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Report on the 2021 Country Visit of the IFAD Executive Board to the Arab Republic of Egypt

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For: Information

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1. **Background and general presentation of the visit.** Egypt invests heavily in securing and creating new arable land and the necessary infrastructure for its rapidly growing population of 100 million people (+2.6 million per year), concentrated on a narrow strip along the Nile Valley. Egyptians occupy 6 per cent of the land, of which only 3 per cent is arable. Furthermore, the country is faced with increasing challenges due to climate change. Water availability and food security are therefore strategic issues. Productivity increases, technological innovation (e.g. use of digitalization), exports and substituting imports have been reinforced as strategic objectives (with COVID-19 adding impetus in this direction). Evidence- and results-based decision-making has become more important in the agriculture sector. Improving governance, transparency, an improved business environment and stronger collaboration with private sector investors to create jobs, incomes and prospects for the growing young population (in view of a fairly strong role of the state in the economy) remain high on the agenda. Social inclusion and safety nets have been reinforced to increase resilience, while public debt and the macroeconomic situation have been kept under control despite COVID-19.
2. IFAD is one of the largest and most important contributors to the agriculture sector among development partners; indeed, Egypt represents the Near East, North Africa and Europe Division's largest investment portfolio. Currently, it has three projects in its active portfolio totalling US\$285 million and is cooperating with several development partners. The current country strategic opportunities programme (COSOP) 2019-2024 focuses on:
 - a. Improved livelihoods for rural men and women through enhanced productivity and profitability of agriculture (water, labour and land productivity, better access to markets, enhanced financial inclusion of rural poor households, strengthened/empowered community-based institutions); and
 - b. The development of enhanced policies that support inclusive and sustainable rural transformation (recognition of the economic value of land and water resources in policy and investment decisions; prevention/reversal of land degradation induced by climate change through strengthened capacity and the right standard procedures and investments; and enhanced policies that support the participation of rural women and youth in the rural economy).
3. **Proceedings.** As part of the Executive Board's annual country visits, a delegation from the IFAD Executive Board – Executive Board representatives for Argentina, Cameroon, Côte d'Ivoire, France, Germany and Nigeria – led by their Spokesperson, His Excellency Dr Yaya O. Olaniran, Permanent Representative of the Federal Republic of Nigeria to the United Nations Organizations for Food and Agriculture, visited the Arab Republic of Egypt from 23 to 30 October. The Board members were accompanied inter alia by the Associate Vice-President, Programme Management Department; the Chief of Staff and Director of the Office of the President and Vice-President; the Director, Independent Office of Evaluation of IFAD (IOE); the Regional Director, Near East, North Africa and Europe Division (NEN); the Secretary of IFAD and his staff; and the Country Director and acting Head of the Cairo Multi-Country Office (MCO).
4. The objectives of the visit were to:
 - Appreciate activities in the field and meet beneficiaries, government officials and partners;

- Promote dialogue with state and local government officials regarding IFAD's role in Egypt;
 - Gain insights into public policies on community infrastructure, water management, microfinance and agricultural technologies as a means of promoting rural development;
 - Better understand lessons emerging from the 2017 IOE country strategy and programme evaluation (CSPE);
 - Provide Board representatives with a more comprehensive perspective on the country situation and the challenges faced by IFAD operations; and
 - Enable Board representatives to provide informed guidance on strategic and operational matters to the rest of the Executive Board to enhance their critical oversight and strategic role.
5. The visit included high-level meetings with government representatives, field visits in the "new lands" (land recovered from the desert) in the Nile delta, and discussions and presentations with the United Nations Resident Coordinator, with IFAD's MCO in Cairo and its team, and exchanges with other development partners. Board representatives met, inter alia, with the Prime Minister, the Minister for Agriculture and Land Reclamation and his Deputy Minister, the Minister for International Cooperation, the Assistant Minister for Foreign Affairs for Multilateral and International Security Affairs, and the Deputy Assistant Foreign Minister for International Specialized Agencies.
 6. After a briefing by the Director, IOE and the Egypt country team at the beginning of the visit, the delegation had an opportunity to look at the 2017 CSPE, which covered the period 2005-2016, its recommendations and the state of implementation of these recommendations, in conjunction with the existing COSOP (2019-2024). The Director, IOE highlighted that the CSPE of the previous strategy had shown that alignment with government policies was partial and selective and that regional diversity, food security and gender equality at the time of the evaluation had not been specifically addressed. It was also noted that the COSOP had not yet envisaged a focus on the new lands. The CSPE concluded that the contribution to pro-poor sustainable use of resources, sustainable employment, participatory governance and gender equality was limited, partly due to lack of data, meaning that more effort had to be put into building up monitoring and evaluation capacity. However, the current strategy addressed many of these shortcomings, including the Government's needs and funding gaps, particularly in the new lands.
 7. The delegation then met the Minister for Agriculture and Land Reclamation for an exchange on the collaboration between Egypt and IFAD and the impressions and expectations of the Government. From Monday, 25 October to Wednesday, 27 October the delegation visited both completed and active projects in West Noubaria, Kafr El Sheikh and Sadat City. These included the former West Noubaria Rural Development Project (WNRDP), the Sustainable Agriculture Investments and Livelihoods Project (SAIL) and the Promotion of Rural Incomes through Market Enhancement Project (PRIME). These projects addressed cattle-breeding, artificial insemination and different income-generating agricultural activities (including digital applications, biogas, gardening) in the production and marketing of agricultural produce and income generation, irrigation and economic and social infrastructure for agriculture in an arid/desert context (including drip irrigation, irrigation canals and their maintenance), rural finance, the strengthening of farmers' and especially youth and women's associations and the inclusion of smallholders in agricultural production for export markets. Of particular interest was the evidence of project sustainability seen in the

