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Investing in rural people

Arab Republic of Egypt

Country Strategic Opportunities Programme
2019-2024

Note to Executive Board representatives

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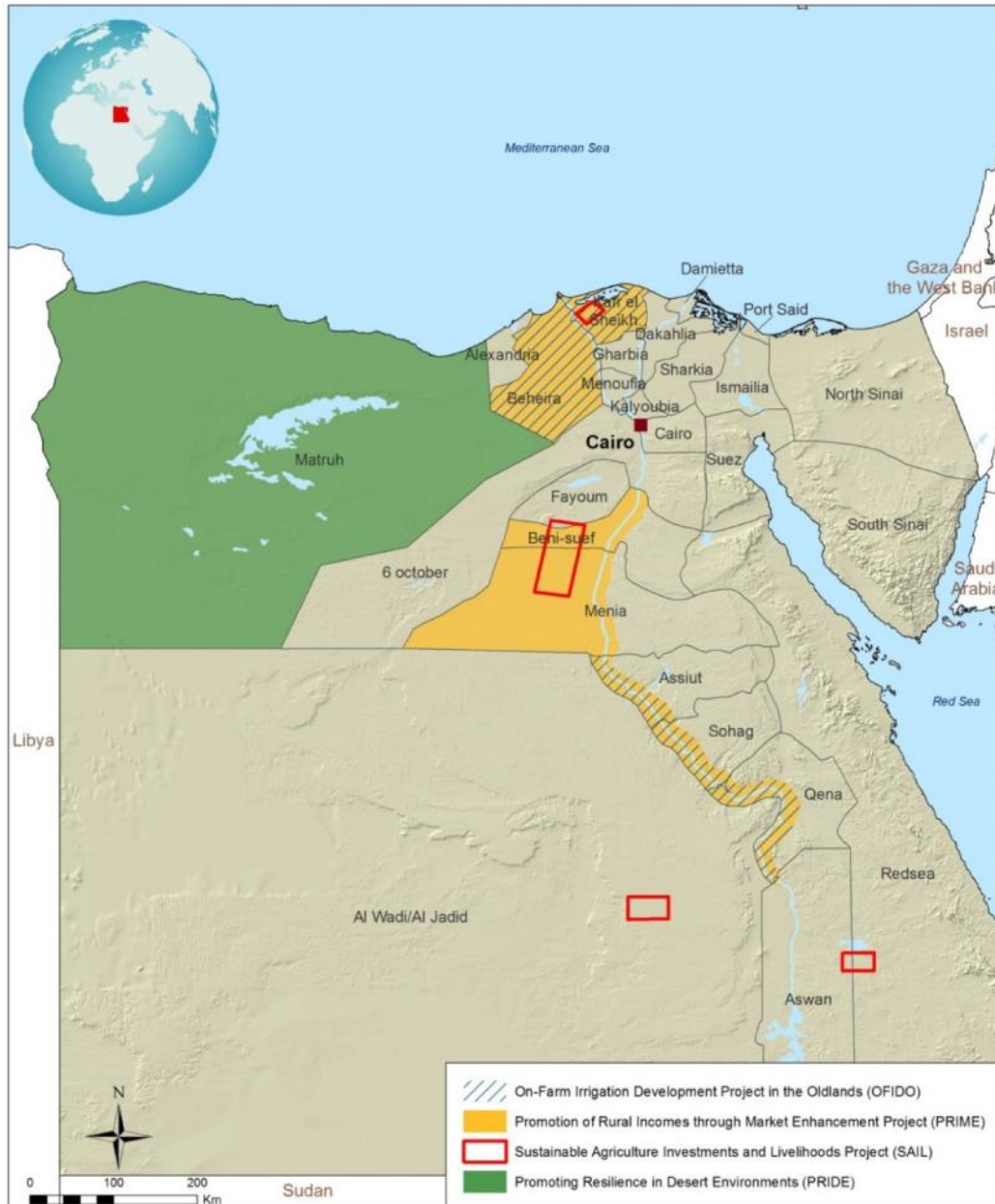
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Abbreviations and acronyms

4P	public-private-producer partnership
CDA	community development association
CSPE	country strategy and programme evaluation
FFS	farmer field school
FMA	farmers' marketing association
GCF	Green Climate Fund
IOE	Independent Office of Evaluation of IFAD
MALR	Ministry for Agriculture and Land Reclamation
MIIC	Ministry of Investment and International Cooperation
M&E	monitoring and evaluation
PIF	project identification form
PMU	project management unit
PRIDE	Promoting Resilience in Desert Environments
SAIL	Sustainable Agriculture Investments and Livelihoods
SDGs	Sustainable Development Goals
SO	strategic objective
SSTC	South-South and Triangular Cooperation
SDS 2030	Sustainable Development Strategy 2030
UNICEF	United Nations International Children's Emergency Fund

Map of IFAD-funded operations in the country

Arab Republic of Egypt
 IFAD-funded ongoing operations
 COSOP



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 | 25-06-2018

Executive summary

1. Egypt, a lower-middle income country, has recently undertaken a number of significant reforms, notably the ratification of its constitution in 2014 and the launch of an ambitious economic revival programme. The programme puts forward fiscal consolidation measures, the liberalization of the exchange rate market, reforms to the business environment and a number of social safety net measures to protect the poor.¹
2. While GDP growth – fuelled by the above reforms – is projected at 6.5 per cent per year over the medium term, Egypt is not expected to transition to upper-middle income status, at least not during the 2019-2024 period covered by this country strategic opportunities programme (COSOP), as the country still faces relatively high demographic growth at 2.6 per cent.
3. About 57 per cent of the population lives in rural areas where poverty rates are three times higher than urban areas. About 32.3 per cent of rural people are poor. Upper Egypt is the poorest region with a 50 per cent poverty rate.
4. The agricultural sector, which provides livelihoods for 55 per cent of the population, is extremely vulnerable to the effects of climate change. The country is experiencing severe water poverty which is likely to worsen. The supply of irrigation water is becoming less secure as a result of upstream abstraction, salinity intrusion and coastal management issues.
5. In this context, the present COSOP provides a medium-term strategic framework for IFAD to assist Egypt as it transitions across the development spectrum and embarks on a more sustainable and inclusive rural transformation.
6. The COSOP's overarching goal is to contribute to the sustainable improvement of rural incomes and resilient livelihoods in Egypt. This goal will be pursued through two mutually supportive strategic objectives (SOs), the first centred on livelihood options available to rural households and the second focused on improving the policy space for sustainable and inclusive rural transformation. This two-pronged strategic approach will allow IFAD to use its project-based investments to illustrate concrete results on the ground while opening up policy spaces for sector-wide transformational measures. Such a dual approach will maximize the catalytic effects of IFAD engagement in Egypt.

SO1: Livelihoods of rural men and women are improved by enhancing productivity and profitability of agriculture--related activities.
7. This SO addresses the central issue of improving rural incomes. Rural households engaged in agriculture will be enabled to produce for the market in a competitive and profitable way. To that end, a combination of tailor-made business advisory services, social and productive infrastructure enhancements and pro-poor financial services will be provided. All interventions will be climate-smart and will promote and strengthen the role of women and youth.

SO2: Development of enhanced policies that support inclusive and sustainable rural transformation is fostered
8. Well-crafted and enacted policies on irrigation water management and fostering inclusive rural finance are key to the success of IFAD's engagement in support of the country's efforts to achieve the Sustainable Development Goals (SDGs), in particular those pertaining to rural poverty reduction and food security. To that end, this COSOP is intended to position IFAD to play a more proactive role in supporting the development and necessary adjustment of those policies. Such in-country policy engagement will rely on both our lending and non-lending instruments.

¹ World Bank Economic Outlook – April 2017.

9. This COSOP provides the strategic framework for investments covering two lending cycles, under the Eleventh Replenishment of IFAD's Resources (IFAD11) and IFAD12. The performance-based allocation system (PBAS) calls for an IFAD11 allocation of approximately US\$58.4 million, with the IFAD12 allocation expected to be similar. Further grant resources will be mobilized to support various non-lending activities. Building and nurturing strategic partnerships is also an integral part of the COSOP. Cofinancing targets have been set to ensure that IFAD's relatively limited funding is able to catalyse substantial cofinancing from the Government and key development partners. In so doing, rural investments funded under the present COSOP will reach a scale commensurate with the magnitude of existing developmental challenges.

Arab Republic of Egypt

Country Strategic Opportunities Programme

I. Country diagnosis

Country socio-economic context

1. Egypt has recently undertaken a number of significant reforms, notably the ratification of its constitution in 2014 and the launch of its economic reform programme. The programme puts forward fiscal consolidation measures, the liberalization of the exchange rate market, reforms to the business environment and a number of social safety net measures to protect the poor.²
2. Egypt's GDP reached an annual growth rate of 4.2 per cent in 2017 and is forecast to grow by 5.4 per cent in 2018 and 6.5 per cent by 2022.³ Annual headline inflation had reached record levels in July 2017 (33 per cent), but has eased to around 11.4 per cent in May 2018⁴ with further declines forecast.
3. Egypt has rapid annual population growth of 2.6 per cent,⁵ resulting in a projected population of 151 million inhabitants by 2050.⁶ This leads to encroachment of urban construction onto farmland and exerts significant pressure, particularly on water resources.
4. Egypt is vulnerable to climate change risks and prone to extreme weather fluctuations. This will have a direct effect on agricultural production. A temperature increase of 1.5 to 2°C by 2040 is forecast, which would decrease the production of wheat by 12 per cent, maize by 47 per cent, rice by 26 per cent to 47 per cent and vegetables by 28 per cent.⁷
5. Egypt is ranked 115th out of 188 countries on the 2017 Human Development Index (HDI) with a value of 0.696. If this value is discounted for inequality, the HDI falls to 0.491. The Gini Index is 31.8, with little recent change. Rural-urban inequalities are the main contributory factors to overall inequality.
6. Poverty has remained at elevated levels in Egypt since the 2011 uprising. Around 27.8 per cent of the population is living below the official poverty line,⁸ up from 25.2 per cent in 2010, with extreme poverty reaching 5.3 per cent. Rural poverty rates are three times as high as urban. About 56.8 per cent of those living in Upper Egypt's rural areas cannot meet their basic needs, compared to 19.7 per cent in the Nile Delta's rural areas. In 2017, 73.6 per cent of the population of Upper Egypt was extremely poor.⁹ Illiteracy rates are about 38 per cent for men compared to 62 per cent for women in these areas. The structural drivers of poverty include the small size of landholdings, inadequate public infrastructure, low levels of private capital accumulation and low investment in human capital.
7. Food insecurity is driven by lack of purchasing power. The rate of stunting among children under five years of age is 22.3 per cent, and wasting affects 9.5 per cent of children in the same age group.¹⁰ Conversely, more than 20 per cent of adults are obese. Among women of child-bearing age, anaemia runs at 28.5 per cent. Malnutrition manifests as undernutrition, micronutrient deficiencies and obesity.

² World Bank Economic Outlook – April 2017.

³ The Economic Intelligence Unit (September 2018).

⁴ Central bank of Egypt.

⁵ UNFPA - Egypt's Demographic Opportunity (Preliminary Assessment based on 2017 Census).

⁶ UNFPA - Population Situation Analysis Egypt 2016.

⁷ Third National Communication under the United Nations Framework Convention on Climate Change (TNC). Egyptian Environmental Affairs Agency. Cairo, 2016.

⁸ The Central Agency for Public Mobilization and Statistics. The current poverty line stands at an average 482 EGP (about \$54) per month while the extreme poverty line stands at 322 EGP (about \$36).

⁹ Ibid.

¹⁰ According to *The State of Food Security and Nutrition in the World 2018*.

Nutritional problems are a function of factors such as inadequate income, high food prices, low agricultural production and poor diet.

8. Gender: The 2014 Constitution provided for gender equality in all civil, political and economic rights.¹¹ Women earned 87 seats in parliament in the recent election. In local councils, the constitution requires a 25 per cent female quota. Notwithstanding those achievements, significant gender gaps remain. Egypt ranks 134th of 144 countries in the 2017 Global Gender Gap Index. Women continue to face lower access to education, health, employment and productive resources. They are more vulnerable to poverty, food insecurity and ill health. In 2017, the female labour participation rate was 24 per cent compared to 42 per cent for males,¹² and the female literacy rate is 67 per cent compared to 83 per cent for males.¹³
9. Gender inequalities are more persistent in rural areas, despite the fact that women's participation in the agriculture sector was effectively higher (38 per cent) than that of men (22 per cent) in 2016.¹⁴ The Government's commitment to addressing gender inequalities is high on the agenda under the Sustainable Development Strategy 2030 (SDS 2030).
10. Youth: Egypt is facing a bulge in its youth population. Youth (ages 18-29) comprise about 23.6 per cent of the population.¹⁵ About 48.5 per cent of youth are in the workforce and about 34 per cent are unemployed,¹⁶ compared to an overall unemployment rate of 13.4 per cent. About 37.7 per cent of unemployed youth hold university degrees. In rural areas, a high proportion of the population is young. More than half the population of Upper Egypt is under the age of 29, and one third are between the ages of 15 and 29.¹⁷ Over one third of all young people in these areas are in the poorest wealth quintile.
11. Agriculture sector issues: Agriculture provides livelihoods for 55 per cent of the population, directly employing about 29 per cent of the labour force.¹⁸ However, a large segment of this population work informally in unpaid family or subsistence occupations. The total cultivated area in Egypt is 7.2 million feddans,¹⁹ just 3 per cent of the total land area. Although the sector's contribution to GDP has fallen over time, agriculture still accounts for 13.2 per cent of GDP and 20 per cent of exports. Agriculture-related industries such as processing, marketing and input supplies account for a further 20 per cent of GDP.
12. Egypt has an arid climate with annual average rainfall ranging from 60 to 190 mm along the Mediterranean coast to 25 to 60 mm in the Nile Delta, and less than 25 mm in Upper Egypt. Per capita fresh water availability is expected to decline from 711.0 m³ in 2008 to 550 m³ in 2030.²⁰ The country is experiencing severe water poverty which is likely to worsen due to population growth and climate change. Almost the entire crop area in Egypt is irrigated. The supply of water for irrigation is becoming less secure due to upstream abstraction, salinity intrusion and coastal management issues. Irrigation application methods, predominantly flood and furrow application, are inefficient. Simultaneously, there is greater demand for water as irrigation expands into new lands.

¹¹ (Acts 9-11-17-27-53).

¹² World Bank data portal (2017).

¹³ World Bank data portal (2013).

¹⁴ World Bank Gender data portal (2018).

¹⁵ Central Agency for Public Mobilization and Statistics 2017.

¹⁶ Educated but Unemployed: The Challenge facing Egypt's Youth; Brookings Policy Brief, July 2016.

¹⁷ World Bank. Young People in Upper Egypt: New Voices, New Perspectives; September 6, 2012.

¹⁸ CGIAR 2018.

¹⁹ A unit of land area used in Egypt, approximately 4,200.833 square meters (about 1.038 acres).

²⁰ (SADS 2030).

