



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Fifth Session
Rome, 22-23 April 2002

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

ARAB REPUBLIC OF EGYPT

FOR THE

WEST NOUBARIA RURAL DEVELOPMENT PROJECT



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CURRENCY EQUIVALENTS

Currency Unit	=	Egyptian Pound (EGP)
USD 1.00	=	EGP 4.25
EGP 1.00	=	USD 0.24

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres
1 feddan (fd)	=	0.42 hectare (ha)
1 hectare	=	2.38 feddan

ABBREVIATIONS AND ACRONYMS

AWP/B	Annual Work Programme and Budget
FAO	Food and Agriculture Organization of the United Nations
IDS	Italian Debt Swap
MALR	Ministry of Agriculture and Land Reclamation
NGO	Non-Governmental Organization
PMU	Project Management Unit
UNOPS	United Nations Office for Project Services
WNRDP	West Noubaria Rural Development Project
WUA	Water Users Association

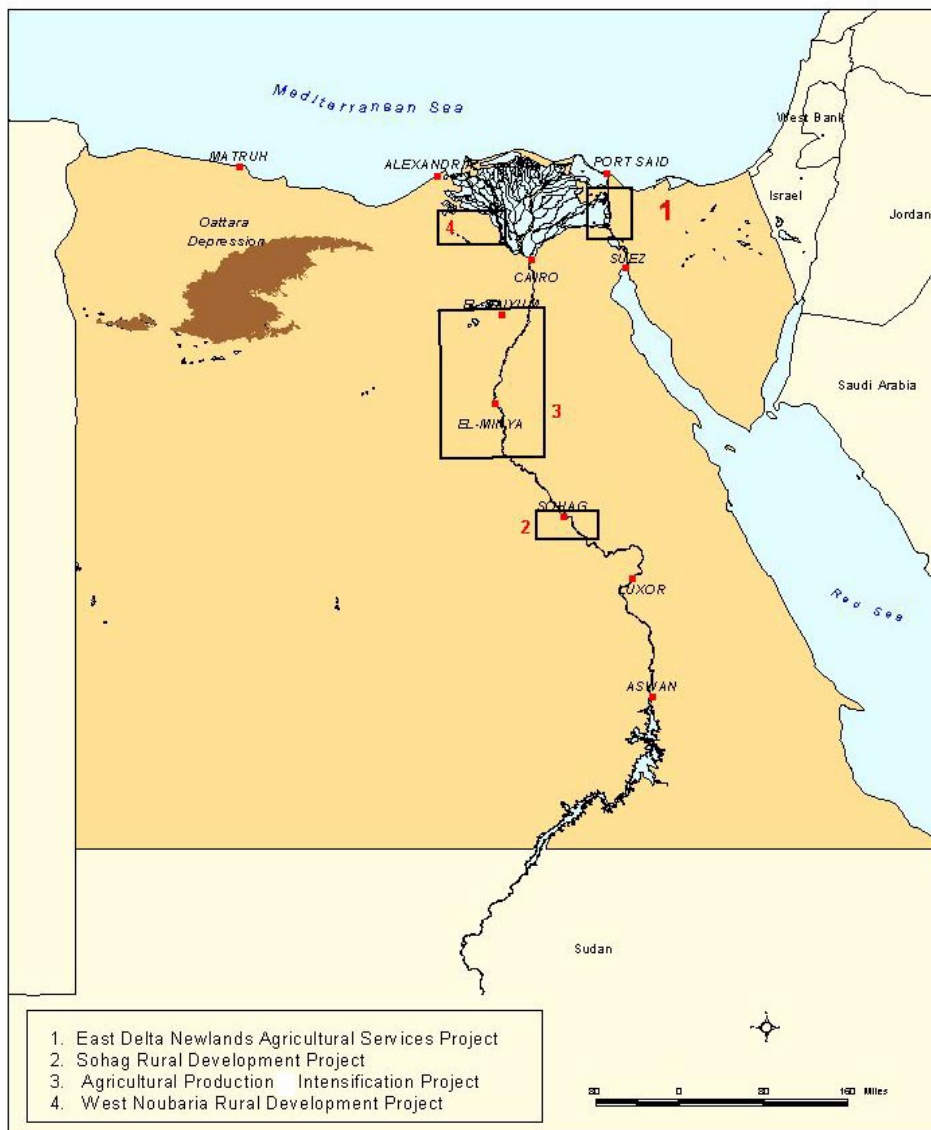
GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT

