and organic fruit, vegetables, dairy products and medicinal plants; (d) crop rotation and crop-livestock integration; and (e) support for local farmer organizations through capacity-building and service provision.

14. The Rural Enterprise and Micro Finance Development Component would provide necessary financing, capacity building and business advisory services for on and off farm micro and small enterprises to rural households in project villages associated with the command areas. A value chain approach would be adopted to promote agricultural development, small on-farm and off-farm enterprise development, farmers marketing associations and income generating activities to provide employment and improve the socio-economic conditions of the target group. The component would consist of: (a) rural finance through demand driven lending; and (b) strengthening financial intermediaries (CDAs, NGOs), and (c) support to Marketing Associations and SMEs.

15. The Project Coordination and Management Component would provide for project coordination and management arrangements at the Governorate and National levels, establish, operate and maintain a strong monitoring and evaluation system to measure progress and impact of the project.

16. **Costs and financing.** The total funds allocated for this Project are US\$ 40 to US\$ 50 million. More accurate costs would be estimated at subsequent stages of project design when more detailed data would be available on the scope of the interventions. These funds could be supplemented by a small amount of country grant which would be in the range of around US\$ 0.5 to 1.0 million. The Government and project beneficiaries are also expected to contribute funds for the Project. Their contribution would be determined during detailed design. Parallel financing arrangements and funds for capacity building would be sought from bilateral agencies such as KfW, Italian Cooperation, the Netherlands, AFD, the European Union, or the World Bank.

17. **Organization and management.** Given the project scope and focus, the Ministry of Agricultural and Land Reclamation, the Ministry of Water Resources and Irrigation and the Social Fund for Development or the Agricultural Research and Development Fund would be the main project implementing partners. The National Project Coordination Unit which is currently implementing OFIDO will manage this project as well. Provincial Project Coordination Units will be established in each selected Governorate.

18. **Monitoring and Evaluation indicators.** The M&E system would be designed to monitor progress and impact. The Results and Impact Management System' or RIMS, will

be fully incorporated in the programme M&E system and the following indicators, among others, would be applied to monitor the project's progress and impact: (i) % change in crop yields at the head and tail end of the branch canals; (ii) number of WUOs established and functional; area served; (iii) number of women in leadership position of WUOs; (iv) % increase in crop and livestock production and crop yields by the small farmers, gender disaggregated; (v) % of project target group organized in WUOs by gender; and (vi) % of the command areas managed by WUOs.

19. **Innovation & scaling Up.** The project would be scaling up the successful experience of IFAD's past investments in farmer organizations, water user associations, on-farm irrigation investments, and linking farmers with access to improved technologies, access to finance and markets.

20. **Risks.** The uncertain political situation in the country may slow down the implementation of the ongoing OFIDO project and thus it may delay the incorporating of lessons for the proposed investment. However, this risk is minimal as despite the various changes, OFIDO project has been proceeding satisfactorily.

21. **Timing.** It is proposed that the project design would be undertaken during 2013 for submission to the April 2014 Executive Board session.

B. Scaling up of Promotion of Rural Incomes through Market Enhancement Project (PRIME)

22. **Justification and Rationale.** Agricultural growth is not only important to growth in national income and food security, but also vital to growth in employment and reduction of poverty in Egypt. Within the agriculture sector, Egypt enjoys a significant comparative advantage in the production and export of high value horticulture and livestock products, herbs and medicinal plants. This comparative advantage is based on its favourable agroclimatic conditions, counter-seasonal production capabilities, and physical proximity to important markets. Similar to PRIME project, approved in December 2011, the underlying hypothesis of this investment project is that the focus on these subsectors can enhance agriculture growth and food security, create additional demand in the non-farm sector, absorb landless labour and youth, create opportunities for women and contribute to poverty reduction and gender equity.

23. The proposed project is a response to fill a much needed gap in the smallholder farmer's capacity for organization and access to financial and outputs markets and create opportunities to improve agriculture-derived livelihoods of poor rural producers. Consistent with the objectives of IFAD's strategic framework and the objectives of the agriculture strategy of the government, the aim of the proposed investment is to contribute to the reduction of poverty by enabling the smallholder farmer increase his/her income, reduce his/her production losses and establish better links with markets for higher food security, mainly through contractual farming with private exporters and processors. The project would assist the target group view farming as a business and help him/her integrate into markets and value chains as well as develop the off-farm sector and integrate it with the farm sector to capitalize on the synergies between the two.

24. **Geographic area of the intervention.** The project area for the scaling up of PRIME activities will be based on the lessons learned from the current PRIME Project. Investments are likely to be made in Upper and Middle Egypt. However, parts of the delta can be included because of the synergies in terms of marketing and the potential for horticulture and livestock production in these areas. The selection of the Governorates would be based on (i) the incidence of poverty in these Governorates; (ii) their potential for production of horticulture crops, livestock, herbs and medicinal plants; (iii) the agroecological variation in the Governorates which enables capitalizing on

their year round production potential; and (iv) the potential to capitalise on and complement IFAD's previous and ongoing investments in irrigation and institutional development at the farm level.