13. Traditional, opportunistic and informal systems of marketing continue to be used for rural produce, except for some export commodities. Farmers continue to grapple with relatively high transaction costs and reduced margins.
14. Access to rural finance remains problematic. Issues include collateral requirements and poorly developed value chain financing systems. Community development associations (CDAs) have limited capacity to provide financing for non-farm rural enterprises. Although savings and credit cooperatives are active in some localities, their performance is uneven.
15. There is a lack of good quality capacity-building for rural people to acquire relevant business and marketing skills. Institutions serving rural people do not have adequate capacity to provide the needed services for sustainable income growth. At the national level, there is a lack of coordination between key institutions serving the agricultural sector, leading to inefficiencies and conflicting signals.
16. Challenges and risks: The expected impact of climate change is the greatest challenge facing rural areas. The mean annual temperature in the country has increased by about 1°C in the last 50 years and is projected to increase a further 1.5°C by 2060, and 2°C by 2080. High temperatures will increase evapotranspiration and water consumption and further exacerbate the acute water scarcity. Climate-induced flow variability of Nile water is a major risk due to Egypt's profound dependence on the Nile River. There is still uncertainty around climate projections for the Nile basin, with no clear consensus as to whether Nile flow will increase or decrease (Butts et al., 2016). Recent studies predict an increase in the average flow of the Nile River by 10 per cent to 15 per cent in the twenty-first century.²¹ This is a serious prospect as the annual standard deviation of flow is expected to increase by 50 per cent, leading to more dramatic floods and droughts.
17. There is a risk associated with the overall uncertainty in the political environment. Any political instability could stall reforms, generate currency volatility and stoke inflation. Interventions under COSOP might be disrupted if another shift in the Government takes place or if the economic situation in the country worsens. The risk that regional instability could spill over to Egypt would pose a threat to the recovery of foreign investments and tourism, affecting the country's ability to continue its current reforms.
18. Another risk relates to mobilizing adequate funding to achieve substantive transformation in the target area. Funding for the in-depth structural interventions needed in the target areas could fall short. Target areas of COSOP interventions in Upper Egypt are particularly vulnerable to the gender, demographic and geographic gaps that exist in Egypt. To adequately resource them, a mobilization strategy has been developed to explore various funding streams of existing donors, broaden the donor base – particularly the private sector and foundations – and strengthen joint fundraising with other development partners.

II. Previous lessons and results

19. Key lessons learned are derived from IFAD's experience in Egypt, as well as from the thematic evaluation of IFAD country strategy and programme 2006-2016 conducted by the Ministry of Investment and International Cooperation (MIIC) and the country strategy and programme evaluation (CSPE) for Egypt conducted by the Independent Office of Evaluation of IFAD (IOE). These have been coupled with the observations and analysis of the COSOP mission.
20. IFAD's programme in Egypt has comprised two main themes and groups of activities: support for settlement in lands reclaimed from the desert (the new lands) and support for productivity improvement in old lands in the Nile Valley and

²¹ Mohamed S. Siam, Elfatih A. B. Eltahir. Climate change enhances interannual variability of the Nile river flow. *Nature Climate Change*, 2017.

Delta. While small farmers have been the central focus of IFAD's projects, the off-farm rural sector has also been gradually added in recognition of the growing diversity of rural livelihoods.

21. IFAD projects have benefited 1.3 million households or 7 million people and covered 447,000 feddan (188,000 ha). In the new lands, IFAD projects such as the West Beheira Settlement Project contributed to establishing viable farming communities complete with all needed infrastructure and services. In the West Noubaria Rural Development Project, the settlement rate in new lands increased from 25 per cent to 100 per cent thanks to the project's interventions. About 80 per cent of the farmers supported by the project increased their incomes, compared to only 44 per cent in a sampled control group. Female-headed household incomes increased threefold. The recently closed Upper Egypt Rural Development Project, increased assets for about 40,000 beneficiaries. In both the Qena and Assiut governorates, project beneficiaries increased their incomes and expenses on key items such as education, health and food. IFAD projects in Egypt have had a major focus on gender mainstreaming. More than 50 per cent by value and 70 per cent by number of microfinance loans were received by women through previous IFAD interventions.
22. The COSOP was developed through an inclusive participatory process. Initial ideas were put forward at a joint workshop with IOE and MIIC in the fourth quarter of 2017. The COSOP factors in the CSPE recommendations reflected in the agreement at completion point. More specifically, the COSOP provides for:
 - (a) Sharpening poverty targeting and reducing geographic coverage by focusing future investment projects on one or two governorates in the same region;
 - (b) Sharpening thematic focus and improving feasibility of design: This has been addressed in the proposed project identification form (PIF), with a focus on rural water infrastructure, access to markets and finance and adaptation to climate change. All interventions will be subject to feasibility analysis with a clear focus on the sustainability of natural resources usage;
 - (c) Improving implementation arrangements: The country team, in collaboration with the MIIC and the Ministry for Agriculture and Land Reclamation (MALR), will establish a consolidated programme coordination function to underpin the shift toward an enhanced programmatic approach; and
 - (d) Managing knowledge from loans and grants to support learning and innovation. Grant resources will be sought from the climate funds – the Global Environment Facility, Green Climate Fund (GCF) and Adaptation Fund, and will include knowledge and policy engagement elements that can be integrated into loan-funded interventions.
23. COSOP-proposed strategic choices were validated at a national workshop in 2018 with participation of relevant ministries, including MIIC and MALR, development partners and implementing agencies. Lessons and experience from IFAD and relevant partners were analysed. Key among them are:

Creating more efficient use of land and water resources
24. There are inadequate incentives for water conservation, in addition to the unclear legal status and limited capacities of water user associations. The absence of regular maintenance mechanisms creates major sustainability constraints. Recognizing this, COSOP operations in Egypt will improve water use efficiency at scale and promote the use of renewable energy in irrigation. Interventions will be designed to incentivize, build capacities and provide evidence to inform policy process and agricultural investment decisions on the crucial role of water use efficiency.

Streamlining of rural finance

25. Rural finance services need improvement. Procedures for obtaining loans remain lengthy and complicated, and involve collateral and other requirements that are incompatible with rural communities. To address these issues, the COSOP will support greater competition for access to rural finance. This will be done through the use of targeted refinancing procedures, refraining from ex-ante allocations to participating financial institutions. New interventions will also promote capacities of CDAs, as a key conduit for microfinance delivery in rural areas.

Creating better linkages to value chain and marketing

26. Successful linkages to value chains and export markets were demonstrated during IFAD previous interventions. However, financial impact was not systematically measured and analysed. There has been limited coordination between farmer field school (FFS) and farmers' marketing associations (FMAs) and contract farming opportunities, although farmer field school FFS participants are usually FMA members. A financial analysis dimension will be added to all FFS activities, so that the financial impact of changes or innovations on farmers' production is known. The COSOP will enable FFS and FMAs to be better coordinated. Consideration will be given to extension systems built through public-private partnerships and an increased use of contract farming arrangements.

Continuing the emphasis on gender

27. Despite the strong gender focus in current IFAD operations, as evidenced by gender-specific activities across all IFAD projects, there are still deep structural constraints to advancing gender equality in Egypt. The COSOP will continue to emphasize integrating gender analysis and strategy into project planning and design, with an added focus on female-headed households. Future interventions will aim at strengthening women's groups to mitigate cultural barriers on their full participation in rural activities. COSOP interventions will promote building the skills and employability of women in a manner that links them to the most needed skills in the target governorates.

III. Strategic objectives

Objectives and outcomes

28. The COSOP provides a strategic framework for IFAD engagement in Egypt for the period 2019-2024 underpinned by a well-articulated theory of change (see figure 1). The overarching goal is to contribute to the sustainable improvement of rural incomes and resilient livelihoods in Egypt.
29. The goal will be pursued through two mutually supportive strategic objectives (SOs), the first centred on livelihood options available to rural households and the second focused on improving the policy space for sustainable and inclusive rural transformation. This two-pronged strategic approach will allow IFAD to use its project-based investments to illustrate concrete results on the ground, and to draw on these as evidence to engage in policy processes that can contribute to sector-wide transformational measures. Such a dual approach will maximize the catalytic effects of IFAD engagement in Egypt.

SO1: Livelihoods of rural men and women are improved by enhancing productivity and profitability of agriculture--related activities

30. This addresses the central issue of improving rural incomes. Rural households involved in agricultural activities will be enabled to produce for the market in a way that makes them both competitive and profitable. To that end, a combination of tailor-made business advisory services, social and productive infrastructure enhancements and pro-poor financial services will be provided. All interventions under this SO will be climate-smart and will promote and strengthen the role of women and youth. The COSOP will support greater competition for access to rural finance. This will be done through the use of targeted refinancing facilities,

refraining from the current ex-ante allocations to participating financial institutions. New interventions will also build the capacities of CDAs, as a key conduit for microfinance delivery in rural areas.

31. The COSOP will improve smallholders' access to technical information for production, post-harvest management and marketing through a more systematic approach to contract farming and the use of public-private-producer partnerships (4Ps).
32. Expected outcomes under SO1 include:
 - (a) Enhanced water, land and labour productivity;
 - (b) Better access to remunerative and formal markets for produce;
 - (c) Enhanced financial inclusion of rural poor households; and
 - (d) Strengthened and empowered community-based institutions.

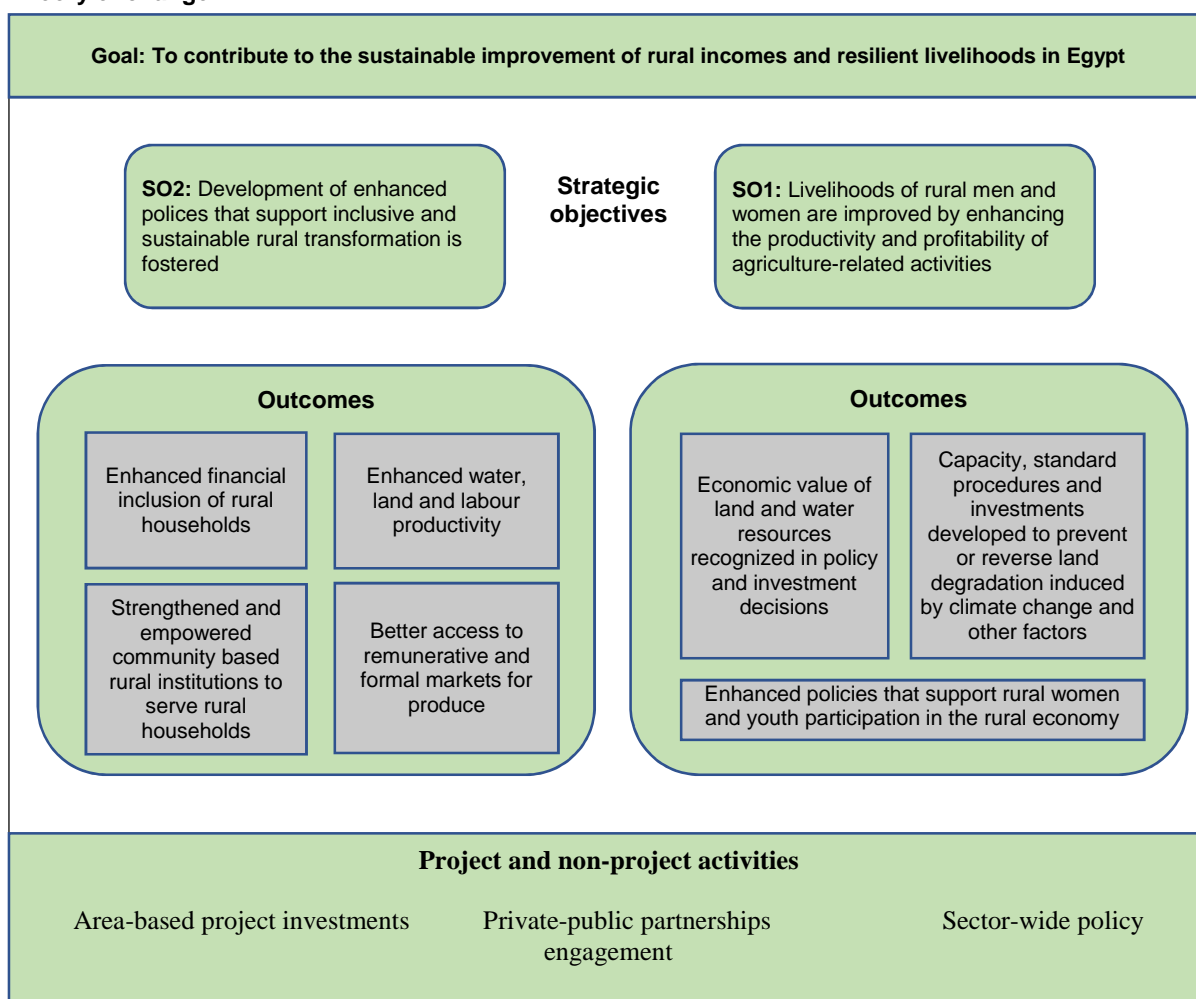
SO2: .Development of enhanced policies that support inclusive and sustainable rural transformation is fostered

33. Clearly, well-crafted and enacted policies on irrigation water management and fostering inclusive rural finance are key to the success of our in-country engagement. This COSOP is intended to play a more proactive role in supporting the development and necessary adjustments of those policies. This in-country policy engagement will rely on both our lending and non-lending instruments. Loan-funded investments will demonstrate the techniques needed to maximize water and land productivity. These will be applied within the programme areas, and then the results and lessons of the investment experience will be communicated effectively to relevant government bodies, development partners and private sector entities for scaling up purposes. Similarly, the importance of building policies that provide women and youth with opportunities for inclusion will be demonstrated.

Expected outcomes under SO2 include:

- (a) Economic value of land and water resources recognized in policy and investment decisions;
- (b) Capacity, standard procedures and investments developed to prevent or reverse land degradation induced by climate change and other factors; and
- (c) Enhanced policies that support rural women and youth participation in the rural economy.

Figure 1
Theory of change



Strategic alignment and rationale:

34. IFAD has an unbroken series of project activities in Egypt since 1979. The Government and other in-county partners perceive IFAD as a leading agent for positive change in rural areas. It is able to bring significant resources to provide for design and implementation of a mutually reinforcing array of pro-poor rural investment at sufficient scale. Building on this, the present COSOP will pave the way for bigger, better and smarter in-country engagement.
35. The COSOP will incorporate a combination of project and non-project activities to enhance the value of investments and interventions. These will involve dimensions of livelihood development and policy development. It will support this through the approach of developing successful and replicable investment models.
36. The COSOP is aligned with the Eleventh Replenishment of IFAD's Resources (IFAD11) priorities to maximize its contribution to the Sustainable Development Goals (SDGs), and provides for a significant contribution to the SDGs in Egypt. This contribution focuses on SDG1 (no poverty) and SDG2 (zero hunger), in line with IFAD11 Results Management Framework. In addition, IFAD investments will feed into the following SDGs: SDG5 (gender equality), SDG6 (clean water and sanitation), SDG7 (affordable and clean energy), SDG8 (decent work and economic growth), SDG9 (industry, innovations and infrastructure), SDG10 (reduced inequalities), SDG13 (climate action) and SDG15 (life on land).
37. The COSOP is aligned with the overarching Egyptian development strategy, the SDS 2030, particularly to the two pillars of economic development and the

environment. It is also aligned with the Sustainable Agricultural Development Strategy towards 2030 developed in 2009 and with the approved United Nations Development Assistance Framework 2018-2022. It contributes to supporting national efforts to manage Egypt's natural resources in an inclusive, sustainable and productive manner to mitigate environmental hazards and foster a greener economy and society.