Fiscal Year

1 July - 30 June



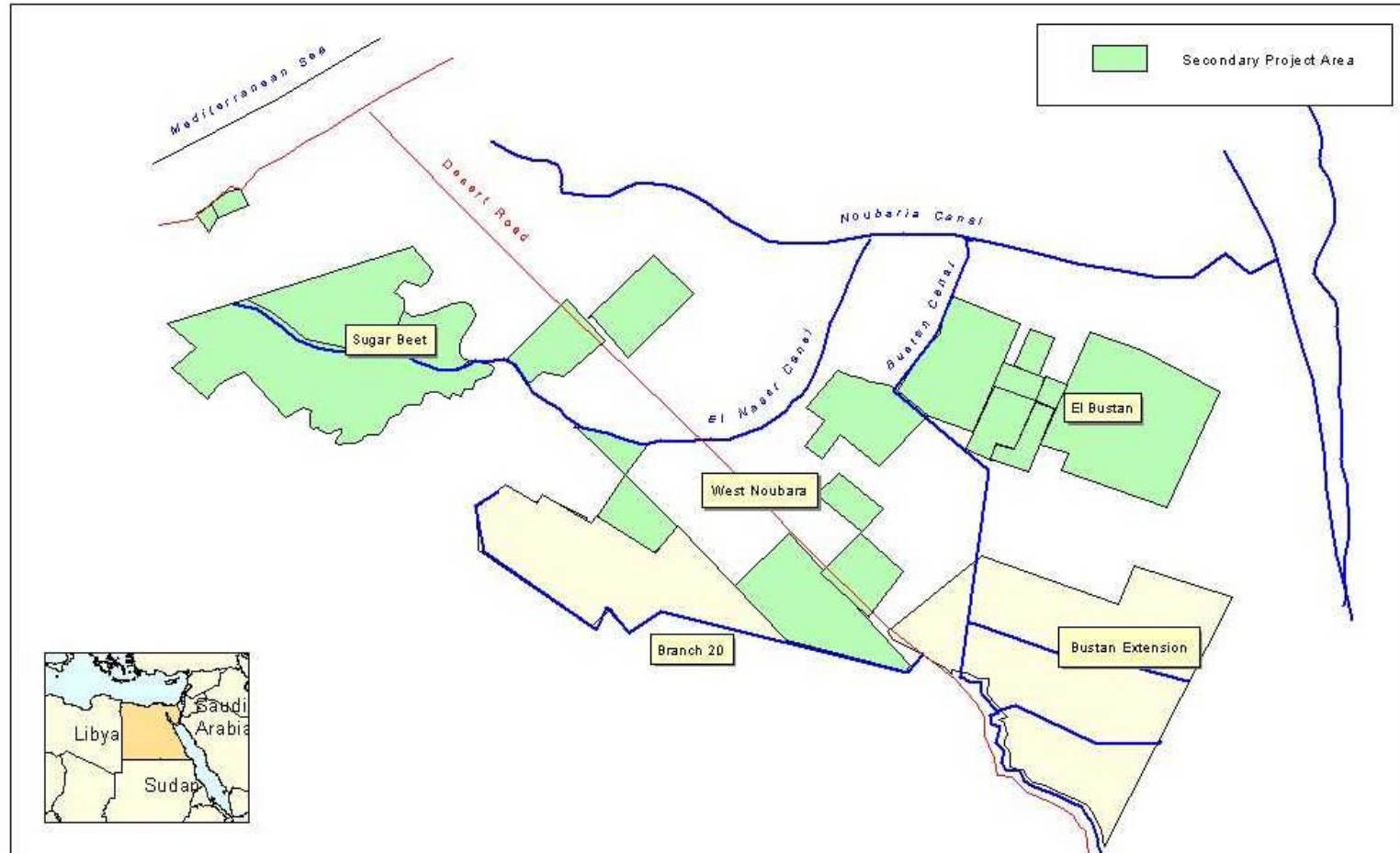
ONGOING IFAD OPERATIONS IN EGYPT



Source: IFAD.