25. **Project Goal and Objective.** The development goal of the Project would be to contribute to the reduction of rural poverty and to increase food security in Egypt. The objective of the project would be to increase the incomes of rural households in project area. The target group would include smallholder farmers, landless labourers, women, unemployed youth, small and medium entrepreneurs.

26. **Ownership, Harmonization and Alignment.** The project is fully consistent with IFAD's current Strategic Framework (2011-2015). The scaling up of PRIMES's goal and objectives are fully aligned with the strategic emphasis of the COSOP on strengthening farmer organizations and access of rural poor to improved technologies, financial services and markets. The project is also consistent with IFAD's policies related to targeting, gender, innovation, scaling up, private sector participation and RIMS indicators.

27. The Project is also consistent with **the Government's Agriculture and Rural Development Strategy**. Its Sustainable Agricultural Development Strategy Towards 2030 calls for the promotion of more efficient and market oriented agriculture that optimises the use of land and water, takes advantage of export markets and builds the strength of farmers and users organizations to manage resources and increase their market share.

28. **Project Components.** The PRIME project would include three components namely; (i) Marketing Support Component; (ii) Rural Finance Component; and (iii) Project Management and Coordination Component. These components are designed to strengthen smallholder farmer institutions and human capacities, enhance access to improved technologies for production, post-harvest, transport and processing through access to finance and increased access to markets.

29. **Costs and financing.** The total funds allocated for this Project would be between US\$ 60 to US\$ 75 million. More accurate costs would be estimated at subsequent stages of project design when more detailed data would be available on the scope of the interventions. These funds could be supplemented by a small amount of country grant which would be in the range of around US\$ 0.5 to 1.0 million. The Government and project beneficiaries are also expected to contribute funds for the Project. Parallel financing arrangements and funds for capacity building would be sought from bilateral agencies such as Italian Cooperation which is implementing a Green Trade Initiative from the Italian Debt Swap funds.

30. **Organization and management.** The project coordination and management arrangements would follow the ongoing PRIME project, using the same National Project Coordination Unit and Governorate Project Coordination Units in the selected governorates. The experience of the PRIME project, approved in December 2011 would be used to refine project design.

31. **Monitoring and Evaluation indicators.** The following M&E indicators included in the RB-COSOP, would be applied to monitor project impact: (i) % of individuals provided training and skills who are able to enhance their employment and incomes and the % of women from among them; (ii) % of the organized households which enhanced their economic opportunities; (iii) % of target households who report an increase in their yields from farming as a result of enhanced production skills; (iv) % increase in the volume of output sold by small farmers due to the increase in contractual arrangement with processors and exporters; (v) % of households reporting enhanced flow of financial services to and through the agriculture value chains; (vi) % of increase in farm gate

prices; and (vii) % of target SMEs with improved profitability through greater access to financial services.

32. **Innovation & scaling Up.** The project would scale up the successful experience of IFAD's ongoing investments in farmer organizations, linking farmers with access to improved technologies, access to finance and markets.

33. **Risks.** The uncertain political situation in the country may slow down the implementation of the recently approved PRIME project and thus, it may delay the incorporation of lessons learned for the proposed scaling up of the PRIME project in the next funding cycle. However, this risk is small as a new Government is expected to be in power by the time PRIME is due for implementation in the second half of 2012.

34. **Timing.** It is proposed that the project design be undertaken during 2014, for submission to the April 2015 Executive Board session.