IV. Sustainable results

A. Targeting and gender

38. Geographic targeting: The IFAD-supported investments will focus on one or two priority governorates, to be identified with the Government of Egypt. Targeting criteria include: (i) highest incidence of poverty and food insecurity; (ii) synergies between both old and new land investments; (iii) geographic vulnerability; (iv) climate and environmental risks; (v) opportunities for productive inclusion; (vi) capacity of rural economic organizations; and (vii) high local-level risks. The strategy will ensure that efforts are clustered and concentrated to maximize operational efficiencies, with potential for scaling up and replication.
39. Target group: Investments will target rural households that constitute the poor inhabitants that are currently or potentially economically active. Within this group, special measures will be undertaken to ensure the inclusion of smallholders cultivating less than one feddan (0.42 hectares), landless labourers, unemployed youth and women-headed households.
40. Gender strategy and action plan: Gender equality and women's empowerment, addressed as a priority under all new investments, will be promoted by (i) enabling the full participation of women in project interventions, including rural finance; (ii) providing an enabling environment for agricultural opportunities with higher levels of female involvement; and (iii) building the capacities and skills of rural women to enable them to reach their employment potential. The IFAD gender strategy will build on interventions such as the adoption of the gender action plan under the National Strategy for the Empowerment of Egyptian Women 2030, as well as the IFAD gender action plan.

B. Scaling up

41. Scaling up will be a key principle of engagement. This COSOP will reinforce the current programmatic approach. Investments will commence in a contiguous geographical location and will be scaled up following demonstrated successful outcomes in other areas using subsequently available IFAD resources as well as co-investments from development partners.
42. IFAD interventions will use modern communication tools to enable timely dissemination of good practices and opportunities of scalable innovations to stakeholders and partners. Potential practices for scaling up include:
 - (a) An integrated community development and support package for new lands to be delivered through the proposed new projects and some existing projects.
 - (b) Climate-friendly interventions, including climate-smart criteria in all irrigation investments.
 - (c) Nutrition and livelihood practices being developed in the Matrouh Region, livelihood packages for women in the households and girls schools will be scaled up through partners including the United Nations International Children's Emergency Fund (UNICEF), the World Food Programme and others.

C. Policy engagement:

43. Policy engagement with key ministries and agencies within the Government, as well as with development partners, is one of the COSOP pillars as evidenced by the choice of SOs and attendant outcomes. Policy engagement will be carefully

prioritized, on a limited number of themes, according to the experiences gained and the opportunities available. The engagement processes will start with policy-related evaluation of field results, and technical assistance to provide analysis and recommendations.

44. The enhanced IFAD country presence through the regional hub in Cairo will enable stronger involvement in existing working groups and allow for convening new groups, focusing on vital technical and policy matters needed to enhance productivity. The country director, specialist IFAD staff and key programme officials will participate in relevant committees and forums to ensure coordination and promote collaboration, contributing lessons and evidence to inform policy dialogue.

D. Natural resources and climate change

45. Egypt is particularly vulnerable to climate change adversities. Temperatures are expected to increase significantly in the future. Extreme weather events such as flash floods are already reported to have become more frequent. Higher temperatures and changing seasonal patterns will put pressure on national food production. Climate change is further expected to alter the distribution, incidence and intensity of plant pests and diseases. Salinization caused by rising sea levels threatens to destroy farmland in the northern part of the Nile Delta. The specific risks and challenges will be analysed in detail for those geographical areas targeted by the Government and IFAD for future investments.
46. The COSOP objectives contribute to Egypt's Intended Nationally Determined Contribution, which aims to improve water use efficiency in agriculture through modern irrigation and drainage systems, promotes climate-smart practices and seeks to strengthen institutional capacities and regulations to cope with climate change.

E. Nutrition-sensitive agriculture and rural development

47. The current country programme addresses issues of malnutrition and nutrition-sensitive agriculture through ongoing projects, and this will continue through future interventions. The Promoting Resilience in Desert Environments (PRIDE) and Sustainable Agriculture Investments and Livelihoods (SAIL) projects address aspects of nutrition through targeted gender interventions and provisions. These activities will continue in the COSOP, and will be further strengthened with an enhanced focus on the sustainability of CDAs managing them.
48. Lessons from the PRIDE and SAIL activities will feed into new investments. All interventions related to nutrition will be delivered through community organizations and communication material developed/ validated with UNICEF. The COSOP midterm review will include a survey of nutrition status.
49. A possible link between food subsidies and poor nutrition, especially as they contribute to obesity, is noted. This will be the subject of policy analysis in conjunction with the Government.

V. Successful delivery

A. Financing framework

50. This COSOP provides the strategic framework for investments covering two lending cycles, IFAD11 and IFAD12. IFAD's performance-based allocation system (PBAS) allocation during IFAD11 for Egypt is US\$58.4 million on an indicative basis, and is expected to be similar for IFAD12. Further grant resources will be mobilized to support various non-lending activities.
51. The Government will endeavour to mobilize cofinancing for IFAD programmes through government resources or through contributions from development partners. IFAD has already initiated discussions with the African Development Bank, the World Bank, the Islamic Development Bank and the OPEC Fund for

International Development, in addition to bilateral partners and climate fund focal points. The objective is to devise a cofinancing strategy with the aim of achieving an overall cofinancing ratio of 1:1.4. Domestic cofinancing will contribute 60 per cent while the remaining will be mobilized from international development finance sources.

B. Monitoring and evaluation

52. Under the COSOP, particular attention will be paid to strengthen project-level monitoring and evaluation (M&E). Investments will ensure that M&E processes are incorporated as a joint responsibility of implementers of all programme interventions. While overall responsibility for the M&E activities will lie with the national and regional project directors, close attention will be paid to ensuring that M&E functions are understood and used by all project implementers.
53. The COSOP Results Management Framework provides indicators for programme implementation and means of verification. The project M&E results will provide information for the COSOP Results Management Framework. The M&E system will generate quantitative and qualitative information on performance in a form that will compare physical progress and outcomes against the planned targets, allowing remedial action. The indicators will be disaggregated by gender and youth. They will be aligned with IFAD's new core indicators and the online Operational Results Management System.

C. Knowledge management

54. The two ongoing regional knowledge management initiatives undertaken in partnership with the International Center for Agricultural Research in the Dry Areas and the International Food Policy Research Institute (IFPRI) will actively support knowledge management interventions under this COSOP. Of particular interest is the Arab Investment for Development Analysis initiative, a joint IFAD-IFPRI endeavour to analyse policies and rural investments to enable more effective and efficient government decision-making. The programme will package and disseminate information to stakeholders. This knowledge management process will be supported by workshops and joint learning events. Responsibility for knowledge management and communication will be shared between IFAD, the Government and programme staff. Service providers engaged under the programme will also bear responsibility for sharing lessons learned and will be expected to provide special case studies and learning notes.

D. Partnerships

55. The COSOP provides an opportunity for IFAD to expand and deepen in-country partnerships with special attention to Rome-based agency collaboration. The different ranges of existing partnerships and those foreseen during the COSOP (2019-2024) are shown in key file 3.
56. IFAD will play a key role in donor and development partner coordination, facilitated through the Cairo regional hub. Identifying opportunities for partnership with donors and the private sector will be a key aspect of the COSOP. Such opportunities will not only leverage resources, but also build synergies and harmonize the IFAD country programme with other donor programmes. The COSOP complements the work of other development partners, with emphasis on social inclusion, climate change adaptation and value chain development in Upper Egypt. This will involve:
 - Complementarities with marketing initiatives being financed through the German Agency for International Cooperation;
 - The policy engagement work around the sustainability of natural resources and coordination between the Ministries of Agriculture and Irrigation will build

on previous donor efforts, such as the Dutch initiative of organizing annual consultations between the ministries; and

- Continued collaboration with the African Development Bank, whose feasibility study on the use of solar energy in irrigation systems will feed into the investment planned under this COSOP.

E. Innovations

57. This COSOP provides a platform for several important innovations, including:
- (a) Introduction of enhanced rural financing tools along with new delivery channels and use of new products such as financial leasing and value chain financing;
 - (b) Development of a workable system of 4Ps to facilitate farmers access to focused expert advice and support to enable them to participate in viable agricultural value chains – an innovation in the national context; and
 - (c) Establishment and operation of a consolidated programme management unit (PMU) instead of several separate PMUs. This will serve the common needs of all IFAD-supported projects/programmes in procurement, financial management, policy development and M&E and knowledge management.

F. South-South and Triangular Cooperation

58. The IFAD Strategic Framework 2016-2025 states that “IFAD plans to strengthen its comparative advantage and expand its work in [the area of South-South and Triangular Cooperation (SSTC)].” This will focus on opportunities for smallholder agricultural business development (e.g. embedded technical assistance, twinning, policy dialogue platforms); and new/innovative activities that foster rural transformation for improved livelihoods. The COSOP will provide support for this through:
- (a) Interaction with IFAD-supported projects in several former Soviet countries (e.g. the Republic of Moldova) to examine the rural refinancing facilities;
 - (b) Interaction with IFAD-supported projects in Ghana to examine functional public-private partnerships and bank provision of own funds for rural finance;
 - (c) Possible interaction with IFAD-supported smallholder irrigation projects in Kenya and Ethiopia to exchange ideas on sustainable, water-efficient and market-relevant schemes;
 - (d) Possible interaction with IFAD-supported projects for adaptation to climate change across the Near East and North Africa region; and
 - (e) Possible participation in two regional initiatives on SSTC sponsored by the Near East, North Africa and Europe Division (NEN) and currently being implemented by the United Nations Office on South-South Cooperation with the National Institute of Agronomic Research of Algeria;
59. Potential knowledge transfer from Egypt includes: (i) implementation of improved rural water infrastructure and modern irrigation applications; (ii) integration of community infrastructure and institutions in newly created irrigation schemes.

COSOP results management framework

Country Strategy Alignment	Key Results			Indicative Activities
	Strategic Objectives	Outcome Indicators	Milestone Indicators	
<p>Sustainable Development Goals (SDGs): SDG1 (to end poverty) and SDG2 (food and nutrition security and sustainable agriculture). It also contributes to many of the other SDGs.</p> <p>Egypt SADS2030 strategic objectives: (i) Sustainable use of natural agricultural resources; (ii) Increasing the productivity of both the land and water units; (iii) Raising the degree of food security of the strategic food commodities; (iv) Increasing the competitiveness of agricultural products in local and international markets; (v) Improving the climate for agricultural investment; and, (vi) Improving the living standards of the rural inhabitants and reducing poverty rates in the rural areas.</p> <p>Egypt-United Nations Development Assistance Framework (UNDAF: 2018-2022 Strategic programme framework that is guiding the cooperation between the GOE (2018-2022): (i) more efficient and sustainable use of scarce water and agricultural land resources;</p>	<p><u>GOAL</u></p> <p>to contribute to the sustainable improvement of rural incomes and resilient livelihoods in Egypt</p>	<p>Reduced rural poverty in targeted areas</p> <p>% of targeted households with improvements in asset ownership</p> <p>% of malnourished children</p>	<p>% increase in incomes by mid-term (men and women). SDG Target, 1.1, 1.2, 1.4, 5.A</p> <p>% increase in HH assets by completion. SDG Target, 1.1, 1.2, 1.4, 2.3, 2.4</p> <p>% reduction in malnourished children. SDG Target, 2.1 2.2</p>	<p>Lending/Investment and Non-lending activities for next 6 years:</p> <p>Lending Activities</p> <p>STAR:</p>
	<p><u>SO1</u></p> <p>Livelihoods of rural men and women are improved by enhancing productivity and profitability of agriculture-related activities</p>	<p>Enhanced water, land and labour productivity</p>	<p>No. of hectares of farmland under water-related infrastructure constructed or rehabilitated (drainage and irrigation facilities). SDG Target 2.3, 2.4, 6.4, 9.1</p> <p>No. of on farm irrigation equipment provided (related to water-use efficiency, crop productivity, reducing salinity risks and cost of water application). SDG Target 2.3, 2.4, 9.1, 13.1</p> <p>The construction of a competitively accessed rural refinancing fund. SDG Target, 1.4, 8.10</p> <p>No. of financial institutions able to make direct disbursement to on farm investments. SDG Target, 1.4, 8.10, 9.3</p>	<p>Total financing: USD million from:</p> <ul style="list-style-type: none"> IFAD under 2019-2021 PBAS cycle (USD 60 million) <p><u>Additional financing:</u></p> <ul style="list-style-type: none"> Co-financing to be mobilised (value TBC) <p>Non-lending/non-project activities</p> <p>Under the coordination of GOE and IFAD, collaborate in international SSTC programs.</p> <p>Resources will be mobilised by IFAD and partners to support the</p>
		<p>Access provided to rural men and women to remunerative and formal markets for produce</p>	<p>No. of PPPs developed that facilitate viable value chains to produce and market entities. SDG Target, 2.3, 2.A, 8.5, 8.6</p> <p>No. of farmers (men and woman) and rural micro entrepreneurs trained on business methods, cost accounting and risk</p>	

Country Strategy Alignment	Key Results			Indicative Activities
	Strategic Objectives	Outcome Indicators	Milestone Indicators	
(ii) promotion of agricultural productivity through supporting refinement and operationalization of agricultural, food security and nutrition policies and strategies; (iii) development and implementation of national and sectoral climate change adaptation plans, tools and programmes; also (i) innovative financing mechanisms for women's empowerment; (ii) increasing the capacity of women to engage in productive economic activity, including in agriculture and the informal economy, (iii) promoting active youth participation in the agricultural sector			assessment. SDG Target, 5.5, 8.5, 9.3	policy engagement agenda
		Enhanced financial inclusion for rural households	No. of farmers reporting using rural financial services (savings, credit, insurance, remittances, etc.). SDG Target, 1.4, 2.3, 9.3, 10.2 No. of women farmers with access to financial services tailored to their particular needs. SDG Target, 1.4, 5.1, 5.A, 9.3 No. of financial service providers delivering outreach strategies, and financial services to target areas. SDG Target, 1.4, 8.10, 9.3	
		Strengthened and empowered community based rural institutions to serve the rural households	No. of community based institutions trained to provide tailored services (for men women and youth) fitted to the needs of their rural households. SDG Target, 1.3, 1.4, 2.2 No. of rural households (male and female headed households) receiving services by community based institutions. SDG Target, 1.3, 1.4, 2.2	
	<u>SO2</u> Development of enhanced policies that support inclusive and sustainable rural transformation is fostered	Recognized economic value of land and water resources in policy and investment decisions	No. of policies announced and implemented that use the value of land and water to induce more efficient use and higher productivity. SDG target, 1.B, 2.3, 2.4, 6.4, 6.B, 13.2, 13.3 No. of communication programs developed on informing investors in the target areas on the value of land and water to induce more efficient use and higher productivity. SDG Target, 2.4, 4.B, 13.3	

Country Strategy Alignment	Key Results			Indicative Activities	
	Strategic Objectives	Outcome Indicators	Milestone Indicators		
		Developed capacities, standard procedures and investments to prevent or reverse land degradation induced by CC and other factors	No. of farmers supported to sustainably manage natural resources and climate related risks. SDG Targets, 1.5, 2.4,13.1		No. of ToTs trained on improved agricultural adaption methods. SDG Targets, 1.5, 2.4,13.1
		Enhanced policies that support rural women and youth participation in the rural economy	No. of policies developed targeting financial and social inclusion of women and youth. SDG Targets, 1.2, 2.3, 5.A, 5.C, 8.3, 8.6		
Partnership strengthening	Joint SSTC initiatives with partnership countries	No. of SSTC initiatives launched by mid-term. SDG Targets 17.3			

Agreement at completion point of last country programme evaluation

Agreement at Completion Point

A. Introduction

1. This is the second country strategy and programme evaluation (CSPE) for the Arab Republic of Egypt and it covers the period from 2005 to 2016. Its objectives are to assess the results and performance of the previous country strategic opportunities programmes (COSOPs) since 2005 and to generate findings and recommendations for the upcoming COSOP, to be prepared in 2018. The CSPE country mission took place in October 2016 and included field visits to eight governorates in Upper, Middle and Lower Egypt.
2. The Agreement at Completion Point (ACP) reflects the understanding between the Government of Egypt and IFAD Management of the main Egypt CSPE findings and recommendations. In particular, it comprises a summary of the main evaluation findings in Section B, whereas the agreements are contained in Section C. The ACP is a reflection of the Government's and IFAD's commitment to adopt and implement the CPE recommendations within specific timeframes.
3. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.
4. The ACP will be signed by the Government of Egypt (represented by H.E. the Minister of Investment and International Cooperation) and IFAD Management (represented by the Associate Vice President of the Programme Management Department). IOE's role is to facilitate the finalization of the ACP. The final ACP will be submitted to the Executive Board of IFAD as an annex to the new COSOP for Egypt. It will also be included in the final Egypt CSPE report.