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 OF THE PROJECT AREA



Source: IFAD.

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.



ARAB REPUBLIC OF EGYPT
WEST NOUBARIA RURAL DEVELOPMENT PROJECT
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Arab Republic of Egypt
EXECUTING AGENCY:	Ministry of Agriculture and Land Reclamation (MARL)
TOTAL PROJECT COST:	USD 54.75 million
AMOUNT OF IFAD LOAN:	SDR 14.60 million (equivalent to approximately USD 18.48 million)
TERMS OF IFAD LOAN:	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually
COFINANCIERS:	Italian Debt Swap (IDS) facility Food and Agriculture Organization of the United Nations (FAO)
AMOUNT OF COFINANCING:	IDS: USD 30.13.million FAO: USD 0.40 million (through a Technical Cooperation Programme)
CONTRIBUTION OF BORROWER:	USD 5.54 million
CONTRIBUTION OF BENEFICIARIES:	USD 0.20 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries? The project's primary target group comprises some 16 780 small-farm households. These were tenants in the 'oldlands' that were dispossessed of their statutory tenancies and recently compensated with 1-ha holdings of newly reclaimed desert land or 'newlands'. A secondary target group comprises some 19 400 households, consisting of small farmers and unemployed youth, that were settled before 1996 on 2-ha holdings of land in the reclaimed desert.

Why are they poor? The small farmer/unemployed settlers of the newlands represent social categories chosen because of their poverty and landlessness, and they bring their poverty with them to the settlement areas. The primary target group is poor because these people have been dispossessed of their former livelihoods, have had to dispose of their livestock and other assets and must bear additional costs to succeed in the transformation. In some cases they have had to leave their families behind and maintain two homes while they settle in. In the worst cases, early settler families are nearly destitute. In addition, these settlers suffer because of poor housing and rudimentary basic social services, especially in health and education. Members of the secondary target group are poor because of their relative youth and because they are entering adulthood without significant previous employment, or earnings, or farming experience. The severity of the poverty of these people lessens over time as farm productivity rises and as economic development and employment creation become more dependable in the villages which have been established longer. However, constraints such as small farm size, initially low land capability, lack of knowledge of desert farming technologies, high operating and living costs, problems in produce marketing, absence of social amenities and scarcity of services and credit combine to prolong and exacerbate poverty in the newlands.

What will the project do for them? In the primary project area, the project will improve housing and social amenities and will make available to the oldland settlers, who are unaccustomed to desert agriculture, the considerable desert farming technologies developed and adapted through Egypt's agricultural research system in the past 50 years. In both the primary and secondary project areas, the project will support the adoption of better on-farm water-management practices. It will encourage the development of small and medium enterprise in agricultural production and marketing and the host of commercial services and facilities the emerging communities will need to become viable and self-reliant. It will provide marketing extension and information and make limited improvements in the marketing infrastructure. It will facilitate the long-term development of a viable financial system, while addressing the immediate need for agricultural production and financing of small and medium enterprises.

How will beneficiaries participate in the project? Communities will be assisted in using the Shorouk methodology to articulate and prioritize their needs for social investments and income-generating activities and to ensure their participation in implementation, operation and maintenance of the desired services. Village organizations will be supported, through animation and training, in organizing and interfacing with other service providers in rural finance and marketing to serve the interests of their members.