Key file 1: Rural poverty and agricultural/rural sector issues

Priority Area	Affected Group	Major Issues	Actions Needed
<ul style="list-style-type: none"> Unemployment and underemployment in rural areas 	<ul style="list-style-type: none"> Unemployed men and women. Landless men and women. Households with limited land. 	<ul style="list-style-type: none"> There are few employment opportunities in rural areas and most have to establish their own small enterprise. Limited availability of credit to establish a small enterprise. 	<ul style="list-style-type: none"> Provision of financial services. Provision of technical services. Improved job opportunities for women specially; Better and more equitable access to financial services and related marketing/business advice for both men and women.
<ul style="list-style-type: none"> Small scale and fragmented production makes the small-farmer an unattractive supplier for the high value export market and processors. 	<ul style="list-style-type: none"> Small farmers both men and women. 	<ul style="list-style-type: none"> The exporter and processor prefers to deal with large farmers High degree of post-harvest losses. Inability to secure a price that covers production costs. Inability to read market signals or gain access to market information. 	<ul style="list-style-type: none"> Organizing small farmers into group and Farmer Market Associations to enable them to take advantage of economies of scale, reduce transactions cost and enhance their bargaining power.
<ul style="list-style-type: none"> Growing water scarcity and inefficient use of available irrigation water. 	<ul style="list-style-type: none"> Small farmers both men and women 	<ul style="list-style-type: none"> Limited involvement of farmers in system management Inefficiencies in the management of water at the on-farm level. Problem with irrigation water supply at the upper system level Insufficient adaptation and upkeep of irrigation systems. 	<ul style="list-style-type: none"> Introduce participatory irrigation management through establishment of WUOs. Training to farmers in improved irrigation methods. Provision of financial services to help small farmers install drip and sprinkler irrigation systems. Better coordination of services between MALR and MIWR.
<ul style="list-style-type: none"> Inability of the large number of small farmers to gain access to new technology, financial services and markets. 	<ul style="list-style-type: none"> Small farmers both men and women 	<ul style="list-style-type: none"> Market information/know-how inaccessible for farmers Farmers are not aware of the requirements to export to more sophisticated markets in EU and ME. Limited transport and collection/marketing facilities. Limited availability of credit along the agriculture value chain. Small farmers do not know how to access the high value markets. 	<ul style="list-style-type: none"> Provide marketing extension/advisory services and market information. Provide farmer information and training to adopt Global GAP and obtain certification. Provide financial services along the agricultural value chain. Strengthen the role of non-bank financial intermediaries to extend their rural outreach. Provide incentives to the commercial sector to enhance their risk appetite for lending to the agriculture sector. Encourage PBDAC to utilise its branch network for small farmers. Facilitate commercial grower/trader linkages and help farmer establish contractual relationship with the private sector.

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Agriculture & Land Reclamation (MALR)	<ul style="list-style-type: none"> High quality leadership with clear vision and strategy for development up to 2030. Large and extensive field presence with competent field staff. Have been able to negotiate resources for directing towards the agriculture sector through ARDF. Good National Agriculture Research System with capacity for training support. Experience with IFAD projects. 	<ul style="list-style-type: none"> Limited capacity to assist the small farmer. Limited capacity to influence policy in support of small farmer Excessive reliance on Agriculture Cooperatives. Limited staff incentives and operational support. Limited coordination with the MIWR Inability to direct PBDAC towards small holder agriculture finance. 	<ul style="list-style-type: none"> High quality leadership with whom a strong partnership can be forged. A well-developed strategy towards 2030 with a business plan up to 2017. Potential to enhance yields, cropping intensity, economic efficiency of using land and water resources and bringing new land under cultivation. Policy advocacy for forming marketing organizations for small farmers. 	<ul style="list-style-type: none"> Reluctance of farmers to alter traditional techniques.
Ministry of Water Resources & Irrigation (MIWR)	<ul style="list-style-type: none"> Clear objectives and well defined targets. High level policy commitment to collaboration with MALR on irrigation improvement. Strong technical capacity. Experience with participatory irrigation management and formation of WUOs and Water Boards. Strong donor support for irrigation, water use improvement and institutional reform in the water sector. 	<ul style="list-style-type: none"> Lack of capacity to assess the success of the existing WUOs. Highly centralized departments and agencies. Limited coordination of activities with other departments, affiliated agencies and MALR. 	<ul style="list-style-type: none"> Acceptance of the concept decentralization and greater control of participants in water user associations. Willingness to experiment with innovative schemes for improved and efficient water management. Water law under review by the Peoples' Assembly to transfer irrigation management to water users at branch level. 	<ul style="list-style-type: none"> Exclusion of the poor from the WUOs. Lack of willingness of the private sector to participate in the water sector management. Government reluctance to organize water users at branch canal level due to concerns that these maybe used for political purpose. The WUOs are unable to work on an effective and sustainable basis.
Principal Bank for Development and Agriculture Credit. (PBDAC)	<ul style="list-style-type: none"> Strong leadership with a clear mandate and vision. Extensive network of branches and village banks that comprise of 1014 outlets. Mandate to work with farmers and rural businesses. Excess liquidity. 	<ul style="list-style-type: none"> The highly profitable marketing operations of the bank made it neglect its financial services. Irresponsible lending has entailed a write-off of between EGP 4 to5 billion. Poor history of adaptation of lending terms to poor rural borrowers. Lack of staff orientation to serve microfinance clients. 	<ul style="list-style-type: none"> Restructuring with the assistance of RaboBank. Senior management fully understands the requirements of microfinance. Senior management interested in providing agriculture value chain finance. Government pressure mounting to address rural poverty in Upper Egypt through credit. 	<ul style="list-style-type: none"> Conflicting agenda of the PBDAC in terms of its marketing and banking operations. Limited orientation of staff to deal with microfinance clients.