B. Key findings

5. The IFAD portfolio has addressed relevant issues of rural poverty over the period, in line with Government and IFAD priorities. IFAD's programme has brought localized solutions to address big development issues of rural unemployment and scarcity of land and water resources.
6. Following the recommendations of the last CPE, the country programme has shifted its focus to the poorer governorates in Upper Egypt and since 2006 a larger number of these governorates in Upper Egypt have received project support. The programme had an overall focus on smallholders, the landless, unemployed youth, and women, but projects often did not have specific strategies for targeting those groups and their participation was not systematically monitored.
7. Concentrated delivery of an integrated package of support, including infrastructure, has made projects effective in the new lands. The approach to integrated farming systems research and extension and the use of farmer field schools was highly effective. The main achievements of the country programme were the high outreach through agricultural extension, micro-loans and infrastructure and the large number of community organizations that were established or strengthened. In addition, the provision of irrigation and new cropping systems has made a contribution to improved land and water management practices.
8. Results could have been better if the main factors limiting project effectiveness had been prevented or resolved upfront, in particular, the time gap between design and implementation, slow start-up and implementation and complicated institutional arrangements with resulting coordination problems.
9. Credit was a key mechanism for delivering benefits to smallholder farmers. Over the review period, progress has been made in identifying and involving new partners in the rural credit components. Community development association

(CDA) loans disbursed through the Social Fund for Development have performed well and had some good poverty and gender impacts. However, the provision of microloans through CDAs is not sustainable yet and will require further support and capacity building. Partnerships with commercial banks are much needed to ensure the sustainability of the approach.

10. Insufficient allocation of funding for capacity development was a recurrent shortcoming of project designs, and this has led to bottlenecks in the implementation of project activities at the community level. It has ultimately limited the results of the components, including rural finance, irrigation and marketing. The portfolio supported a range of community-level organizations, but they often remained too weak to be effective. If the portfolio had a coherent and longer-term strategy to building the capacities of community organizations and had allocated sufficient funds to capacity building, its effectiveness would have been much enhanced.
11. Though overall disbursement rates have been constant over the period, disbursements were slow and at times problematic and projects had to be extended beyond their original closure date, to allow more time to disburse. The move towards larger projects did not result in efficiency gains. The recent projects have a larger geographic spread, covering villages in a larger number of governorates and higher management costs. Both have contributed to higher costs per beneficiary.
12. The various community-level organizations established or strengthened by the projects are only partly sustainable. In the new lands the CDAs continue to play a role in the maintenance of social infrastructure, although their financial sustainability may not be assured. The capacities of the water user associations (WUAs) are often weak and they lack the legal status which would enable them to open bank accounts, for example. A joined-up strategy to establish a clear role and legal status for the WUAs, coordinated between the Ministry of Agriculture and Land Reclamation (MALR) and the Ministry of Water Resources and Irrigation (MWRI), would be a major milestone to ensure their sustainability.
13. Efficient use of land and water resources has been a major theme in the portfolio from the outset. Yet environmental sustainability was not always addressed in a coherent way. Issues of comprehensive water management, including drainage, water reuse and water quality, as well as sanitation and waste water treatment were not consistently addressed.
14. Partnerships with key implementing partners, in particular MALR, have been strong, but few opportunities have opened to engage with new strategic partners at national level. The central project management unit in MALR was efficient and provided a reliable point of entry into Government. But its capacity was insufficient to convene sector-wide coordination and dialogue. Co-funding partnerships with the World Bank and the Italian Debt Swap (IDS) were important in the early period, but were not followed up later. Other forms of partnerships with bilateral donors could have been developed, given the strong complementarities and mutual interest.
15. Grants targeted areas that were of relevance to the country context, which included climate change and natural resource management, access to markets, rural finance and knowledge sharing networks. But, they did not create effective linkages that would have enabled uptake of findings through local partnerships or loan operations. Mechanisms for lesson-learning and scaling up are weak at country level and until now there have been few examples where grant funded innovations have been taken up by the loan portfolio. Loan component grants could have been used more effectively for capacity building and innovation.

C. Agreement at Completion Point

16. IFAD and Government will prepare a new COSOP for Egypt in 2018, which will build on the findings and relevant CSPE recommendations jointly agreed in this ACP, and provide the foundation of the main areas of intervention in the context of a renewed partnership and cooperation between the Fund and Egypt.
17. **Recommendation 1: Sharpen poverty and geographic focus and refine poverty targeting.** IFAD should reduce the geographic coverage of further interventions to fewer governorates within the same region. The interventions should target the poorest governorates *and* communities, based on relevant poverty indicators, and they should include explicit strategies for targeting different groups of the poor (e.g. marginal farmers, youth, and women). Targeting strategies will have to be based on good poverty analysis and followed up through appropriate monitoring of disaggregated data. New project designs and the upcoming COSOP should therefore include a poverty analysis that justifies the focus on the poorest governorates and communities, together with explicit strategies for targeting marginal farmers, youth and women.
18. **Agreed follow-up to Recommendation 1:** IFAD and the Government of Egypt (GoE) broadly agree with this recommendation. According to GoE priorities, development assistance needs to target the lagging rural regions, including areas in the Upper Egypt and Marsa Matrouh; these regions have the country's highest poverty rates and suffer from insufficient services. The COSOP, to be finalised in 2018, will accordingly develop a holistic approach to plan future interventions. Also, the new project Design Promoting Resilience in Desert Environments (PRIDE) is targeting one priority governorates as compared to previous projects (4 to 6 governorates). IFAD interventions target the poorest governorates and communities. The target groups include women, the formerly landless and vulnerable communities being resettled in new lands. Poverty analysis will be used to identify the communities for interventions, including the PRIDE project. IFAD will ensure the inclusion of a gender and poverty specialist during the detailed design mission to ensure enhanced integration of these issues. The approach adopted in PRIDE will be integrated in the COSOP as well. GoE and the Near East, North Africa and Europe Division of IFAD (NEN) will ensure that monitoring systems are enhanced in the projects. The officers will be sensitized in collecting gender and youth disaggregated data. The new design will include specific analysis on gender, poverty and nutrition (given the linkage of food insecurity and nutrition with overall poverty and vulnerability). Specific roles and responsibilities for all relevant stakeholders for poverty analysis, monitoring and evaluation will be identified across all future projects.
 Responsible partners: MIIC, MALR, IFAD.
 Timeline: IFAD and GoE to implement the agreed actions through the design of PRIDE in 2017 and the COSOP in 2018.
19. **Recommendation 2: Sharpen thematic focus and improve feasibility of design.** There are good reasons for IFAD to focus on thematic areas where it has demonstrated a comparative advantage (e.g. agricultural research and extension; sustainable management of water and land) and deepen its engagement there, for example by addressing issues of institutional sustainability, equal participation of women and youth, access to land, water and credit. There is also scope to better integrate climate-smart practices into the loan portfolio. The CSPE recommends that IFAD should be more selective with regard to the thematic areas and proactively seek strategic partners to overcome the lack of sufficient implementation experience, in particular related to marketing support and SME loans. The upcoming COSOP should include a selective focus on a few thematic areas where IFAD will be able to add value through innovation and change together with identified partners.

20. **Agreed follow-up to Recommendation 2:** IFAD and GoE broadly agree with this recommendation. The new design for PRIDE will integrate water management technologies in line with the recommendation to focus on IFAD's comparative advantage. The design for the project will also include an environmental specialist to specifically assess climate-related risks and vulnerabilities and recommend integration of climate-smart practices. According to IFAD International Rural Finance Strategy, decision tools for rural finance activities will be employed to assess the financial sector on the micro, meso and macro levels. The upcoming COSOP will identify areas where IFAD can add value through future operations. Needs assessment for targeted communities will be conducted for future interventions, with clear division of responsibilities across different actors. In this context; IFAD will develop better selection mechanisms for lending institutions in order to ensure the effective implementation of lending activities.
- Responsible partners: MIIC, IFAD.
- Timeline: IFAD and GoE to implement agreed actions by end-2018 through the new project design and the COSOP.
21. **Recommendation 3. Establish a structure for effective coordination and technical support within a progressing programmatic approach.** The call for fewer and larger projects together with the urgent need to address the overall poor performance and low efficiency justify the need for a programmatic approach. Integrating complementary projects and interventions into a programmatic approach would enable effective links between projects that are currently working in parallel or are following up on other projects. With or without a programmatic approach, there is an urgent need for a sufficiently resourced and capacitated programme coordination unit at central level. The structure will require a degree of autonomy and impartiality to be able to act as go-between for different ministries and implementing partners; it requires a clear line of accountability to the borrower (MIIC) and the main executing partner(s) (MALR); it also needs to be able to bring in professional expertise where gaps exist in project implementation, in particular on M&E, procurement and financial management, gender and rural institutions. As an immediate step, MIIC, MALR and IFAD should establish a working group to prepare a proposal for endorsement by the relevant ministries and IFAD Management.
22. **Agreed follow-up to Recommendation 3:** GoE recognizes the importance of enhanced coordination among different actors, and agrees on the need to adopt a holistic and programmatic approach in future programs. However, it does not wish to create additional bureaucratic layers that would negatively affect the operation of projects. GoE agrees that project/program coordination unit(s) require urgent technical and financial resources and support, however, their operation within the institutional structure as well as their accountabilities to line-ministries is crucial. While there is a degree of independence required for effective project implementation, accountability to ministries and the national executive is important. GoE and IFAD would work jointly to emphasize that project implementing agencies operate with the autonomy and expertise required, which is feasible with current structures. In particular, the MIIC agrees that coordination is sometimes a challenge in IFAD's as well as other development partners' projects. However, MIIC strongly calls for more effective mechanisms in selecting PMU staff on a competitive and full time basis. Financial as well as technical support for PMUs should be available to enhance the capacities and efficiency of national entities to perform the required duties. Meanwhile, the follow-up and supervisory role of the IFAD Country Office is crucial and thus it should, together with the MIIC desk officers, play a more active role in the monitoring and coordination.
- Responsible partners: MIIC, IFAD

Timeline: The agreed actions will be implemented as part of the design of PRIDE (2017).

23. **Recommendation 4. Manage knowledge from loans and grants to support learning and innovation.** IFAD should become an honest knowledge broker, supporting systematic learning from success and failure, facilitating learning partnerships that involve partners from loans and grants, and preparing good practices and strategic lessons for policy engagement and scaling up. IFAD should establish clear roles and responsibilities for knowledge management (KM) within the country (including ICO, government partners and projects) and at regional level. Based on the NEN regional KM strategy, the country programme should create effective links between grants and loans, M&E, implementing partners (local research institutes), and strategic partners (such as think tanks and development partners). As an immediate step, the NEN KM officer should support the ICO in the preparation of a KM action plan with clear responsibilities and allocated resources.
24. **Agreed follow-up to Recommendation 4:** IFAD and GoE broadly agree with this recommendation. Accordingly, IFAD and MIIC will ensure best practices from successes and failures are exchanged across national stakeholders. Lessons learned from IFAD experience will be integrated into the new portfolio, including the new project, from the concept note stage. Therefore the MIIC recommends the development of a database for lessons learnt to ensure knowledge sharing. At the IFAD regional level, the KM officer will ensure best practices are disseminated across the region and to a broader audience if relevant. The NEN regional KM strategy will be used to create linkages across the region. MIIC highlights that loans and grants' allocations on the regional levels and their links to national institutions and needs are hard to trace. Thus, specific KPIs for research objectives as well as efficient monitoring system need to be advanced to ensure effective fund allocations and knowledge management. Responsible partners: IFAD
Timeline: IFAD and GoE to implement by end-2018.
25. **Recommendation 5. Prepare a strategy for effective capacity building of community-level institutions with a perspective on scaling up under the new COSOP.** The programme should take stock of the existing institutions and the legal and policy framework with support from a rural institutions specialist. The stock-taking exercise could also involve a joint workshop or conference with other development partners, which would have the added benefit of experience sharing and partnership building. Based on this analysis, the COSOP would include a strategy for effective capacity building and policy engagement on rural institutions supported by IFAD. To mitigate the shortcomings in the ongoing projects, some immediate actions should be taken, whereby existing project component grants are better deployed for capacity building. For the upcoming projects, IFAD must ensure that the design includes a sufficient budget for capacity building from loans *and* grants. It must also ensure transparent planning and reporting on the use of project component grants for capacity building. As an immediate action, IFAD should plan a stock-taking exercise as part of the COSOP preparation process and follow-up on the proper use of project grants for capacity building.
26. **Agreed follow-up to Recommendation 5.** IFAD and GoE broadly agree with the recommendation. GoE agrees with the stocktake exercise on existing institutions and the legal and policy framework under the supervision and coordination MIIC and relevant government entity. Participatory workshops and/or conferences could be good opportunities to highlight needs and gaps so as to guide future interventions. MIIC notes that the legal, regulatory and functional framework for rural institutions needs to be enhanced, especially with regards to the WUAs, farmers' marketing associations, CDAs and cooperatives. This can be accomplished through a well targeted strategy for effective capacity building in the new COSOP as well as stronger coordination with development partners who are already

Appendix I

EC 2017/99/W.P.5

experienced in this area. IFAD and GoE agree that WUAs should be developed before infrastructure is established. However, the specific timeline for establishing community groups is an operational decision that will have to be taken as per an assessment of local contexts. Project grants will be used for capacity building where required. In future design of grants and loans, special attention will be paid to capacity building. IFAD will undertake a stock-taking exercise of the entire portfolio, including the grant portfolio as part of the COSOP preparation process. This stock-taking will assess the use of grants for capacity building, but will also reflect the other priorities of IFAD's Policy for Grant Financing.