Size of the project and cofinancing. The total project cost is estimated at USD 54.75 million (EGP 243.16 million) over a seven-year development period. The base cost is USD 51.35 million, while physical and price contingencies are valued at USD 1.13 million and USD 2.27 million, respectively. IFAD financing will amount to USD 18.48 million, or 33.8% of the total project cost. Italian Debt Swap (IDS) funds will finance USD 30.13 million (55.0%). The Food and Agriculture Organization of the United Nations (FAO) will finance USD 400 000 (0.7%) in technical assistance. The contribution of the World Food Programme (WFP) will involve the development and operation of the food rations distribution system. The Government will finance USD 5.54 million (10.1%), and the beneficiaries USD 200 000, or 0.4% of the total project cost.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
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WEST NOUBARIA RURAL DEVELOPMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Arab Republic of Egypt for SDR 14.60 million (equivalent to approximately USD 18.48 million) on intermediate terms to help finance the West Noubaria Rural Development Project (WNRDP). The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I – ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. Economy and Agricultural Sector

1. Egypt has the largest population and the second largest economy in the Middle East. The 2000 census estimated the population at 65 million. Ninety-five per cent of the population lives on only 4% of the land. The annual population growth rate has been declining steadily in recent years and is now under 2%.
2. The Government of Egypt launched reforms in the mid-1980s with policies to move the quasi-centrally planned economy towards a market-oriented, open economy. The effect of the gradual application of an appropriate blend of fiscal and monetary policies began to be felt within many government operations. In 1999, the budget deficit stood at 4% of gross domestic product (GDP): if not for falling oil prices and a slump in tourism receipts as a result of terrorist activity, the deficit would not have surpassed 1% of GDP. While the Government has revised the estimated real GDP growth rate for 1996-2000 to about 5%, this still represents a considerable increase from the 2% in 1994. Projections for 2001-05 put the GDP growth rate at about 6%. Per capita GDP increased from USD 1 050 in 1994/95 to about USD 1 500 in 2000.
3. The inflation rate as measured by the consumer price index fell from 16% in 1995 to 3% in 2000. Export earnings for 1999/2000 were estimated by the Central Bank at USD 6.4 billion, and imports at USD 17.9 billion, while the overall current account deficit was estimated at USD 1.2 billion. Egypt has adequate foreign exchange reserves, estimated at over USD 14 billion, and a total external debt of about USD 32 billion (1999 data). Central Bank figures indicate that the total workforce is nearly 18 million, with about 8% unemployed.
4. Agriculture is a key element of the Egyptian social fabric and in the livelihoods of rural households. In 1998/99, despite the faster growth experienced in other sectors of the economy, agriculture contributed 17% of GDP and accounted for 29% of total employment and 20% of the value of commodity exports, mainly cotton, rice, potatoes and fruit. During the last two decades, key policy instruments have shown remarkable success, including liberalization in input/output prices and elimination of a government-imposed land-use system, together with deliberate measures to increase the productivity of production factors. The average annual growth rate in agricultural production rose

¹ See Appendix I for additional information.



from 2.8% in the 1980s to 3% in the 1990s. Agricultural GDP showed a consistent growth of around 8% per year in current terms from 1995 to 2000. The cultivated land per capita is presently about 0.13 feddan (fd) (0.005 ha), which is among the lowest rates in the world.

5. Agricultural conditions are exceptional, if not unique. Lack of rain is offset by the plentiful water supply from the Nile (some 55 billion m³ annually). The arable land (8 million fd) represents only 3% of the total surface area of the country. About 70% of the arable land consists of traditional valley and delta 'oldlands', while 30% is former desert areas that have been reclaimed ('newlands'). On a nationwide level, flood-irrigation systems predominate. There is extreme pressure on the land, and average holdings in most areas are below 2 fd (0.84 ha). The amount of cropped land per capita has fallen over the last 50 years or so, from 0.3 fd to the present level of 0.13 fd. Cultivated individual holdings are small; the number of holdings is about 3.5 million. Holdings of 1 fd or less represent 50% of the holdings, and 84% of the farmers hold only 50% of the cultivated area. Holdings that are owned make up over 65% of all cultivated land. Changes in land ownership and tenancy laws in 1992 and 1998 have given landowners full rights to terminate agreements with tenants and sharecroppers. The changes have led to the displacement of many farming families, which now constitute an important category of the settlers on the newlands, including in the proposed project area of WNRDP.