Organization	Strengths	Weaknesses	Opportunities	Threats
		<ul style="list-style-type: none"> • Reluctance to take further risks in the microfinance sector at the moment. 		
Social Fund for Development (SFD)	<ul style="list-style-type: none"> • A clear poverty reduction, employment generation and gender mainstreaming strategy. • Established network and offices in all governorates. • Good outreach to poorer villages. • Well qualified staff. • Implementation of best practices in microfinance and MSE lending. • Balanced emphasis on credit and capacity building for MFIs and final borrowers. • Familiarity and partnership with local level organizations, NGOs and CDAs. • Partnership with commercial banks. • Extended donors support and trust and availability of adequate resources. • New section for small business start-ups and promotion. 	<ul style="list-style-type: none"> • Poor relationship with MALR and MIWR. • Unused to working as an integral part of a project team. • Limited value added as a simple channel of funds to the commercial sector. • Needs greater focus in working with non-bank microfinance institutions. 	<ul style="list-style-type: none"> • Has a comparative advantage in working with non-bank financial institutions. • Recent Involvement in agricultural and rural Development through partnership with IFAD in UERDP, OFIDO and the proposed PRIME. • Quick learning and adaptation to IFAD's specificities and needs. 	<ul style="list-style-type: none"> • Some agencies see it as a potential threat and competitor for resources. • Rapid growth in organizational size and demand threatens to slow down its performance and lead to delays.
Agriculture Research and Development Fund (ARDF)	<ul style="list-style-type: none"> • ARDF is a fund owned by the MALR and managed by the Commercial International Bank on their behalf. • Has been able to provide dedicated financial services to the agriculture sector. • ARDF operates through 11 affiliated commercial banks, who in turn, provide both individual and collective loans directly or through Agriculture Cooperatives and selected Associations. • Its investment income enables it to provide technical assistance for research and development for the agriculture sector. 	<ul style="list-style-type: none"> • Limited outreach to the smallholder. • The utilization rate of its own funds is only 38%. • It has not been able to leverage commercial bank resources for the agriculture sector mainly because it has not enhanced their understanding of agriculture lending or enabled them to devise strategies to deal with the risks inherent in the agriculture sector. • The concept of finance to or through the agriculture value chain has not been well understood or implemented. 	<ul style="list-style-type: none"> • To direct increased resource flows and technical assistance to the smallholder farmer. • To building the capacity of participating commercial banks to understand agriculture value chain finance. • To leverage IFAD funds for attracting the risk appetite of the commercial sector for agriculture lending. 	<ul style="list-style-type: none"> • The commercial banks will not be willing to provide funds to the smallholder farmer. • The funds will be underutilized.
NGOs	<ul style="list-style-type: none"> • Capacity to provide a wide range of services to rural households and small farmers. 	<ul style="list-style-type: none"> • Reluctance of government to involve in development projects. • Sustainability depends almost 	<ul style="list-style-type: none"> • Utilise them for outreach to IFAD's target group. • Growing recognition of their 	<ul style="list-style-type: none"> • Government is generally reluctant to engage them directly in loan financed

Organization	Strengths	Weaknesses	Opportunities	Threats
	<ul style="list-style-type: none"> • Good capacity to organize and have outreach to small farmers. • Strong capacity to work with women and rural poor. • Good capacity to provide financial and technical services to IFAD's target group. • Local level implementation experience. 	entirely on donor finances.	positive role in development in Egypt.	projects.
Agriculture Cooperatives	<ul style="list-style-type: none"> • Exist across the country and all farmers are required to register with the cooperatives. • Efficient mechanism for undertaking procurement of strategic crops for the Government. • Can be used potentially for distributing agricultural inputs to the large number of small farmers. 	<ul style="list-style-type: none"> • These are not a voluntary organization of farmers. • Restricted from undertaking marketing activities. 	<ul style="list-style-type: none"> • Can be used to channel financial services to small farmers. • Can be used to organize farmers for extension messages and training. 	<ul style="list-style-type: none"> • These can be used as a hierarchical institution to direct farmers to undertake activities which they may not want to undertake.
Community Development Associations (CDAs)	<ul style="list-style-type: none"> • Good mechanism for multi-purpose activities at the community level. • Recognition of their supportive role in assisting rural households to undertake a wide range of activities. • Have been a good mechanism in several IFAD financed projects. 	<ul style="list-style-type: none"> • The level of sustainability depends upon their financing from donors and partially by Government. • Generally are dominated by a few active members. 	<ul style="list-style-type: none"> • Potential to use them for future IFAD financed projects especially for encouraging the participation of rural non-farm households. 	<ul style="list-style-type: none"> • The level of participation of rural households and women is uneven.
Farmer Marketing Associations (FMA)	<ul style="list-style-type: none"> • Voluntary organization in which only interested farmers participate. • Commodity specific and focused. • Capacity to link farmers with markets. • Capacity to enable farmers to access financial services. 	<ul style="list-style-type: none"> • Very few FMAs exist at the moment. • Unable to forge market links on their own and require technical assistance to enable them to do so. • Long-term sustainability depends upon their capacity to forge effective relationships. 	<ul style="list-style-type: none"> • Potential for enabling small farmers to realise economies of scale, reduce transactions cost and enhance their bargaining power. • The existing regulation enables them to organize and work within the existing policy framework. 	<ul style="list-style-type: none"> • No law which supports contractual relationship between the private sector and the markets. • The private sector may prefer to deal with a few large farmers and ignore the FMAs.