Responsible partners: IFAD, MALR, MWRI

Timeline: The agreed sub-recommendation on stock-taking will be implemented as part of the COSOP process over 2017 and 2018.

Signed by:

H.E. Dr Sahar Nasr
Minister of Investment and International Cooperation
Government of Egypt, Cairo

Signature:



Mr Perin Saint Ange
Associate Vice President
Programme Management Department
IFAD, Rome

Signature:



COSOP preparation process including preparatory studies, stakeholder consultation and events

The Director of Near East, North Africa and Europe Division sent a letter dated 29 March 2018 to H.E. Minister of Agriculture and Land Reclamation of the Arabic Republic of Egypt announcing that IFAD will be fielding a mission from 22 April to 7 May 2018. The COSOP team included:

Abdelkarim Sma: NEN Regional Economist
Andrew Macpherson: Consultant/Mission Leader

Preliminary desk studies were undertaken during April 2018. The COSOP Mission visited from 22nd April to 7th May 2018. The Mission's work programme was as follows:

Date		Activities
Sunday	22 April	Mission arrival to Cairo
Monday	23 April	Meeting with Minister of Agricultural and Land Reclamation Meeting with Ministry of Investment and International Cooperation Meeting with IFAD Project Coordinators
Tuesday	24 April	Meeting with Agricultural Bank of Egypt (ABE) Meeting with Micro, Small and Medium Enterprises Development Agency - MSMEDA (Formerly SFD) Meeting with National Bank of Egypt (NBE) Meeting with Agricultural Development Program (ADP) Meeting with Commercial International Bank (CIB)
Wednesday	25 April	Meeting with UNDP Meeting with WFP
Thursday	26 April	Meeting with Egyptian Financial Supervisory Authority (EFSA) Meeting with JICA Meeting with International Centre for Agricultural Research in the Dry Areas (ICARDA)
Friday	27 April	Meeting with SAIL PMU in Alexandria
Saturday	28 April	Field visits - SAIL Project (Kafr El Sheikh Governorate)
Sunday	29 April	Field visits PRIME Project – (Behaira Governorate)
Monday	30 April	Meeting with EU Meeting with DRC Meeting with Ministry of Foreign Affairs
Tuesday	1 May	Meeting with UN resident coordinator Meeting with FAO
Wednesday	2 May	Analysis and report preparation COSOP team meeting
Thursday	3 May	Meeting with KfW Meeting with GIZ Meeting with (Contract Farming Dept. – MALR) Meeting with Ministry of State for Environmental Affairs, Egyptian Environmental Affairs Agency (EEAA)
Friday	4 May	Analysis and report preparation COSOP team meeting
Saturday	5 May	Preparation of presentation COSOP team meeting
Sunday	6 May	Stakeholder Workshop Wrap up meeting with Minister of Agricultural and Land Reclamation
Monday	7 May	Mission departure from Cairo

Government:				
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Natural resources management and climate change adaptation: Background, national policies and IFAD intervention strategies

1. The following section presents the main environmental challenges and solutions in agriculture that are featured in the government strategies of the ministries for irrigation, agriculture and environment. More details can be found in the Environmental and Climate Assessment Preparatory Study (SECAP).

Use of land and water resources

2. The government of Egypt emphasizes the significance of water security as a great part of the Egyptian national security (SDS 2030). The country faces the following challenges in use of land and water resources.
3. Limited water resources. Egypt's total water requirement amounts to 76 billion cubic meters per year, but only 82% is sourced from fresh water resources. The shortfall between water resources and water needs of around 13 billion cubic meters is bridged by the recycling of agricultural water and industrial sewage water (CAMPAS 2017). However, this comes at the cost of water quality. One billion cubic meters come from non-renewable subterranean water in the deserts (AQUASTAT). The SDG2017 lists the overuse of non-renewable groundwater as a threat to water security taking into consideration that groundwater has a great importance as a strategic reserve.
4. Low water-use efficiency. Inefficient water use is very common. The mean efficiency of field irrigation systems is estimated at 50% (SAD2017). Most farmers use surface irrigation systems (applied on 76% of the cultivated area (AQUASTAT)) instead of modern water-efficient irrigation techniques (NAPA 2011). There is little economic incentive to reduce water consumption, because farmers do not pay for irrigation water itself. Many farmers also believe wrongly that excessive water use increases crop production. Water-use efficiency in agriculture has also declined as a result of a 30% reduction in the efficiency of water transport (NAPA 2011). Excessive irrigation in some fields lead to higher water losses, waterlogging and salinity problems in addition to representing a missed opportunity for increased agricultural production in new lands.
5. Deterioration of water quality. Water quality in the Nile is deteriorating along the course of the river. The main causes are the discharge of untreated, or partially treated, industrial and domestic wastewater and the excessive application of irrigation water that leads to the leaching of salts, pesticides and residues of fertilizer. Drainage return flows to the Nile increase the salinity of the water from 250 ppm (mg/l) at Aswan to 2,700 ppm at the delta barrages (TNC 2016). The Egyptian National Action Program to Combat Desertification from 2005 estimates 30% of the irrigated farmland to be salt-affected. High levels of organic substance cause eutrophication and stimulate the growth of water hyacinth that flourishes in nutrient-rich water bodies and clogs up canals.
6. Waste management. Egypt is challenged by its deficiency in waste collection, recycling, disposal and sewage systems. Society's awareness of the risks of bad waste management practices is low. About only half of all households in Egypt have access to safe sanitation services. This proportion falls to only 24% in rural areas where 59% of the population still depends on sewer trenches (UNDP 2015). Around 10% of the rural population do not have access to 'at least basic' sanitation (WASHwatch). Open-air burning of wastes, whether municipal or agricultural, is one of the main reasons for air-polluting emissions. High environmental pollution rates from agricultural wastes of about 26-28 million tons per year are reported in the SDS 2030. Rice straw, a residue considered to be an agricultural waste, is often burnt (though forbidden) or is dumped near canals where it slides into the canal and

clogs it. Solid waste disposal is also a problem. 50% of households in rural Upper and 46% rural Lower Egypt dump their waste into the street or a canal (PRIME PDR WP3).

7. Encroachment on agricultural land. Urban and peri-urban areas are encroaching on the fertile land especially within the Nile valley and delta. The land infringement is estimated to exceed about 20 thousand acres annually (SDS 2030). The National Water Resource Plan from 2005 estimated this number to be 45,000 feddan per year.
8. The described challenges lead to land degradation, loss in productivity and loss of agricultural land. They have serious negative impacts on environmental and human health. Pollution is listed by the National Biodiversity Strategy as one of the main threats to biodiversity. Poor water quality raises food safety concerns and could trigger scandals impacting food exports and causing great economic losses. The inefficient use of water resources pushes for the usage of non-renewable fossil water that is in some cases difficult to extract and of poor quality. Climate change, population growth, planned expansions of irrigation and geopolitical tensions (e.g. the establishment of the Ethiopian Renaissance Dam) add further pressures on water and land resources.

Solutions to promote water use efficiency and waste management

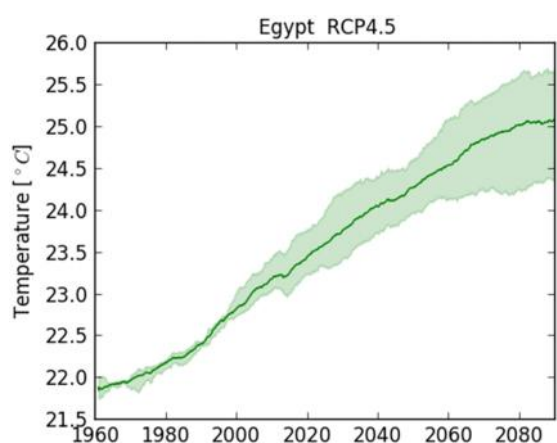
9. The SADS 2017 aims to improve water use efficiency from 50% to 80% and to reduce the average share of irrigation water per feddan, per year, from 6,900 to 5,565 cubic meters by the year 2030. The following list of measures extracted from the strategies for water, agriculture and environment and climate change increase water-use efficiency and water quality in the agricultural sector:
 - Promoting modern irrigation and drainage systems
 - Reducing water losses in water conveyance and distribution systems
 - Promoting farming systems and crops that require less water
 - Encouraging the use of environmental friendly agricultural methods
 - Increasing the efficiency in agrochemical usage
 - Promoting awareness and providing training services on water conservation and waste management
 - Promoting sanitation in rural communities
 - Improving agricultural waste management by composting and anaerobic digestion
 - Promoting waste collection and disposal systems for solid household wastes.

Climate change

10. Egypt is in particular vulnerable to climate change, because of its dependence on the Nile River as the primary water source, its large traditional agricultural base, and its long coastline.

Main climate change hazards

11. Temperature increase. The mean annual temperature in the country has increased by about 1 degree C in the last 50 years. For the future, projections from global climate models suggest a medium-strong increase in temperature. For the end of the century, a warming in the range of 1.8 to 5.2°C (compared to the reference period from 1971 to 2000) is likely (GERICS 2015).
12. Sea level rise. Egypt's long coastlines are vulnerable to changes in sea level. For the period 1955-2003, an increase of about 1.4 mm / yr (or 6.7 cm in total) has been observed for the eastern Mediterranean, which has accelerated in the last decade. Projections of changes in future mean sea level from global atmosphere-ocean general circulation model simulations suggest a sea level rise near Alexandria in the range from +0.38 to +0.82 m by 2090 for the high emission scenario (GERICS 2015).



Regional climate model projections for temperature displayed as 20 year running mean. The line represents the ensemble mean while the shaded area represents the model spread. The projections are based on the emission scenario RCP4.5.

Source: Regioclim



Satellite map of the Nile delta, showing potential coastal inundation (light blue area) through a sea level rise of 0.5m

Source: Elsharkawy 2009

Figure 4b and 4c. Projected temperature increase and sea level rise in Egypt

13. Increased in flow variability of Nile water. Nile flows are highly sensitive to climate change. Increase in variability, especially of precipitation in upstream countries is the most securely predicted impact of climate change. There remains uncertainty in climate projections in the Nile basin with no clear consensus if Nile water will increase or decrease (Butts et al., 2016) and projections.
14. Extreme weather events. A strong increase in the duration of heat waves is projected (GERICS 2015). Other extreme weather events such as storms and flooding are more frequent and may increase in future. Heavy rains and flooding affected the Assuit, Red Sea, Sohag, South Sinai and Qena governorates in December 2016 (see figure 4e). Heavy rains caused flooding in Cairo in April when the COSOP mission took place.

Climate change impacts

15. Loss in production. Higher temperatures, changing seasonal patterns, salinization and extreme weather events are likely to impact national food production. High temperatures will increase evapotranspiration and water consumption and put a further strain on the acute water scarcity in the country. National food production could decrease by 11% to a maximum of 51%. A temperature increase of 1.5°C could decrease the production of wheat by 12%, maize by 47%, rice by 26% to 47% and vegetables by 28%. Climate change is expected to alter the distribution, incidence and intensity of plant pests and diseases. It creates new ecological niches, potentially allowing for the establishment and spread of plant pests and diseases to new geographical areas (TNC 2016).
16. Loss of agricultural land. Salinization caused by rising sea level threatens to destroy farmland in the Nile delta. If the sea level rises by half a meter, one million feddans of agricultural land may go out of production (NAPA 2011), as figure 4d depicts. The most vulnerable parts in Egypt will be the governorates on the coasts including Alexandria, Port Said, Beheera, Kafr el Sheikh as well as other parts such as the south Mediterranean coastal areas of Al-Burullus and Manzala. There are indications

that the city of Damietta, Ras el-Barr, Gamasa, the areas around Al-Burullus Lake, Al-Manzala Lake and Bardaweel Lake are expected to be inundated between 2040 and 2050.

17. Without vigorous adaptive actions, agriculture will become more and more challenging. Smallholder households may be forced to abandon farming. Rural communities will face higher unemployment, greater poverty and food insecurity. Climate change may have a great impact on agricultural value chains which will lead to a decline in GDP, increased food prices and consequent threats to national food security and social peace.
18. Climate change impacts all sectors, notably tourism. Storms, heat waves and flash floods can cause serious damage to infrastructure and result in the loss of human life.

Climate change adaptation and mitigation

19. Enhanced resilience to climate change will have to involve responding to water scarcity, increasing land and water productivity and livelihood diversification. Adaptation measures are mapped out in Egypt's Sustainable Agricultural Development Strategy for 2030, its Nationally-Determined Contribution (INDC) and the National Strategy for Adaptation to Climate Change And Disaster Risk Reduction (NAPA). Adaptation measures in agriculture include:
 - Changing sowing dates and crop patterns
 - Changing cultivars to those that are more tolerant to heat, salinity and pests and water efficient
 - Promoting climate-resilient, low-emission and environmental friendly farming systems (agro-ecology, organic farming, conservation agriculture and integrated crop management)
 - Improving soil health and fertility management
 - Improving on-farm irrigation and drainage
 - Improve livestock production (better animal feed, feeding technology, adapted productive breeds and manure management)
 - Operating pumps using renewable energy sources
 - Recycling and reuse of agricultural waste (composting and biogas)
 - Reducing pre- and post-harvest food losses
 - Integrated pest management that closely monitor insect and disease occurrence
 - Mitigation of carbon through reducing the area of rice cultivation