6. The reclamation of newlands has added some 2.5 million fd to the total area of arable land. The improvement in the agricultural productivity of the newlands reclaimed since the 1970s has been slow under smallholder conditions, and the time required to achieve productivity levels equivalent to those of silty soils in the valley and delta of the Nile is likely to be considerable. Crop yields are significantly lower and farm economics less favourable relative to the oldlands. Crop yields nationwide have increased steadily since 1987 by an average of 2% per year particularly for wheat, maize, sugar cane and vegetables, as a result of improved water management and drainage, the availability of new, higher yielding varieties and higher input use. On a nationwide basis, crop yields are generally in the top echelon of international performance. Cropping intensities are remarkably high, at about 180% for the country as a whole, up to 230% on the oldlands and greater than 150% on the newlands.

7. Livestock production is an integral part of the typical Egyptian farming system, complementing crop production, as well as contributing directly to farm income and household food security. In contrast to the upturn achieved in crop production, the livestock subsector fared less well in the early years of the withdrawal of government support, which had involved feed subsidies, import restrictions and project incentives. The subsector is now regaining momentum and profitability.

B. Lessons Learned from Previous IFAD Experience²

8. The key lessons emerging from IFAD operations over the past two decades can be summarized as follows:

- (a) **Complexity of projects.** The constraints imposed by bureaucratic systems and the difficulties of interministerial and inter-agency coordination suggest that projects need to be simple in design and have clear objectives, good targeting arrangements, a precise geographic focus and well-defined implementation procedures and responsibilities;
- (b) **Participatory irrigation management.** Farmers know that reliable and consistent water supply is the major determinant of successful farming and are increasingly recognizing that water users associations (WUAs) are essential and that they can be effective in representing the rights of farmers and in managing farm irrigation. Projects

² See Appendix II for additional information.



need to capitalize on WUAs and similar participatory groups as agents of empowerment and implementation.

- (c) **Credit.** Projects can be catalysts and innovators in the provision of credit. The terms of the participation of financial institutions and financing intermediaries need to be such that they secure the wholehearted and long-term commitment of these establishments. Contracts must be firm, and there must be sufficient financial reward in future initiatives for credit delivery institutions.
- (d) **Gender and development.** The cultural sensitivities of new-land communities are such that there must be flexibility in the provision of extension, training and other services so that women are effectively reached and become engaged in project activities, whether in mixed or separate groups, as determined by local conditions and beliefs.
- (e) **Diversified approach.** Farming alone is unlikely to assure household income sufficiency and stimulate wider economic development in the settled areas. Attention must be given to the encouragement of off-farm, non-farm and service enterprises that can help optimize employment prospects, earnings and business creation, and contribute to alleviating problems in marketing.

C. IFAD's Strategy for Collaboration with Egypt

9. **Egypt's policy for poverty eradication.** Through the use of a reference poverty line of EGP 260 and EGP 203 per household per month for urban and rural areas, respectively, it was estimated in 1998 that 27% of the population, or nearly 16 million people, were living in poverty. Approximately two thirds of the poor (and three quarters of the ultra-poor) live in rural areas. The *Human Development Report: Egypt* headcount index estimated the incidence of poverty in 1995/96 at 34% in urban governorates, while in rural governorates it ranged from 48% in Lower Egypt to 60% in Upper Egypt. The depth of poverty is estimated to be markedly worse in rural Upper Egypt.

10. The recent study, Egyptian Participatory Poverty Assessment, which has been carried out jointly by the Egyptian Social Fund for Development and the Department for International Development (United Kingdom) and which is the most recent study, reveals that poverty is viewed by the poor themselves as extending well beyond mere financial deprivation. Poverty also involves social status, control over assets such as land and access to housing, health and education, as well as the ability to gain a secure livelihood. There is a strong sense among the poor in Egypt that poverty is self-perpetuating.

11. Furthermore, poverty in Egypt (as elsewhere in the Near East and North Africa region) is inversely correlated to farm size and positively correlated to household size, dependency ratio (of children or the elderly in households, for example) and occupation. Wage labourers and non-cultivators are notably poorer than are farmers or cultivators. Poverty is markedly higher among woman-headed households. The latter make up nearly 20% of all households and generally receive only half the income of man-headed households.