Key file 3: Complementary donor initiative/partnership potential

Donor/Agency	Nature Of Project/Programme	Project /Programme Coverage	Status	Complementarity/ Synergy Potential
<p>African Development Bank</p>	<p>More than 70% of AfDB's investments in the country are in the power sector. The ongoing projects of relevance for IFAD include the following.</p> <p>Rural Income and Economic Enhancement Project (RIEEP). The project will have two mutually reinforcing components, a technical assistance component (US\$ 3 million) and an agribusiness facility (US\$ 70 million)., the project will seek to sustainably improve the incomes of the economically active rural smallholder farmers engaged in the production, processing and marketing of selected agricultural commodities (horticulture, livestock and fisheries) by enhancing their participation in productive business alliances and access to affordable finance.</p> <p>Financial Sector Reform Loan. The overriding objective of the FSRP is to develop a market-based, efficient, competitive and sound financial system that could better serve Egypt's development and growth objectives. The program seeks to enhance the efficiency of financial intermediation and risk management in the economy, to build safe and sound banking and non-bank financial sectors through comprehensive structural and financial reforms that will accelerate economic growth and development.</p> <p>Irrigation Pipeline. The AfDB has identified some pipeline projects for Egypt but these are still under discussion. It is planning to invest in irrigation infrastructure and has commissioned several studies which will identify its projects. Most of these are expected to be large infrastructure schemes such as barrages, hydraulic structures and drainage schemes. While AfDB is keen to invest at the Marwa level, MIC is less keen for it to do so because of the high interest rates which its loans carry.</p>	<p>TA component to focus on three Governorates in Upper Egypt namely Menia, Assiut and Sohag. The agribusiness facility has a nationwide coverage.</p> <p>Nationwide.</p> <p>Not yet determined</p>	<p>December 2009 to December 2015</p> <p>July 2006- ongoing.</p> <p>To be initiated</p>	<p>Assess the potential for synergy and a shared position on institutional development and policy reform in the financial sector for maximum impact on enhancing access for rural poor.</p> <p>Potential to learn from the World Bank experience of reform in the financial sector and how this can feed into its own projects in the financial sector in defining the limits and potential for policy dialogue.</p> <p>AfDB has in principal agreed to investigate the possibility of providing a grant for a study on the highest potential pay-off for investments at the Marwa level. This study could help IFAD design its next irrigation investment and also try and secure grant resources from AfDB for its future projects. In addition, AfDB could also explore parallel financing options with IFAD focusing on Marwa and AfDB on investments at the Mesqa and branch levels.</p>
<p>Canadian International Development Agency (CIDA)</p>	<p>Under the Country Development Programme Framework (2001-2011), CIDA aims at supporting basic education and enhancing employment creation through promotion of SMEs. Its total volume of support is about US\$ 20 million per year.</p>	<p>country wide</p>	<p>Ongoing</p>	<p>Promotion of SMEs in Upper Egypt</p>

Donor/Agency	Nature Of Project/Programme	Project /Programme Coverage	Status	Complementarity/ Synergy Potential
European Union	<p>The EU-Egypt Country Strategy Paper (2007-2013), takes an explicit and direct account of support to civil society with aims to support reforms in the areas of democracy, human rights, good governance and justice. The cooperation strategy also moves from support focused on 'human resource development' (mainly health and education) to wider poverty alleviation support (including local development issues) and to the support of stable, sustainable and balanced development, including the support to economic infrastructure development for sustainable development. The bilateral European Neighbourhood Policy Initiative (ENPI) budget allocation for Egypt for the period 2011-2013 has been proposed at €449.29 million. The following are the current projects of relevance for collaboration with IFAD.</p> <p>Support to Rural Development. (Euro 10 million) This programme aims at providing technical assistance and institutional capacity building to the Government of Egypt to support the implementation of a national pilot programme to develop a conditional incentive-based rural development strategy. The overall objective is to contribute to poverty reduction and socio-economic development of poor rural people through increased land productivity, employment creation and income generation.</p> <p>Support to ARDF. EU is proposing to increase funding to ARDF for a credit line as well as for initiating a Guarantee scheme in collaboration with AFD. Technical assistance will be provided to banks and SMEs.</p>	<p>Country wide</p> <p>Country wide</p>	<p>Ongoing</p> <p>To be initiated</p>	<p>Potential for IFAD to learn lessons from the project and incorporate these in its own projects in the agriculture sector. Work closely with EU to establish a donor thematic sub-group on agriculture.</p> <p>To assess its experience with ARDF jointly with the EU during the implementation of PRIME and continue to explore opportunities for collaboration for future scaling up.</p>
French Agency for Development	<p>Farmer level Irrigation Modernization Project (FIMP) together with the World Bank. AFD is contributing Euro 35 million.</p> <p>Linking Farmers to Markets- a new project which does not have a formal name yet will be initiated with a grant from EU. At the moment, the TORs are being developed for a Scoping Mission. It is expected that a report will be ready by end December 2011 which will define the scope of the project. The project is expected to focus on access to finance for aquaculture and dairy sectors and is also expected to launch a credit guarantee mechanism.</p>	Not yet defined	<p>Not yet started</p> <p>To be initiated</p>	<p>To learn lessons and incorporate them in the design of irrigation investments.</p> <p>Depending upon the implementation arrangements, IFAD could negotiate that its target beneficiaries also benefit from the risk sharing arrangements.</p>
Germany	Focus on water resources, the environment and SMEs.	Supports to SFD for SMEs and the irrigation sector in partnership with	Ongoing	To learn from each other's lessons.