Country at a glance

Country Profile				
	1990	2000	2010	2016
World view				
Population, total (millions)	57.41	69.91	84.11	95.69
Population growth (annual %)	2.5	1.8	2.0	2.0
Surface area (sq. km) (thousands)	1,001.5	1,001.5	1,001.5	1,001.5
Population density (people per sq. km of land area)	57.7	70.2	84.5	96.1
Poverty headcount ratio at national poverty lines (% of population)	..	16.7	25.2	27.8
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	7.4	2.0	3.0	1.3
GNI, Atlas method (current US\$) (billions)	42.48	97.28	196.21	326.40
GNI per capita, Atlas method (current US\$)	740	1,390	2,330	3,410
GNI, PPP (current international \$) (billions)	213.66	413.21	796.13	1,051.09
GNI per capita, PPP (current international \$)	3,720	5,910	9,470	10,980
People				
Income share held by lowest 20%	8.7	8.9	9.1	9.1
Life expectancy at birth, total (years)	65	69	70	71
Fertility rate, total (births per woman)	4.7	3.2	3.2	3.3
Adolescent fertility rate (births per 1,000 women ages 15-19)	82	54	52	51
Contraceptive prevalence, any methods (% of women ages 15-49)	48	56	60	59
Births attended by skilled health staff (% of total)	37	61	79	92
Mortality rate, under-5 (per 1,000 live births)	86	47	29	23
Prevalence of underweight, weight for age (% of children under 5)	10.5	9.4	6.8	7.0
Immunization, measles (% of children ages 12-23 months)	86	98	96	95
Primary completion rate, total (% of relevant age group)	73	88	101	94
School enrollment, primary (% gross)	89.1	91.0	103.6	103.6
School enrollment, secondary (% gross)	72	79	69	86
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.1	0.1	0.1
Environment				
Forest area (sq. km) (thousands)	0.4	0.6	0.7	0.7
Terrestrial and marine protected areas (% of total territorial area)	11.6
Annual freshwater withdrawals, total (% of internal resources)	..	3,168.3	4,100.0	4,100.0
Urban population growth (annual %)	2.2	2.0	1.9	2.2
Energy use (kg of oil equivalent per capita)	562	581	863	815
CO2 emissions (metric tons per capita)	1.32	2.02	2.41	2.20
Electric power consumption (kWh per capita)	663	962	1,551	1,658
Economy				
GDP (current US\$) (billions)	43.13	99.84	218.89	332.93
GDP growth (annual %)	5.7	5.4	5.1	4.3
Inflation, GDP deflator (annual %)	18.4	4.9	10.1	6.2
Agriculture, forestry, and fishing, value added (% of GDP)	18	16	13	12
Industry (including construction), value added (% of GDP)	27	31	36	32
Exports of goods and services (% of GDP)	20	16	21	10
Imports of goods and services (% of GDP)	33	23	27	20
Gross capital formation (% of GDP)	29	20	20	15
Revenue, excluding grants (% of GDP)	23.0	24.3	24.8	21.0
Net lending (+) / net borrowing (-) (% of GDP)	-2.0	-6.7	-7.7	-10.7
States and markets				
Time required to start a business (days)	..	40	13	15
Domestic credit provided by financial sector (% of GDP)	99.8	89.0	69.4	119.6
Tax revenue (% of GDP)	13.2	13.4	14.1	12.5
Military expenditure (% of GDP)	3.6	2.7	2.1	1.7
Mobile cellular subscriptions (per 100 people)	0.0	1.9	84.0	102.2
Individuals using the Internet (% of population)	0.0	0.6	21.6	41.2
High-technology exports (% of manufactured exports)	..	0	1	0
Statistical Capacity score (Overall average)	86	88
Global links				
Merchandise trade (% of GDP)	37	20	36	24
Net barter terms of trade index (2000 = 100)	101	100	140	147
External debt stocks, total (DOD, current US\$) (millions)	33,016	29,195	36,834	67,214
External debt stocks, total (DOD, current US\$) (millions)	33,016	29,195	36,834	67,214
Total debt service (% of exports of goods, services and primary income)	28.6	9.8	6.1	18.9
Net migration (thousands)	-460	-74	-275	-275
Personal remittances, received (current US\$) (millions)	4,284	2,852	12,453	18,699
Foreign direct investment, net inflows (BoP, current US\$) (millions)	734	1,235	6,386	8,107
Net official development assistance received (current US\$) (millions)	6,065.2	1,370.8	599.2	2,130.3

Project Identification Form (PIF)

Country	Egypt
Full Project Name	Sustainable Transformation for Agricultural Resilience in Upper Egypt (STAR)
Project ID number in GRIPS	2000002202
Estimated Project Costs	US\$ 85 million
Estimated Co-financing	GEF estimated US\$ 15 million, US\$ 10 million GoE co-financing in the form of tax exemption. Additional GoE co-financing to be sought.
Is this an Additional Financing operation to fill in a Financing Gap?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is this an Additional Financing to scale up a well performing project?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is this a Phase II project?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is the project expected to be operating in a fragile situations or affected by political conflict and/or macro-economic instability in the country?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Using a Complex approach? <i>Such as a: Programmatic approach; Results- based lending ; Regional operations, 4Ps approach; and or operating in a new country etc.</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
In the current or past portfolio, are there systematic start-up delays, or recurrent major project management issues.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Will Fast Implementation Start Up (FIPS) Funds be used?	P-FIPS <input type="checkbox"/> T-FIPS <input type="checkbox"/> No <input checked="" type="checkbox"/>
Contributions to IFAD strategic Objectives (select only one)	SO1 <input checked="" type="checkbox"/> SO2 <input type="checkbox"/> SO3 <input type="checkbox"/>
Target Groups	Farmers <input checked="" type="checkbox"/> Organizations <input checked="" type="checkbox"/> Women <input checked="" type="checkbox"/> Youth <input type="checkbox"/> IPs <input checked="" type="checkbox"/> Others : Men
Development Problem	Poverty and hunger
Project Description	<p>STAR would be located in 1 or 2 Governorates in rural Upper Egypt, which is in line with IFAD's targeting mandate. About 56.8% of those living in Upper Egypt's rural areas cannot meet their basic needs, compared to 19.7% in the Nile Delta's rural areas. The region includes about 38 percent of Egypt's population and 67 percent of it is poor. The number of direct beneficiaries is tentatively estimated at around 50,000 rural HHs (or about 300,000 beneficiaries). The project will adopt an inclusive targeting approach, focusing on Female Headed Households and female youth. The goal of STAR is: to support the government to contribute to the sustainable improvement of rural incomes and resilient livelihoods in Egypt. The development objective is: enhanced resilience and incomes of smallholders through increased productivity and integration in sustainable marketing and rural finance systems.</p> <p>The expected outcomes include:</p> <ol style="list-style-type: none"> 1. Enhanced on-farm productivity; 2. Enhanced resilience to climate change; 3. Enhanced access to markets through 4P partnerships; 4. Enhanced access to rural financial products for both smallholders and pro-poor agri-businesses.

Project approach: thematic areas <i>Select up to 3 from the list</i>	Rural Enterprise Development & Non-farm employment opportunities	<input type="checkbox"/>
	Natural Resource Management	
	Land	<input type="checkbox"/>
	Water	<input type="checkbox"/>
	Energy	<input type="checkbox"/>
	Biodiversity	<input type="checkbox"/>
	Support to rural producers organizations	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>
	Rural infrastructure	<input type="checkbox"/>
	Technical and vocational skills development	<input type="checkbox"/>
	Improved agricultural technologies (depending on ADB study)	<input checked="" type="checkbox"/>
	Effective production services	<input type="checkbox"/>
	With Livestock	<input type="checkbox"/>
With Aquaculture / Fisheries	<input type="checkbox"/>	
Inclusive financial services	<input type="checkbox"/>	
Integration of poor rural people within value chains	<input checked="" type="checkbox"/>	
Food security and Nutrition	<input type="checkbox"/>	
Project CD/CPM	Dina Saleh	
Project Technical Lead	Wafaa El Khoury	

COSOP Support for Policy Engagement

I. Review of Government Policies for Agriculture and Rural Development.

Background

1. The rapidly increasing population size, water scarcity, dependency on food imports, and levels of extreme poverty in the rural areas are the key elements that shape agriculture and rural development policies in Egypt.
2. Agriculture is an important sector in the Egyptian economy and a key pillar for food security. The sector contributes an average of 13.2% to the GDP²². Over 80% of Egypt's water supply is used in agriculture with most of it coming from the Nile. A significant supply also comes from groundwater while less than 2% cultivation is rain-fed. The sector employs around 29% of the population²³. Also, agricultural and rural development policies are of particular importance because of their impact on other domains such as food security, water, the environment, jobs, poverty levels and the economy.
3. Egypt's constraints in achieving overall sustainable agriculture and food security include water insufficiency for agricultural purposes, extreme poverty among small-scale farmers, lack of coordination and integration between various stakeholders, complicated local administration system, unclear direction in agricultural development, declined governmental investments in the agriculture sector, weak infrastructure, as well as deficiencies in the design of specific intervention policies such as the long-standing universal food consumption subsidies.
4. Increasing productivity of land and water through more efficient use of those limited resources is necessary for increasing agricultural production. Land reclamation projects that had been conceived in the 1990s have been revived in the aftermath of the 2007/08 spikes in food prices, together with the modernization of irrigation systems and related infrastructure, as well as the recognition of the need for pricing and recycling of water.
5. Access to finance continues to be an issue for small-scale farmers and to the rural population. Although the legal and regulatory framework is coming into place, gaps still exist and what is currently available remains unfavourable to easy access to financial services particularly in the rural areas.
6. Despite what looks like a bleak picture in agriculture and rural development, Egypt has a unique climate, ecology and location which provides it with great potential for increasing agriculture production and for growing incomes in the rural areas. Unlocking the potential of the Egyptian agriculture sector requires taking full advantage of the recent series of economic reforms that liberated the Egyptian pound, introduced the value-added tax, and decreased energy subsidies. At this juncture, Egypt has a unique opportunity to focus on sector level policies including those within agriculture.

A. Major Strategies and Policies for Rural and Agricultural development

7. Food self-sufficiency has long been a key policy goal for Egypt. Article 79 of the 2014 constitution, for example, notes: "Each citizen has the right to healthy, sufficient

²² An Agricultural Policy Review of Egypt, First Steps Towards a New Strategy (CGIAR 2018)

²³ World Bank 2017

amounts of food and clean water. The state shall provide food resources to all citizens. It also ensures food sovereignty in a sustainable manner, and guarantees the protection of agricultural biological diversity and types of local plants to preserve the rights of generations²⁴”

8. Agricultural strategy in Egypt emphasizes the establishment and promotion of the physical base of agricultural activities in old lands and more specifically in the new lands to respond to the growing and changing population and export food needs. It also focuses on (i) maximizing productive efficiency from the limited resources available specially water, ii) providing expansion to redistribute population for demographic, economic, social and political reasons, iii) establishing new rural settlements in the new reclaimed lands, and iv) developing capacities of rural communities. Below are main strategies that cover Agriculture and Rural development:

B. The Sustainable Development Strategy (SDS)

9. The SDS is the overarching Egyptian Development Strategy until 2030. It has followed the sustainable development principle as a general framework for improving the quality of lives and welfare, taking into consideration the rights of new generations in a prosperous life; thus, dealing with three main dimensions; economic, social, and environmental. In addition, the SDS is based upon the principles of “inclusive sustainable development” and “balanced regional development”; emphasizing the full participation in development, ensuring its yields accrue to all parties. The strategy, as well, considers equal opportunities for all, closing development gaps, and efficient use of resources to ensure the rights of future generations.
10. For the agricultural sector, the SDS places emphasis on increasing self-sufficiency with regard to the agricultural products that contribute much to consumption, such as wheat and maize, with the objective of making the most of the water and land resources in a sustainable way. This strategy is at odds with the low economic value of cereals in relation to water used and Egypt’s limitations in increasing production of these crops due to severe scarcity of land and water resources. Modest progress towards production targets so far suggests that the dependency on imports in basic food stuffs will persist. At the same time, tapping the potential exportable production in high value crops remains a challenge due to lack of specific policies in support of this. Some of the specific objectives of the SDS are to:
 11. Develop a unified long-term political, economic and social vision as the base for short and medium-term development plans at the national, local and sectorial levels.
 12. Align national development objectives with those of the post-2015 United Nations Sustainable Development Goals (SDGs) and the Sustainable Development Strategy for Africa 2063.
 13. Enable the civil society organizations and Parliament members to monitor the implementation of the strategy, its objectives, KPIs, targets, programs and projects implemented according to a specific timeline.
 14. Egypt has identified five engines of growth: manufacturing industry, tourism, agribusiness, ICT, and the micro, small and medium enterprise (MSME) sector. A critical element is labor market policies that ensure adequate education and skill formation, increased productivity, and decent job opportunities, with emphasis is on youth employment.

C. Sustainable Agricultural Development Strategy 2030 (SADS 2030)

²⁴ Constitute 2015:26 of the Egyptian Constitution

15. The SADS 2030 is a strategic planning approach that sets ways and means to support the development of the agricultural sector in Egypt. The need to incorporate socioeconomic issues, in particular those related to the improvement of farmers and rural household livelihoods, is high among the SADS 2030 priorities.
16. The Government has formulated a new Sustainable Agriculture Development Strategy (SADS) towards 2030 in recognition of the fact that transformation of the agriculture sector is key for economic growth and development. The SADS is fully aligned with the SDS. The main thrusts of the strategy are the promotion of growth in the efficient and environmentally sustainable management of land and water, market development and the promotion of the private sector, better involvement of rural women in the development process, and reforms that make agricultural institutions more responsive to the needs of farmers. In particular, the strategy identifies the need to: (a) strengthen producer associations and make market information more freely available; (b) enact and enforce laws and regulations on product standards; (c) link agricultural extension more closely to research; and (d) develop the extension role of the private sector.
17. SADS 2030 links rural development to the improvement of credit facilitation services through village-level banks and presents a set of recommendations for policy reform to enhance agricultural productivity. According to the SADS' business plan from 2009-2010 to 2016-2017, six specific strategic objectives were identified, two of which were related to rural finance: (1) improving the livelihood of the rural inhabitants and reducing poverty rates in rural areas; and (2) improving the climate for agricultural investment.
18. In addition, the SADS sets forth recommendations for policy reforms such as the introduction of new concessional credit lines for reclaiming and developing new areas, and the introduction of credit lines for providing farmers with suitable and timely loans using contract farming as collateral. The concessional credit line for reclaiming and developing new lands communities was introduced through the IFAD supported West Noubaria Rural Development Project (WNRDP) and Sustainable Agriculture Investments and Livelihoods Project (SAIL) with the objective of catering financial products to the needs of rural enterprises and small farmers. In this way, IFAD's interventions have been deemed consistent with the strategy's vision for policy reforms.

D. Rural Financial Policy

19. The rural financial services policy which is under the economic dimension of the SDS, and as part of the monetary policy reform emphasizes the importance of increasing the effectiveness of financial intermediaries and achieving financial inclusion through: supporting the private sector and SMEs, and enhancing the rural banking system.
- 20.
21. The National Strategy for Microfinance (2005-2009) was developed under the World Bank project entitled "Building a National Strategy for Microfinance in Egypt: A Sector Development Approach" with the aim of improving financial inclusion and diversifying the range of microfinance services accessible to the poor. The strategy identified the primary areas for intervention at the micro, meso and macro levels for the provision of a variety of services to underserved market segments, including women, youth, start-ups and the rural poor. It emphasized the role of non-conventional financial institutions, such as banks, NGOs, Cooperatives and credit-only financial institutions, as well as the adoption of a multi-tiered financial system to facilitate access to microfinance.
22. Egypt was about to introduce its first microfinance law in 2011 when the political unrest took place and derailed the process. Finally, the new legislation was introduced in November 2014 and provided many changes to the small microfinance industry. The Microfinance law no. 141 of 2014 aims to regulate microfinance activities in Egypt and allows new stakeholders, including the private sector, to be actively involved in this field.

Under the supervision of Egyptian Financial Supervisory Authority (EFSA), the law specifies the legal and administrative procedures that condition the work of financial intermediaries such as NGOs and Community Development Associations (CDAs) in microfinance. A number of decrees were issued to specify good practices standards that ensure the protection of all lending parties.