artificial insemination centre and cattle-breeding activity which dated back to the 90s. Given the particular context (reclamation of land from the desert, provision of land to farmers), climate change, mitigation and adaptation also played a major role in interventions. On return to Cairo, the delegation met with officials from the Ministry of Foreign Affairs, with their Excellencies, the Minister of International Cooperation, the Minister of Agriculture and Land Reclamation and the Prime Minister to convey their impressions. It also visited the MCO in Cairo and had an exchange with staff and the Resident Coordinator. The delegation also had the opportunity to converse with other development partners at a reception hosted by the MCO.

General overview of project and programme implementation and contacts with beneficiaries

8. **The West Noubaria Rural Development Project (WNRDP) (closed):** livestock and dairy activities at Al Noubaria (Al Israa village) and the artificial insemination centre at Al Amreya. The livestock and dairy station offers extension and technical services for smallholder producers and livestock farmers (training centre), accommodating more than 1,300 cattle and producing around 40,000 litres of milk which is sufficient to sustain operations (including by producing processed milk products such as *mozzarella di bufala*¹ at the farm directly for the market). The delegation was impressed by the upkeep of the project by the Ministry of Agriculture years after its closure and by the 50-fold income increases reported for some farmers. The artificial insemination centre meets the supply needs of a great part of the country and plans to further expand. The centre plays an important role in enhancing the production and reproductive capacity of cattle herds (genetic improvement services), serving beneficiaries. It also offers training to fresh graduates in rural development. Given the limited farming space for livestock in Egypt, the centre focuses on increasing the productivity and fattening of livestock, with less emphasis on promoting cross-breeding to improve adaptation to conditions. After the end of the WNRDP project, the SAIL project had continued to provide support, although it seemed that the Ministry of Agriculture was fully capable of running the centre. The role of women in WNRDP was less clear, which may be related to the delegation not having visited the villages.
9. **Field visit – Ibrahim el Dessouky village and Al-Said Al-Badawy village, Kafr El Sheikh.** The field visit started with a presentation by beneficiaries of their projects, produce and innovations in a fair-like setting. Through this exhibition, it was evident that new crops have been introduced and training provided. In order to succeed, learning material had been developed in a way that conveyed scientific evidence in simple language for smallholders. Marketing support to farmers' associations and marketing studies for crops have proven important. Digital solutions are tested. Similar to WNRDP, the reported increase in farmers' income through some of the projects is impressive. Other projects visited included an agricultural meteorological station (sending information by SMS to farmers), aquaponics, greenhouses, a house garden, a biogas unit (also offering organic fertilizers), a veterinary clinic, diverse women's activities (especially in the field of sewing and clothing production) and the agricultural drainage work with water users' associations in the face of increasing water salinity. Overall, compared to WNRDP, the role of women was much more visible and a positive development to note. However, deficits remain, for example only 15 per cent of lending went to women. Cooperation with the German Agency for International Cooperation and other development partners has provided know-how and resources in this regard.

¹ Training was provided by Italian experts through the Italian debt swap programme as part of the WNRDP.