Donor/Agency	Nature Of Project/Programme	Project /Programme Coverage	Status	Complementarity/ Synergy Potential
		the World Bank		
Italian Cooperation	<p>Green Trade Initiative: Project meant to strengthen export of fresh produce to the EU with the support of Italian private and public players. The project foresees a set of integrated actions: quality, logistic, finance, market access. The project is run by the Ministry of Trade and Industry (MTI) in cooperation with Ministry of Agriculture and Land Reclamation (MARL) and Ministry of Transport (MoT). The project is valued at EGP 54 million.</p> <p>Credit Lines to SFD: The IC operates two credit lines with SFD. These are valued at Euro 22 million. The requirement to avail of the credit line is that at least 50% of the equipment should be Italian.</p> <p>Women in Agriculture: The IC is planning a programme for women in agriculture valued at US\$ 4 million form Debt Swap funds.</p> <p>Aquaculture Promotion: the IC has been implementing a programme with the Fish Development Authority for about US\$ 6.5 million.</p> <p>Installation of Remote Sensing in Rosetta Branch Canal. A Euro 200,000 initiative to assist the Ministry of Irrigation with modernizing its management of its system.</p>	<p>Cairo and Egyptian Rural Areas</p> <p>Nationwide</p> <p>Qena, Assiut, Beni Seuf, Aswan Sohag, Fayoum</p> <p>Rosetta</p>	<p>Ongoing. 36 months</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>About to close</p>	<p>The green trade initiative supports the establishment of an integrated system to improve the production chain of agricultural fresh produce and its export. There are potential areas of synergy with PRIME which will be explored during implementation.</p> <p>The IC would like to learn from IFAD's experience in this regard. The use of IC funds in PRIME could be explored.</p>
JICA	<p>Supports expansion of agricultural production through the effective use of water resources and improvements in production, distribution, and processing technologies. The specific ongoing projects with potential for synergy with IFAD include the following.</p> <p>Development and implementation of a Master Plan for Horticulture: Technical Assistance for a study to assess investment needs and implement specific activities for linking farmers to markets.</p>	Menia and Assiut	Ongoing	Potential to learn lessons and coordinate activities with PRIME during implementation.
KFW	<p>Barrage in Assiut: KfW is providing Euro 240 million for the development of a new barrage in Assiut.</p> <p>IIMP: KfW is providing parallel financing of Euro 40 million to the</p>	<p>Assiut</p> <p>Beheira and Kafr</p>	<p>Ongoing</p> <p>Ongoing</p>	To learn lessons and assess how IFAD investments can build on the work of

Donor/Agency	Nature Of Project/Programme	Project /Programme Coverage	Status	Complementarity/ Synergy Potential
	World Bank project for improvements up to the Mesqa level. New Phase of FIIMP	El Sheikh Beheira and Kafr El Sheikh	Initiated in early 2011	other donors.
Netherlands	Water Board Project: Formation of Branch Canal and District Water Boards.	Nationwide	Phasing out. Expected to end in 2012.	Learn lessons from their experience in its irrigation sector investments.
UNDP	<p>"Building A National Strategy for Micro Finance in Egypt". The project aims at integrating microfinance activities into the formal financial sector to ensure sustainable access to finance by the poor.</p> <p>Anti-Poverty Action Plan under preparation to be integrated in 5 year National Development Plan.</p> <p>Popular Markets: Working in Giza to establish market of fruits and vegetables at one low price by a cooperative of local community members.</p> <p>Micro credit provided to women headed households addressing unemployment levels among women (under the Social Fund for Development).</p>	<p>Country wide</p> <p>Country wide</p> <p>Giza Government</p> <p>Fayoum</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	Learn lessons from its experience to build upon during potential scaling up.