E. Water policies in irrigation

23. Water conservation and increasing efficiency in agricultural are major objectives to the Egyptian government. Given that the amount of arable land available in Egypt is almost fixed, with limited capacity to expand it, the strategy has focused on the sustainable use of existing agricultural land, reclaiming desert areas, and increasing productivity through improved irrigation and cultivation methods.
24. The National Water Resources Plan for Egypt 2017-2037 (NWRP 2017-2037) aims at improving overall water use efficiency in agriculture, improving water allocation and distribution of Nile water, preventing or reducing emissions, and treatment of wastewater.
25. The Economic Reform and Structural Adjustment Program in the 1990s, brought restructuring of the institutional apparatus surrounding irrigation water. Law 12/1984 declared water as a public good delivered by the government to farms at no cost. The law also mandated that the flow of water past mesqas²⁵ should be integrated into a private system managed by water users²⁶. This decision reduces the government involvement in the operation and maintenance of public irrigation systems and, to a lesser extent, drainage services.
26. Law 213/1994 defines the use and management of public and private sector irrigation and drainage systems, including main canals, feeders, and drains. Article 71 of that law recognized and legalized Water Use Associations (WUAs) as specialized associations performing functions related to water management, while Ministerial Decree 14900/1995 reflected the functions, rights, and duties of WUAs in water management activities. Through this legislation, the aim was to work towards optimum utilization of available water through an integrated participatory system that engages farmers in management decisions over water in their hydraulic boundary, leading to more efficient use of water²⁷.
27. After the Economic Reform and Structural Adjustment Program and the removal of most subsidies on agricultural inputs and sharp curtailing of state interventions in the imposition of crop rotations and in agricultural pricing and marketing, farmers gained the right to plant what they pleased and no longer had to deliver their crops to the state. Many farmers increased their rice production, which imposed heavy demands on water and coupled with the shrinking in tax returns and budgets, the Ministry of Water Resources and Irrigation was limited in maintaining flows of irrigation canals.
28. In New Lands, water is provided by government at no cost to farmers. However, farmers still must cover the water pumping costs. However those costs are indirectly subsidized via fuel subsidies. As irrigation water is delivered free-of-charge to the canals, there are few incentives for farmers to invest in water conservation technology.

²⁵ "Mesqas": private channels that the public canal system delivers water to

²⁶ An Agricultural Policy Review of Egypt, First Steps Towards a New Strategy (CGIAR 2018)

²⁷ Law 213/1994

F. Land Reclamation Policy

29. Land reclamation has been pursued as an important strategy for growth and development since the 1950s by successive governments and has been adopted to achieve four policy objectives: (1) enhance agricultural production – the historical motive for reclamation; (2) decrease population growth in the Nile Valley and the delta; (3) generate employment; and (4) alleviate poverty.
30. The land reclamation policy is one main way the government has employed in dealing with the problems that a growing population presents, especially youth unemployment, overcrowding in urban areas, land fragmentation and low agriculture productivity. The government has been providing lands to unemployed agriculture graduates and households displaced from the old lands due to changes in land tenure arrangements. It has also taken proactive measures in other areas to deal with the problem of growing poverty and in-equality.
31. The government has a well-articulated policy for settling people on new lands. It provides them legal title to the lands. In addition, the existing policy also supports the formation of Agriculture Cooperatives. These cooperatives are allowed to engage in profit making activities on behalf of their members. Further assessment needs to be made of any further changes that might be required in the cooperative law to facilitate the growth of these organizations.

G. Food Security and Nutrition

32. The Ministry of Health and Population has placed nutrition as one of its main priorities and developed a 10-year Food and Nutrition Policy and Strategy (2007–2017). In recognition of its nutritional challenges, Egypt has developed a 10-year Food and Nutrition Policy and Strategy (2007 – 2017). Egypt is confronted by the double challenge of malnutrition and malnutrition-obesity. The prevalence of stunting in Egypt is 29% making it one of the 36 high-burden countries of the world. Egypt's nutritional challenges can be classified into two broad categories: maternal, infants and young children, youth and young adults.
- 33.
34. Related to this, there is a lack of clear government policy on food subsidy reform. It is likely that there is a link between malnutrition and malnutrition-obesity and the low cost of cereal-based foods such as white bread.

H. Other Relevant Policies

- a. National Strategic Framework Supporting Women's Rights, Gender Equality and the Elimination of All Forms of Discrimination and Ending Violence Against Women. This incorporates the adoption of gender-responsive budgeting and performance-based budgeting by the MoF as well as gender planning, monitoring and evaluation by the Ministry of State for Administrative Development (MSAD).
- b. The National Strategy for Childhood and Motherhood in Egypt, currently being prepared by the National Council for Childhood and Motherhood (NCCM).
- c. The National Youth Policy to be developed by the Ministry of State for Youth.
- d. The National Action Plan of the National Council for Women (NCW).

I. Previous and Ongoing IFAD Support in Policy Development

35. The establishment of an IFAD country presence in 2005 created new opportunities for policy engagement, and a major achievement during this period was IFAD's contribution to the preparation of the SADS 2030. IFAD's most active policy engagement was in the rural finance sector through its contribution meant to advocate for the inclusion of CDAs among the institutions allowed to engage in microfinance activities. The overarching objective of IFAD in-country policy engagement was to allow a better poverty targeting and expand outreach of pro-poor rural financial services.
36. Through its continuous dialogue with GoE, IFAD program succeeded to make all its rural finance activities an integral part of the implementation of the National Strategy for Microfinance (2005-2009). The strategy identified the primary areas for intervention at the micro, meso and macro levels for the provision of a variety of services to underserved market segments, including women, youth, start-ups and the rural poor. One of the four objectives identified at the micro-level related to the engagement of banks in microfinance.
37. Similar approach was followed after the enactment of the Microfinance law no. 141 of 2014 that aims to regulate microfinance activities is important in improving loan management and it was recognized in IFAD's projects. As an illustration, under PRIME, the rural finance component was extended for two years in order to give CDAs the opportunity to adapt to the new law and complete the administrative and legal procedures.

J. Future Proposals for IFAD Support in Policy Reform

38. There is a clear expectation that a stronger country office will allow increased attention to partnership-building, knowledge management and policy engagement. Key to this will be to manage knowledge from loans and grants to support learning and innovation. IFAD can become an honest knowledge broker, supporting systematic learning from success and failure, facilitating learning partnerships that involve partners from loans and grants, and preparing good practices and strategic lessons for policy engagement and scaling up.
39. Under the new COSOP and in support for effective policy engagement, IFAD will establish clear roles and responsibilities for knowledge management within the country (including ICO, government partners and projects) and at regional level. This would involve the following:
 - a. Establishing a structure for effective coordination and technical support within a progressing programmatic approach: During IFAD 11, the country team in collaboration with MIIC and MALR will establish a centralised project coordination unit to provide much needed supervision, establishment of standards, coordination and alignment of components across all IFAD-financed projects (and other complementary initiatives). While influencing policy is always difficult in large countries, IFAD can play a key role through its coordination efforts.
 - b. Managing knowledge from loans and grants to support learning and innovation: Grant resources will be sought from the climate funds (GEF, GCF, Adaptation Fund) and will include knowledge and policy engagement elements that can be integrated into agricultural and new lands programs across the country. The overall program (covering loans and non-lending activities) has as a strategic objective the development of policies that will incorporate the sustainability of

natural resources (and that will develop solutions through learning and innovations).

40. The COSOP overarching goal is to contribute to the sustainable improvement of rural incomes and resilient livelihoods in Egypt. The goal will be pursued through two mutually-supportive strategic objectives (SOs), the first centered on livelihood options available to rural households and the second focused on improving the policy space for sustainable and inclusive rural transformation:
- SO1: Livelihoods of rural men and women are improved by enhancing productivity and profitability of agriculture-related activities.
 - SO2: Development of enhanced policies that support inclusive and sustainable rural transformation is fostered
41. The COSOP will provide for policy enhancement through both of these SOs, as the experience derived through SO1 will translate into policy results through SO2. As a starting point, the programme should take stock of the existing institutions and the legal and policy framework with support from a rural institutions specialist. The stock-taking exercise could also involve a joint workshop or conference with other development partners, which would have the added benefit of experience sharing and partnership building. Based on this analysis, a refined strategy for effective capacity-building and policy engagement on rural institutions supported by IFAD can be produced.
42. Specific areas for Policy Reform that could be included under this COSOP are highlighted below. It should be noted that this is an indicative list of areas to be further refined in close consultations with the GoE and our key partners.
- a. Cooperative Reform. Opportunities for policy reform and dialogue will be explored to make the co-operatives more member-controlled and initiate policy dialogue to strengthen the regulatory framework on the operations of the cooperatives which currently limits their participation in profit-oriented activities.
 - b. Water Use Efficiency. The COSOP will promote efficient use of water through greater access to modern irrigation methods which will reduce the waste of water and could potentially make it available for use by others. Recognising this, COSOP operations in Egypt would improve Water Use Efficiency (WUE) at field level. Also, interventions would be designed to incentivise, build capacities and provide evidence to inform policy process and agricultural investment decisions on the crucial role of water use efficiency. New interventions would ensure that irrigation investments are supported by effective capacity-building of community-level institutions on efficient use of water.
 - c. Access to Finance. Access to finance remains problematic for the majority of farmers. There are issues with relatively stringent requirements for collateral and poorly developed value chain financing systems. The CDAs have low capacity to enable financing for non-farm rural enterprises. The savings and credit cooperatives are active in some localities, but they have an uneven record of performance, and in many cases, require capacity-building to enable them to adequately serve small-scale farmers. Thus, coordination mechanisms as well as integrating rural finance and marketing/capacity building efforts can be key to improving agriculture production in the rural areas. The GoE is aware of this issue and is making efforts to promote the financial inclusion agenda in the country. For example, the Central Bank of Egypt has launched in 2018 a three year initiative of financial inclusion aiming at supporting access to financial services to the unbanked and underbanked and developing policy recommendations in digital finance.

- d. Promoting Higher Value Crops and Value Addition as more efficient means of using scarce water resources. The project(s) supported under this COSOP should adopt a policy of supporting cropping focussed on high value returns per unit of water-use, rather than simply yield per ha. This will demonstrate the advantages of high value cropping, especially for export, as opposed to producing cereals for local consumption.
- e. Nutrition. Food Subsidy Reform. The challenges in nutrition, both in terms of mal-nutrition and obesity, are noted. It is possible that there may be a link between the subsidies provided for basic foods and poor nutrition, especially obesity amongst poor people. It is recommended that IFAD considers supporting a study to evaluate any link between the subsidy policy and poor nutrition, and to provide ideas for policy reform. The sensitivity of this topic is noted, and there would need to be close collaboration with the GOE prior to commissioning such a study.

Key File 1: Rural Poverty and Agricultural/Rural Sector Issues

Priority Area	Affected Group	Major Issues	Actions Needed
Water scarcity and inefficient use of available irrigation water	Smallholder farmers (men and women) and rural households	<ul style="list-style-type: none"> • Relying on the Nile river that is reducing in flow and is affected by pollution, obstruction, and increasing temperatures. • Inadequate incentive structures for water conservation and crop selection to reduce water consumption. • Limited involvement of farmers in system management. • Lack of proper operation and maintenance of the irrigation system. • Old inefficient irrigation infrastructure. • High cost and shortage of energy in the use of irrigation. 	<ul style="list-style-type: none"> → Improve Water Use Efficiency (WUE) at field level. → Interventions to incentivise, build capacities and provide evidence to inform policy process and agricultural investment decisions on the crucial role of water use efficiency. → New interventions to ensure irrigation investments are supported by effective capacity-building of community-level institutions on efficient use of water. → strengthen participatory irrigation systems. → Improvement of irrigation infrastructure. → Training of 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.
Climate Change	Farmers and rural households	Increase in annual temperature causing extreme weather fluctuation affecting sources of water for irrigation.	<ul style="list-style-type: none"> → Policy engagement to provide incentives for public and private investments to embrace methods to achieve sustainable change. → Align all activities with sustainability concerns. Increases in crop production along with the efficient use of natural resources, now and in the future. → Develop a resilient and adaptable agricultural system to climate change adversaries including built capacities and investments on climate adaptation methods.

Priority Area	Affected Group	Major Issues	Actions Needed
Insufficient food production to meet domestic demand resulting in food import dependency	Farmers and poor households throughout Egypt	<ul style="list-style-type: none"> • Major growth in population. • Scarcity of agricultural land and water resources. • Weak instructions and infrastructure. • Unclear direction in agricultural development and frequently changing priorities. • Deficiencies in the design of specific intervention policies. 	<ul style="list-style-type: none"> → Increasing productivity of land and water through more efficient use of the limited resources. → Improving infrastructure, market intelligence, and introducing modern production techniques. → Policy engagement to provide incentives for the use of selected crops that use less water but have high value and production and are nutritious.
Financial exclusion	Smallholder farmers, women and youth	<ul style="list-style-type: none"> • Procedures for obtaining loans remain lengthy, complicated, or can have financing requirements that are incompatible with rural communities, smallholder farmers, women, or youth. • Loans are provided to medium-scale enterprises without maximizing spill over effects accruing to smallholders/poor rural inhabitants. 	<ul style="list-style-type: none"> → Improve rural financial products and credit suitable for smallholder farmers, the poor, women and youth in the rural areas. → Support more competition for the access to rural finance resources under the IFAD program through the use of targeted refinancing procedures → Use a blend of matching grants and loans on commercial terms to better enhance sustainability. → Promote capacities of community development associations (CDAs) to enhance effectiveness and efficiency of loan management.
Small scale and fragmented production by small-farmers	Smallholder farmers (men and women)	<ul style="list-style-type: none"> • Limited involvement of farmers in system management. • Lack of proper operation and maintenance of the system. • Old inefficient irrigation infrastructure. • High cost and shortage of energy in the use of irrigation. 	<ul style="list-style-type: none"> → Organizing small farmers into groups and Farmer Market Associations to enable them to take advantage of economies of scale, reduce transactions cost and enhance their bargaining power. → Introduce participatory irrigation systems. → Improvement of irrigation and infrastructure considering smallholder farmers.
Unemployment and underemployment in rural areas	Rural young men and women, women, and households with limited land and	<ul style="list-style-type: none"> • Few available employment opportunities in the rural areas 	<ul style="list-style-type: none"> → Improve access to marketing and business opportunities. → Promote new technologies.

Priority Area	Affected Group	Major Issues	Actions Needed
	other productive resources.	<p>especially on new lands.</p> <ul style="list-style-type: none"> • Matched skills with the needs in the rural areas. • Gender disparity. • Limited access to credit for productive investment. • Poorly developed infrastructure to connect to the market. 	<ul style="list-style-type: none"> → Investment in access to new agriculture lands. → Vocational training and increase quality of education matching needs with skills. → Promote gender parity with land acquisition, education and skills, placing rural women in decision making positions, and the use of other women empowerment tools. → Improve access to financial services. → Investment in infrastructure in the rural areas.