10. A field visit took place to Beheira Governorate to see the work of the agroprocessor and borrower, Belco Company, under the PRIME project. The company – which works on land reclaimed from the desert – supplies fruits and vegetables both to the international market (to well-known supermarkets such as Tesco in the United Kingdom, for example) and the local market. It has also received several credits. Belco works with the PRIME project to include smallholder farmers in the supply chain in the face of increasing demand, but also supports them through input supplies and training to meet the high international standard requirements that smallholders normally cannot meet on their own. Smallholders can thus significantly increase their productivity and income. Income from increasing fruit exports in hard-currency countries is important for Egypt, as it continues to rely on food imports (particularly cereals) given its natural limitations and preferences. The main problems that Belco encountered with smallholders were compliance with international market requirements (including the use of pesticides) and the need to change farmers' mentality towards export-oriented production. The number of smallholders and their associations has been increasing steadily, but Belco's work is limited due to the stringent controls that have to be undertaken to be able to export. From the discussions, the impression was that the credit as such has had an initial positive effect, but that, for Belco, it would not make a major difference in the future whether credit came from IFAD or from another credit provider because the company already seemed convinced about the value of smallholder incorporation. Farmers' associations involved in the export market were still rare.
11. The meetings with Ms Elena Panova, the Resident Coordinator, and the subsequent meeting with MCO staff confirmed that the cross-departmental teams in NEN and MCO performed and functioned well, and worked with a collaborative spirit despite a number of vacancies. Management should follow up on claims that procedures and bureaucracy are becoming ever more complex and complicated for staff. Staff also pointed to the multitude of directives coming out of processes like the Sustainable Development Goals (SDGs), the Food Systems Summit (FSS), and the Conference(s) of the Parties to the United Nations Framework Convention on Climate Change (COP).
12. **Strategic discussions with the Government.** The delegation was impressed by the Government's engagement in sustaining and scaling up lessons learned from the cooperation with IFAD in joint operations and in closed projects. The ownership that was visible during the visit highlighted the need for an aggressive scaling-up through the Government. IFAD should support the Government in this endeavour where feasible, including in its vision on whether and how to feed its experience into possible trilateral cooperation projects.
13. The delegation saw a similar mindset with respect to maximizing impact on poorer beneficiaries and supporting decent living conditions in rural areas. The Government made it clear that the agriculture sector remains "on top" among its three priority sectors. Its contribution to food security and to the economy (in terms of GDP, employment, export income) and development is seen as crucial and a national security issue. Irrigation infrastructure, saving water and increasing the productivity of land continue to be priorities. The delegation therefore highlighted to the Prime Minister the important role that IFAD can play in supporting government efforts to transform the agriculture sector into a highly productive and competitive yet sustainably managed sector that makes a clear positive impact on the lives of women and youth and is able to contribute to national economic growth, poverty reduction and employment generation. The Government's new strategy – Egypt Vision 2030 – and the Presidential Decent Life initiative have large intersections with IFAD's work in Egypt. The Government also made clear that more work was needed on productivity,

resilience and women's empowerment. Building on the incremental evolution of projects, the delegation welcomes the proposed joint workshop on strategic cooperation between Egypt and IFAD (also in light of its reviewing the 2019-2024 COSOP) as an excellent idea to follow up.

14. Given the Government's significant infrastructure investments in the new lands and the (financial) limits of IFAD in this regard, the discussions on the new COSOP should also delineate IFAD's value added and the Government's expectations in this regard, for example regarding irrigation infrastructure. Users' and producers' groups need to be strengthened, which takes time. Standards, lessons learned, experience and knowledge are as important as infrastructure.
15. The delegation also felt that while infrastructure, technical improvements and innovations were important, so was the approach selected to boost confidence, especially for women, who can now earn money, get credit and innovate and who inculcate values of dignity and well-being to the next generation to work against cultural barriers. With women being a backbone of the rural economy and of stability, issues of greater land ownership by women (which continues to be very low) and more job opportunities for women become more important and necessary strategies to realize the needed transformation.
16. **Questions/observations.** What further options are there to make better use of existing state and non-state banks to increase their lending to smallholders if liquidity of banks is not the major issue? Progress on gender transformation will be key to future development. With its track record and instruments and the Government's interest in working with IFAD as a trustworthy and competent partner, IFAD should meet the demand from Government and beneficiaries (and possibly team up with other partners).
17. The delegation felt that the creation of the new lands and the settlement of people there presented both opportunities and challenges. There are strong opportunities for smallholders to own land, and escape ever smaller and less productive plots and decreasing incomes. Challenges include the availability and sustainability of water reserves, pricing to allow sustainability, the criteria, process and implementation of land allocation (especially for youth and women), and services provided to new smallholders, including women and youth. The delegation recommends addressing future engagement with regard to the new lands in the strategic COSOP review, paying particular attention to land allocation, environmental and climate change aspects (including water). Lessons learned should inform the strategic discussions with the Government, beneficiaries and stakeholders in the envisaged review (looking also at the question of geographical concentration). What can IFAD do to address sensitive issues right now through policy advice and analytical work?
18. The delegation is optimistic about Egypt's role in hosting COP27. This could provide great stimulus to address environmental and climate change issues, identify good practices and develop new approaches. Exploring sustainable and agroecological approaches, solutions to certification and monitoring of challenges faced by smallholders, addressing biodiversity, soil fertility and practices in the use of pesticides and other inputs, as well as bringing the water issue to the attention of COP, will be important for sustainable and growing exports and improved nutrition in Egypt. At the same time, conflicting targets could stand in the way (high productivity and output versus sustainable outputs; import substitution versus potential higher economic and environmental costs).
19. The delegation addressed the difficulties and (financial) risks stemming from the longer-than-average preparation and ratification procedures in Egypt (i.e. the