12. According to the latest consultative group meeting for Egypt (4-6 February 2002), the prospects for achieving the international development goals for 2015 are good. However, two areas that will need special attention are (a) the reduction of the number of malnourished children by 50% and (b) the achievement of progress towards gender equality and the empowerment of women.

13. The Government's over-arching objective as expressed in the 20-year plan covering the period 1997-2017 is to achieve a private-sector-led growth rate of 7-7.5% that will create sustainable employment opportunities and reduce the incidence of poverty.



14. **Poverty-eradication activities of other major donors.** The strategy of the Italian Government with respect to the use of Italian Debt Swap (IDS) funds can be interpreted as essentially complementing and underpinning the efforts of the Egyptian Government to implement the vision of the 20-year plan. The primary concern of *Cooperazione Italiana* is to ensure that the projects approved for debt-swap financing are balanced as to location and amount and are justifiable in terms of their contribution to poverty alleviation, food security and social development.

15. **IFAD's strategy in Egypt.** The Country Strategic Opportunities Paper of November 2000 (which will be submitted concomitantly with this report) has set out the new strategy of the Fund, which seeks to establish synergy between IFAD specificity and the national planning and implementation framework of the Government of Egypt for rural poverty alleviation and social advancement. WNRDP has been designed with that approach in mind. It will build on past achievement by consolidating the success and addressing the weaknesses and constraints of its predecessor. During the previous project, improvements in the social sector, in conjunction with the investments in productive assets and enterprises, unquestionably enhanced living conditions among the settlers in general and among women in particular. Furthermore, the significant improvement in the quality of life added value to the expansion in agricultural output, raised the chances of establishing permanent settlements and created a genuine dynamics for sustainable development and more opportunity for the empowerment of women. The weaknesses to be overcome include lack of wider and more visible participation of beneficiaries through grass-roots organizations and non-governmental organizations (NGOs), lack of an adequate focus on income diversification as an important part of the project strategy in order to smooth out the negative impact of marketing factors and provide other opportunities for additional sources of revenue for families, and insufficient efforts to learn from and coordinate with the ongoing interventions of other donors such as the International Labour Organisation (ILO)/Danish International Development Assistance (DANIDA) Development and Cooperative Training Project (targeting mostly women), the European Union's Food-Sector Development Project and the Government of The Netherlands initiative to promote participatory water management.

PART II – THE PROJECT

A. Project Area and Target Group

16. The primary project area covers some 56 000 fd (23 520 ha) and comprises the two Noubaria reclamation zones of Bustan Extension, 27 810 fd (11 680 ha), and Branch 20, 28 190 fd (11 840 ha). The zones lie on either side of the Cairo-Alexandria Desert Road about 90 km south of Alexandria. These are the last of the newland zones in this part of Egypt to be opened up and settled, having formerly been part of the western desert. In view of the continuing support required by settlers in these areas, particularly in respect of the provision of credit, enterprise development and marketing-related services, it has been proposed that the relevant activities in WNRDP be designed to serve the project area of the previous project as well. The area of the previous Newlands Agricultural Services Project will therefore constitute a secondary project area in WNRDP.

17. The target population in the primary project area comprises 16 780 households in 19 villages. This includes both displaced farmers from the oldlands (66%) and new settlers (34%). The target population in the secondary project area numbers some 19 400 households, including about 82% previously unemployed youth. Thus the total targeted population in both the primary and secondary areas is about 36 180 households or 228 000 individuals.



B. Objectives and Scope³

18. The overall project goal is to enhance the livelihoods of the target population through increased and sustainable economic activity and greater social self-reliance. The overall goal will be achieved through: (a) attainment of social cohesion and a sense of community in the villages; (b) reliable and equitable access to the support services essential to economic and social well-being; (c) diversified and profitable farming based on more efficient water use; (d) establishment of self-sustaining arrangements for the provision of accessible and effective credit services; and (e) a diversified and strengthened local economy contributing to nationwide economic advancement.