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"> Well-articulated strategy for development. Potential to organize farmers through the Agriculture Cooperatives. MALR's access to ARDF provides a mechanism for directing financial services to the agriculture sector. Good National Agriculture Research System with capacity for training support. Considerable experience of working with IFAD financed projects. MALR and ARC have more than 100,000 staff. 	<ul style="list-style-type: none"> Limited capacity to assist the small farmers. Limited staff incentives and operational support. Limited coordination with the MWRI The Ministry has not added to establishing a cadre of competent officers as it has not recruited any new staff on a regular basis since 1985. Frequent changes in the Ministry. 	<ul style="list-style-type: none"> A well-developed strategy towards 2030 with a business plan up to 2017. Policy advocacy on behalf of smallholders. Assist smallholders in increasing production on new lands. Provide support to orient the smallholder towards commercial production. 	<ul style="list-style-type: none"> Agriculture prices are highly variable. Market conditions for agricultural commodities are not stable.
Ministry of Water Resources & Irrigation (MWRI)	<ul style="list-style-type: none"> High level policy commitment to modernize the irrigation sector. Strong donor support for irrigation, water use improvement and institutional reform in the water sector. Experience with participatory irrigation management and formation of WUAs and Water Boards. 	<ul style="list-style-type: none"> Limited water availability to expand to new areas. The use of inappropriate technical choices in modernizing the irrigation system. Limited capacity to organize water user associations effectively. Frequent changes in the Ministry. 	<ul style="list-style-type: none"> 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 User's at branch level. 	<ul style="list-style-type: none"> Limited capacity of the private sector to engage in modernizing the system. High energy costs for pumping water.
Agricultural Bank of Egypt (ABE), formerly Principal Bank for Development and Agriculture Credit. (PBDAC)	<ul style="list-style-type: none"> Extensive network of branches and village banks with a mandate to provide financial services to rural areas. <ul style="list-style-type: none"> Mandate to work with farmers and rural businesses. Strong interest in exploring innovative approaches for delivery of financial services to farmers. 	<ul style="list-style-type: none"> Poor history of adaptation of lending terms to poor rural borrowers. Lack of staff orientation to serve microfinance clients. Current policies and procedures do not support farmers in new lands. Frequent changes in overall orientation and leadership have delayed services on the 	<ul style="list-style-type: none"> Senior management is keen to meet the smallholders need for 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"> The plans for making the bank commercially viable are likely to make its lending more conservative. Limited orientation of staff to deal with microfinance

Organization	Strengths	Weaknesses	Opportunities	Threats
		<p>ground.</p> <ul style="list-style-type: none"> Reluctance to take further risks in the microfinance sector at the moment. 		<p>clients.</p>
<p>Micro, Small and Medium Enterprises Development Agency (MSMEDA), formerly Social Fund for Development (SFD)</p>	<ul style="list-style-type: none"> Established network and offices in all governorates with 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. Separate section for small business start-ups and promotion. Strong system of financial management and audit. 	<ul style="list-style-type: none"> Poor record of working an integral part of a project team and integrate lending with other project components. Needs greater focus in working with non-bank microfinance institutions. Needs to develop a proper strategy for provision to rural areas. Becoming increasingly conservative in its approach to lending to the poor. Variable performance in IFAD financed projects. 	<ul style="list-style-type: none"> Has a comparative advantage in working with non-bank financial institutions. Considerable experience of working with IFAD in the agricultural and rural Development sectors through partnership with IFAD in UERDP, OFIDO, PRIME and SAIL. Strong leadership committed to innovation. 	<ul style="list-style-type: none"> A growing aversion to risk and lending to the IFAD target group in rural areas and the agriculture sector. Limited willingness to lend to new organizations.
<p>Agriculture Research and Development Fund (ARDF)</p> <p>(Owned by the MALR and managed by the Commercial International Bank)</p>	<ul style="list-style-type: none"> Capacity to provide dedicated financial services to the agriculture sector. Strong management arrangements through the use of the Commercial Investment Bank. Established operating links with 11 affiliated commercial banks, who in turn, provide both individual and collective loans directly or through Agriculture Cooperatives and selected Associations. Provision for investment income to provide technical assistance for research and development for the agriculture sector. 	<ul style="list-style-type: none"> The utilization rate of ARDF is only 53%. Limited leveraging of commercial bank resources for the agriculture sector. Loan applications are repeatedly scrutinized. Increasing centralization with the appointment of the Minister of agriculture as the Chairman of the Board of Trustees. Delay in approval of budgets and loan applications due to frequent changes in the office of the Minister. 	<ul style="list-style-type: none"> Increased resource flows and technical assistance to the smallholder farmer. Building the capacity of participating commercial banks to understand agriculture value chain finance. Leverage IFAD funds for attracting the risk appetite of the commercial sector for agriculture lending. 	<ul style="list-style-type: none"> Low commercial bank appetite to provide funds to the smallholder farmer. Low utilization of available funds.
<p>Agriculture Cooperatives</p>	<ul style="list-style-type: none"> Exist across the country and all farmers are required to register with the cooperatives. Can be used potentially for 	<ul style="list-style-type: none"> These are not a voluntary organization of farmers. Traditionally their role was restricted to assisting 	<ul style="list-style-type: none"> Can be used to channel financial services to small farmers. Can be used to organize 	<ul style="list-style-type: none"> Low level of participation of women in the cooperatives.

Organization	Strengths	Weaknesses	Opportunities	Threats
	<p>distributing agricultural inputs to the large number of small farmers.</p> <ul style="list-style-type: none"> ● Can be good mechanism for organizing and providing support to the smallholder farmer. ● Capacity to link farmers with markets. ● Capacity to enable farmers to access financial services. ● Have been a good mechanism in several IFAD financed projects. 	<p>Government with procurement of key commodities such as wheat.</p> <ul style="list-style-type: none"> ● Long-term sustainability depends upon their capacity to forge effective relationships. ● Unable to forge market links on their own and require technical assistance to enable them to do so. 	<p>farmers for extension messages and training.</p> <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. ● Potential for enabling small farmers to realise economies of scale, reduce transactions cost and enhance their bargaining power. 	<ul style="list-style-type: none"> ● The private sector may prefer to deal with a few large farmers and ignore the smallholder farmers.
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 of support to rural communities in several IFAD financed projects. ● They can provide a good mechanism for inclusion of women. 	<ul style="list-style-type: none"> ● Their sustainability depends upon their financing from donors and partially by Government. ● Generally are dominated by a few active members. ● Limited capacity to raise funds through their own sources and enterprises. 	<ul style="list-style-type: none"> ● Potential to encourage their growth in the enterprise sector. ● The new law on rural finance provides an opportunity for them to register as profit oriented companies for provision of financial services under proper supervision. ● An important mechanism for growth in new communities for provision of social sector services. 	<ul style="list-style-type: none"> ● Tend to be dominated by a few.

Organization	Strengths	Weaknesses	Opportunities	Threats
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. ● Have proven capacity with strong leadership to establish marketing and processing infrastructure. 	<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
AfDB	<ul style="list-style-type: none"> ● Use of renewable energy for pumping irrigation ● FARM Level Irrigation Project 	<ul style="list-style-type: none"> ● Governorates of Minia and Matrouh ● Governorate of Beheira 	<ul style="list-style-type: none"> ● On-going, closing in 2019 ● Pipeline 	<ul style="list-style-type: none"> ● The AFDB assessment on the use of renewable energies in agriculture and its work around the sustainability of natural resources will feed into the interventions designed under the IFAD program, and allow potential co-financing of sustainable solutions. ● Very relevant to OFIDO Project. Potential for WB/AFDB/KFW/IFAD/AFD to intensify engagement in policy dialogue, especially with respect to modernization irrigation systems in old lands.
EU and Italian MFAIC	The European Union- Joint Rural Development Programme	Governorates of Minia, Fayoum and Matrouh	On-going, closing in 2022	<ul style="list-style-type: none"> ● The Programme supports the adoption of climate change mitigation and adaptation practices through proper water usage activities and the adoption of Good Agricultural Practices (GAPs) which is closely supporting IFAD interventions in Minia. ● The Programme investment for Irrigation infrastructures and efficiency improved assists and supports IFAD investment in irrigation infrastructure. ● Knowledge sharing on

Donor/Agency	Nature Of Project/Programme	Project/ Programme Coverage	Status	Complementarity/ Synergy Potential
				rehabilitation and/or construction of Water harvesting schemes.
FAO	<ul style="list-style-type: none"> Support sustainable water management and irrigation modernization for newly reclaimed areas. Water harvesting and Good Agriculture Practices for Improved Livelihood and Increased and Sustained Production in Matrouh Rain-fed Agricultural areas. <p>Good Agricultural Practices (GAPs) for sustainable improvement of quality and quantity of horticultural production of small-scale farmers in Fayoum</p>	<ul style="list-style-type: none"> Egypt – New lands Matrouh Governorate Fayoum Governorate 	<ul style="list-style-type: none"> On-going, closing in 2019 On-going, closing in 2019 On-going, closing in 2019 	<ul style="list-style-type: none"> Knowledge sharing on irrigation modernization for newly reclaimed areas. Knowledge sharing on water harvesting interventions that will facilitate the implementation of the new IFAD funded project in Matrouh. <p>Knowledge sharing on Good Agricultural Practices (GAPs) that will contribute significantly to the implementation of similar activities under SAIL project.</p>
AFD	<ul style="list-style-type: none"> Supporting agricultural SMES in order to promote rural employment. Modernizing plot irrigation in the Nile Delta 	<ul style="list-style-type: none"> Egypt Kafr El-Shiek Governorate 	<ul style="list-style-type: none"> On-going, closing in 2019 <p>On-going, closing in 2018</p>	<ul style="list-style-type: none"> Knowledge sharing on credit facilities for agricultural industries. Very relevant to OFIDO Project.
GCF	Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions in Egypt.	Northern Coast Governorates	Approved for funding with 7 years implementation period	Providing coastal defence soft structures and integrated coastal management to adapt to coastal flooding from sea level rise and increased frequency of storms. This will reduce the vulnerability of coastal infrastructure, protecting surrounding villages, agricultural.
GEF	Sustainable Management of Kharga Oasis Agro-Ecosystems in the Egyptian Western Desert.	New Valley	On-going, closing in 2018	The Programme supports the sustainable food production systems that help maintain and progressively improve land and

Donor/Agency	Nature Of Project/Programme	Project/ Programme Coverage	Status	Complementarity/ Synergy Potential
				soil quality and agro-biodiversity in oasis agro-ecosystems of the Egyptian Western Desert which will be a platform for any future IFAD intervention in the same area.
GIZ	<ul style="list-style-type: none"> • Water Management Reform Programme • Promotion of access to financial services for small and medium enterprises. 	<ul style="list-style-type: none"> • Governorates of Kafr el Sheikh and Beheira. • Egypt 	<ul style="list-style-type: none"> • On-going, closing in 2018 • On-going, closing in 2021 	<ul style="list-style-type: none"> • The existing partnership with GiZ on agricultural marketing support will be strengthened. Complementarities with marketing initiatives being financed through the German cooperation agency. Communities supported through IFAD-financed programs will learn from and access marketing and standard-setting activities under GIZ-financed programs. • Potential cooperation between IFAD and GIZ in implementing SAIL project activities with respect to FFSs is currently negotiated. • Knowledge sharing and Potential for IFAD/GIZ to intensify engagement in policy dialogue, especially with respect to financial services offered to SMEs by non-bank financial institutions.
UNICEF	Nutrition Stakeholder and Action Mapping Report	Egypt	2017	Recognising the need to address this issue with greater urgency, the Ministry of Health and Population (MoHP) with UNICEF have developed a Nutrition Agenda for Action framework document (2017) to

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				serve as a road map to address the nutrition challenges that the country faces.
USAID	<p>Feed the Future Egypt Food Security and Agribusiness Support is USAID/Egypt's core agriculture activity, supported by the U.S. government's Feed the Future initiative. Using a market-driven approach, USAID is increasing agriculture-related incomes of 14,000 farmers through strengthening sustainable fruit and vegetable value chains for domestic and export markets.</p> <p>Feed the Future Egypt Food Security and Agribusiness Support is USAID/Egypt's core agriculture activity, and supports agricultural value chain development in Upper Egypt.</p>	<p>Governorates of Beheira and Luxor</p> <p>Upper Egypt governorates of Beni-Suef, Menia, Assiut, Sohag, Qena, Luxor, and Aswan.</p>	On-going, closing in 2020	<p>Knowledge sharing on post-harvest processes and marketing that will support the implementation of SAIL and PRIME</p> <p>Alignment with USAID Upper Egypt intervention through STAR.</p>
WFP	Scale up and complement activities on nutrition sensitive activities in the target areas	National	Ongoing	
World Bank	The WB portfolio in Egypt includes 20 active projects of which six directly or indirectly impact on the agricultural/rural sectors: IFAD is closely coordinating its interventions with the WB.	<p>Second Integrated Sanitation and Sewerage Project (approved June 2011, USD 300 million): In Menoufia, Sharkeya, Assiut, and Sohag Governorates, providing increased access to improved sanitation and sewerage services.</p> <p>Sustainable Rural Sanitation Services Program for Results Project (\$550 mn, July 2015): To strengthen institutions and policies for increasing access</p>	All the highlighted projects are ongoing	<p>IFAD country team in touch with WB country team specifically about aligning STAR with the Local Development Program-for-Results Project (\$500 mn, Sep 2016), that focuses on Sohag and Qena governorates in Upper Egypt.</p> <p>Potential for WB/IFAD to intensify engagement in policy dialogue, especially with respect to microfinance.</p> <p>WB supports for sanitation is</p>

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		<p>and improving rural sanitation services in the Governorates of Beheira, Dakahliya, and Sharkiya</p> <p>Local Development Program-for-Results Project (\$500 mn, Sep 2016): To improve the business environment for private sector development and strengthen local government capacity for quality infrastructure and service delivery in select governorates in Upper Egypt.</p> <p>Strengthening Social Safety Net Project (\$400 mn, April 2015): The Takaful and Karama program is being developed as a national targeted social safety net (SSN) program aimed at protecting the poor through income support.</p> <p>Inclusive Regulations for Microfinance Project (\$4.5 mn, July 2014). To strengthen the regulatory and institutional framework of the microfinance sector</p> <p>Promoting Innovation for Inclusive Financial Access Project (\$300 mn, April 2014): To expand access to finance for micro and small enterprises using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.</p>		<p>relevant given the problems of rural sanitation, especially in the Nile Delta.</p> <p>WB investment for local infrastructure assists and supports IFAD investment in irrigation infrastructure.</p> <p>WB support for agriculture now under preparation.</p>
KFW	Integrated Water Resource Management (IWRM)	Governorates of Beheira and Kafr el Sheikh	On-going, closing in 2018	Very relevant to OFIDO Project.

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

Typology	Priority Issues	Coping Actions	Priority Needs	RB-COSOP Response
Smallholder farmers (Men and Women)	<ul style="list-style-type: none"> Limited landholding. Limited access to irrigation water. Limited access to finance. Limited access to markets. High transactions cost due to limited surplus for marketing. Limited bargaining power. High level of post-production losses. Low productivity of animals. High livestock mortality and morbidity rates. Limited access to feed, water and veterinary services for livestock. Limited opportunities to diversity livelihoods into non-farm activities. 	<ul style="list-style-type: none"> Men and women work as casual labourers locally. Recourse to loans from friends, input suppliers, traders. Temporary labour migration to neighbouring areas or countries. Sale of assets, including livestock. Support from relatives; Debt financing of expenditures. Reduction in food consumption. Reduced expenditure on education, health care and other expenditures. 	<ul style="list-style-type: none"> Organize small farmers for improved access to inputs and 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. Enhanced access to markets.
Rural Women	<ul style="list-style-type: none"> Social restrictions and taboos which limits access to a wide range of employment and training opportunities. Low level of skills. Restricted access to all types of assets including land. Low pay for activities. 	<ul style="list-style-type: none"> 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.
Youth	<ul style="list-style-type: none"> Low levels of literacy. 	<ul style="list-style-type: none"> Recourse to menial jobs. 	<ul style="list-style-type: none"> Better income-earning 	<ul style="list-style-type: none"> Promotion of small and

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 and other expenditures. ● Postponing marriage. 	<ul style="list-style-type: none"> opportunities. ● Training in management and technical skills. ● Access to financial and non- financial business services. 	<ul style="list-style-type: none"> microenterprises. ● Training for vocational and off-farm income-generating activities. ● Skill and basic management training. ● Availability of financial services.