KEY FILE 3: COMPLEMENTARY DONOR INITIATIVE/PARTNERSHIP POTENTIAL – (CONT'D)

Key file 3

Donor/Agency	Nature Of Project/Programme	Project/ Programme Coverage	Status	Complementarity/ Synergy Potential
<p>USAID</p>	<p>USAID plans to continue working with the private sector partners in Egypt to encourage job creation and poverty reduction through trade reform, support for improving Egypt's global competitiveness, and modernization of the financial sector. Job creation will be achieved through work with entrepreneurs and by supporting the public and private sectors to encourage both business start-ups and the growth of existing firms. USAID also promotes specific sectors that contribute directly to increased incomes and job creation, including agriculture, agribusiness, and tourism. Building on over \$1.2 billion in investments in agricultural research, policy reform, business development, and irrigation, USAID currently funds strategic business alliances that increase the production of higher value-added products, agricultural technical education that responds to market needs, and water management practices that improve the productivity of increasingly scarce water resources. USAID is currently in a transitional stage with respect to its assistance in Egypt. It is in the process of formulating its strategy for the next phase. The volume of its support in the agriculture sector is small and on an annual basis it only provides US\$ 10 million for the agriculture sector. Some ongoing and closed projects of relevance are given below.</p> <p>Annual Programme Statement. Competitive grants to of US\$ 40 million for NGOs for democracy and governance and US\$ 100 million for economic growth.</p> <p>Agriculture Technical Schools. The project plans to work with all 117 Agriculture Technical Schools in Egypt to enhance the quality of education and upgrade the skills and employability of the agriculture graduates in specific value chains. US\$ 9 million.</p> <p>Integrated Water Resources Management Project. Decentralized Management of Water Resources; formation of integrated water management Districts; formation of branch canal WUOs; and equitable allocation of water resources.</p> <p>Global development Alliance. Working with Heinz for production and processing of tomatoes. US\$ 12 million.</p> <p>Agricultural Export and Rural Income Project. Promotion of export crops through farmer groups; links to exporters.</p>	<p>Nationwide</p> <p>Nationwide</p> <p>Increased loan in Upper Egypt</p> <p>Upper Egypt and the Delta</p>	<p>March 2011 – Ongoing</p> <p>Ongoing</p> <p>Ongoing up to 2012</p> <p>Ongoing</p> <p>Closed.</p>	<p>Potential to work closely with the graduates from the schools in the ongoing IFAD projects.</p> <p>Learn lessons from its experience for scaling-up.</p> <p>Learn lessons from its experience in the establishment of WUOs for scaling up key innovations and successes.</p> <p>Learn lessons from its experience of working with small farmers and markets in the horticulture and livestock sector for scaling-up.</p>

Donor/Agency	Nature Of Project/Programme	Project/ Programme Coverage	Status	Complementarity/ Synergy Potential
World Bank	<p>The World Bank has not yet updated its Country Assistance Strategy (CAS) for Egypt and is operating on the basis of its CAS formulated in May 2005. The Bank currently has 29 projects which are active. The most recent projects of relevance to IFAD because of their potential for synergy are given below. There are no pipeline projects of direct relevance for IFAD.</p> <p>EGYPT-Farm-level Irrigation Modernization Project a US\$ 100 million project approved in December 2010. The development objective of the Farm-level Irrigation Modernization Project for the Egypt, Arab Republic (EFIMP) of is to increase agricultural profitability and improve equity in access to higher-quality water for up to 140,000 small-scale farmers on up to 200,000 feddans (80,000 hectares).</p> <p>Third Financial Sector Development Policy Loan a US\$ 500 million investment. The objective of the Third Financial Sector Development Policy Loan Program is to assist Egyptian authorities in further developing the enabling environment for financial intermediation and financial access, and increase private participation in the provision of financial services, through a strengthened bank and non-bank financial system. This operation supports the government's second generation Financial Sector Reform Program (2009-2012), aimed at building a financial system that is more inclusive, competitive and effective in financial intermediation.</p> <p>The objective of the Enhancing Access to Finance for Micro and Small Enterprises (MSEs) Project (US\$ 300 million) for Egypt is to contribute to a sustainable improvement in inclusive (region and gender) access to finance for MSEs on a commercial basis. There are two components to the project, the first component being line of credit for microfinance. The microenterprise line of credit will be channelled through banks and Non-Governmental Organizations (NGOs), and potential Microfinance Institutions (MFIs). The second component is the line of credit for small enterprise finance.</p>	<p>Mahmoudia, Manaifa and Meet Yazid located in the Nile Delta.</p> <p>National</p> <p>Nationwide</p>	<p>Active: 2010 to 2016</p> <p>Approved in May 2010 and Cancelled. The only development policy loan that was cancelled.</p> <p>March 2010 to December 2015.</p>	<p>Potential for IFAD to learn lessons from the project and incorporate these in its own projects in the irrigation sector. Potential to partner with the World Bank in Policy forums for reform of participatory irrigation institutions in Egypt.</p> <p>Potential to learn from the World Bank experience of reform in the financial sector and how this can feed into its own projects in the financial sector in defining the limits and potential for policy dialogue.</p> <p>Assess the potential for synergy and a shared position on institutional development and policy reform in the financial sector for maximum impact on enhancing access for rural poor.</p>