ratification process by Parliament, debt management committee). This has already created a difficult situation for the Sustainable Transformation for Agricultural Resilience in Upper Egypt Project, which had to be extended through a six-month waiver for the signing of the financing agreement by the Government. The delegation recommends Senior Management's rapid follow-up with the Egyptian authorities concerning the project and continuous exchanges with the Government and with other affected development partners to improve the (recurring) situation.

20. **Questions/observations.** Operation and maintenance (O&M) needs the full attention of all actors. Strengthening community groups to give them greater responsibility in O&M will prove very important. What more can IFAD do to strengthen community associations and groups, including cooperatives?
21. IFAD should continue to support the creation of innovations for rural smallholders. The projects visited (featuring aquaponics, hydroponics, an e-commerce platform, biogas, rural finance) can significantly improve rural livelihoods, despite the potential risk of failure.
22. The delegation highlighted the results of the new graduation policy and financing framework (e.g. the Borrowed Resource Access Mechanism, and private sector and non-sovereign operations) which would provide new opportunities for Egypt, but could also affect the cost of lending. The delegation requested a discussion with the IFAD teams in Cairo and Rome, underlining that a quick response would be highly appreciated. The Government indicated interest in tapping more private sector financing, including with the help of IFAD. It will be important for IFAD and the Government to determine whether the type of future financing provides the necessary leverage for financing at the local level where it is needed. For activities that typically require grant financing (e.g. capacity-building of users' and producers' groups, smallholder training), options for partnering with other development partners should be explored.
23. In terms of policy dialogue, while IFAD was working closely with the Government, the delegation felt that IFAD, as probably the most important partner for Egypt in agriculture and rural development, needed to engage more deeply with other development partners and make its successes and policy advice better known. The capacity problem at the MCO also needs to be addressed (by filling vacancies). The delegation understood that this is under way (with MCO staff members increasing from 18 to 23).
24. **Opportunities, challenges and recommendations.** After visiting the projects and talking to the Government and beneficiaries, the delegation feels reassured that IFAD's partnership with the Government of Egypt is solid and strong and that IFAD is seen as a strategic, privileged and long-term partner in the agriculture and rural development sectors. The visit allowed the delegation to better appreciate and understand the challenges, opportunities and strategic directions regarding food security and smallholder agricultural development in Egypt, including with the creation of the new lands. Among the different actors of the United Nations system, the Government values IFAD for producing tangible results while focusing on the strategic priorities of the Government and linking them to the SDGs. The FSS follow-up, in which the Government has shown particular interest, provides an opportunity for IFAD and the Rome-based agencies and the United Nations system as a whole to mobilize others (such as international financial institutions) and provide a coordinated approach based on in-country consultations with stakeholders and incorporating the comparative advantages of each agency. The delegation welcomes the pressure by the Government for the United Nations organizations to deliver as one and increase

coordination and collaboration (currently 26 United Nations agencies are working in Egypt and there are 18 regional country offices); this is a challenge that the Government will itself have to address given the numerous ministries operating in rural areas.

Overview of the field visits

25. **Acknowledgements.** The delegation wishes to extend its gratitude to the Ministry of Agriculture and Land Reclamation, Ministry of International Cooperation and the Government of Egypt for their outstanding hospitality and support to the mission. The spokesperson also lauded, during the meeting with the Prime Minister, the solid and consistent support of the Government throughout IFAD's replenishments since 1977, not only as a contributor, but also as an active player in strategic discussions around the replenishment and in the Board. Egypt was also one of the first countries to pledge at the June 2020 session of the IFAD12 Consultation. The delegation also wishes to extend its highest appreciation to the NEN Regional Director, the Country Programme Officer and their team for their excellent work in making the mission possible and ensuring its success. Their advice and the discussions during the trip were always highly appreciated. The particular gratitude of the delegation also goes to the Deputy Minister of Agriculture, who welcomed and bid farewell to the mission at the airport. He had blocked off his agenda for the visit and accompanied the mission throughout the field visits and through most meetings, always open to answering questions, explaining the ministries' thinking and efforts, showing great understanding of all matters discussed and providing insights.