Key file 4: Target group identification, priority issues and potential response

Typology	Priority Issues	Coping Actions	Priority Needs	RB-COSOP Response
Small farmers	<ul style="list-style-type: none"> • High dependence ratios with large families and many dependants. • Low adult literacy rates. • High fertility rates. • Limited landholding. • Small farmers unable to capitalise upon opportunities for access to factor and product markets due to small size. • Limited access to irrigation water. • Limited productive assets. • Limited access to finance. • Limited access to crop technology. • Limited access to markets. • High transactions cost due to limited surplus for marketing. • Limited bargaining power. • High level of post-production losses. • Price unable to cover production costs. • Limited opportunities to diversity livelihoods into non-farm activities. 	<ul style="list-style-type: none"> • Men and women work as casual labourers locally. • Temporary labour migration to neighbouring countries. • Sale of assets, including livestock. • Support from relatives; • Debt financing of expenditures. • Recourse to loans from friends, input suppliers, traders. • Public works projects for cash, food or vouchers; • Reduction in food consumption. • Limited access to health care and education expenditures. 	<ul style="list-style-type: none"> • Organize small farmers for input services. • Organize small producers for collective marketing. • Better access to improved production technology. • Better access to rural finance. • Better access to markets. 	<ul style="list-style-type: none"> • Organizing small farmers and strengthening their institutions. • Enhancing their access to improved and new production technologies. • Promotion and support for improved on-farm, efficient water irrigation technologies; and promotion of water saving mechanisms and users' associations. • Promotion of financial services to and through the agriculture value chain. • Enhanced access to markets through contractual arrangements with private sector transporters, collection centres, processors and exporters.
Small livestock owners	<ul style="list-style-type: none"> • Low productivity of animals. • High mortality and morbidity rates. • Limited access to feed, water and veterinary services. • Limited access to inputs. • High transactions cost due to limited surplus for marketing. • High level of wastage. 	<ul style="list-style-type: none"> • Sale of animals and other assets; • Debt financing of expenditures. • Recourse to loans from friends, input suppliers, traders. • Public works projects for cash, food or vouchers; • Reduction in food consumption. • Limited access to health care and education expenditures. 	<ul style="list-style-type: none"> • Organize small farmers for input services. • Organize small producers for collective marketing. • Better access to improved production technology. • Better access to rural finance. • Better access to markets. 	<ul style="list-style-type: none"> • Organizing milk producers associations. • Enhance access to improved and new production technologies. • Promotion of milk collection centres. • Promotion of financial services. • Enhanced access to markets.
Landless and unemployed youth	<ul style="list-style-type: none"> • Low levels of literacy. • Limited job opportunities for productive employment. • Limited ownership of productive assets. 	<ul style="list-style-type: none"> • Work as casual labour locally. • Labour migration to neighbouring countries. 	<ul style="list-style-type: none"> • Better income-earning opportunities. • Training in management and technical skills. 	<ul style="list-style-type: none"> • Promotion of small and microenterprises. • Training for vocational and off-farm income-generating activities.

Typology	Priority Issues	Coping Actions	Priority Needs	RB-COSOP Response
	<ul style="list-style-type: none"> • Limited possibilities for starting their own businesses due to lack of capital. • Limited skills and vocations. 	<ul style="list-style-type: none"> • Loans from relatives. • Lack of proper food consumption, health care. • Postponing marriage. 	<ul style="list-style-type: none"> • Access to financial and non-financial business services. 	<ul style="list-style-type: none"> • Skill and basic management training. • Availability of financial services.
Rural women	<ul style="list-style-type: none"> • Low levels of literacy. • Low level of skills. • Social restrictions and taboos which limits access to a wide range of employment and training opportunities. • Lack of access to all types of assets including land. • Low pay for activities. 	<ul style="list-style-type: none"> • Recourse to menial jobs. • Early marriage. • Support from relatives; • Casual labour in agriculture. • Care of livestock. • Domestic chores. 	<ul style="list-style-type: none"> • Literacy and skills training; • Improved access to employment and income earning opportunities. • Better access to financial services and markets; • Enhance self-confidence, empowerment and protection from violence and abuse. • Enhanced representation in local associations. 	<ul style="list-style-type: none"> • Organization of women. • Literacy and skills training. • Management training and capacity-building for community participation; • Empowerment through community participation and establishment of producers' and other groups. • Access to financial and non-financial business development services. • Promotion of microfinance for on- and off-farm IGAs, particularly for livestock. • Promotion of women's groups.