C. Components

19. Project investment will be organized around five principal components.

20. **Community organization and development** will be geared to strengthening the social foundations of settlement in the project area, the introduction of participatory planning and development processes and the promotion of a sense of community and self-reliance within the settler population, including through the construction of community infrastructure. Interaction at the community level will be based on participatory development principles. Low-cost housing will be upgraded, and essential community services for sewage and refuse disposal will be introduced. Other social infrastructure investments to be financed will be identified through a consultative process in the villages. The project will also finance basic food rations for some 5 925 households that recently settled in the project area. Households will receive rations for four years so as to contribute to the security of livelihoods during the process of farm establishment.

21. **Technical operations** will provide for a small team of specialized staff in the project management unit (PMU) and at the zonal level to support increased numbers of men and women extension workers based in the villages. The village extension workers will provide smallholder farmers with advice related to crop and livestock production and will also deal with water-management issues. Farmers' training will be emphasized as well as the training of technical personnel. Training will be geared to the establishment of financially and technically viable farming enterprises that optimize use of available resources and maximize overall farm returns on investment. Project-sponsored work programmes will be based on the outcomes of the interactive process at the village level. Limited provision will be made for technology-adaptation tests; associated technical-service contracts will be set up with suitably experienced research organizations as the need arises. WUAs will be formed and trained in the administrative and technical aspects of water management. The status of field drainage in Bustan Extension and Branch 20 is a matter of concern and will be studied at the outset of the project through a Food and Agriculture Organization of the United Nations (FAO) Technical Cooperation Programme grant. Arrangements are being made to establish a cooperation agreement between the project and the participatory irrigation management programme (approved recently by IFAD, cofinanced by IFAD and Germany (Centre for Food, Rural Development and the Environment, German Foundation for International Development) and Italy (Directorate General for Development Cooperation, Ministry of Foreign Affairs), and implemented by the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM).

22. **Marketing operations support** will focus on agricultural marketing with the aim of increasing awareness of and access to market information among the target population, improving the monitoring and use of farm economic and market information, facilitating farmers' linkages with private-sector partners in relevant marketing chains and training field staff and farmers in the importance of responsiveness to market requirements.

³ See Appendix III for additional information.



23. **Credit facilitation and enterprise development** aims at enhancing the target population's access to credit for investments in economic activities (farming and non-farming-related) by increasing the efficiency of the credit disbursement process within an economically viable and self-sustaining structure. This will involve the generation of improvements in lender efficiency and loan arrangements, as well as in loan assessment and monitoring. A revolving credit fund will be set up, with disbursements administered on behalf of the project by an agent bank to be selected through a competitive process. Inflows to the credit fund will be sufficient to cover project credit requirements (net of repayments), estimated at USD 14.08 million. Improved credit access will provide opportunities for enterprise diversification in the primary and secondary project areas. Training in the establishment and management of small businesses will be made available. Credit will be channelled to project beneficiaries through credit retailers such as NGOs, cooperatives and farmers' organizations. Credit retailers will be selected competitively according to their specialized lines of business. A subsidiary agreement between the Ministry of Agriculture and Land Reclamation (MALR) and the agent bank will be concluded that spells out lending rates and targeting mechanisms, as well as risk guarantees.

24. **Project management** will be the responsibility of a semi-autonomous PMU to be located in Noubaria City. The project manager will report to the Minister for Agriculture and Land Reclamation through the Deputy Minister for Land Reform and will be responsible for systems operations and administration. A support services group and a technical management group will assist the project manager. Key tasks of the PMU will be to establish and maintain a management information system as a basis for the smooth functioning of the project in accordance with the loan and financing agreements, as well as to evaluate the impact of the project periodically in relation to project objectives.

D. Costs and Financing⁴

25. The total cost of this seven-year project is estimated at USD 54.75 million, of which nearly USD 17.98 million, or 33%, is foreign exchange. Total project base cost is USD 51.35 million, with physical and price contingencies valued at USD 1.13 million and USD 2.27 million, respectively. Investment costs represent 84% of base costs. Of USD 8.39 million base recurrent expenditures, USD 0.38 million will be the incremental cost to the Government of continuing essential services in communities in the project area after completion of the project.

26. The proposed IFAD financing will amount to USD 18.48 million, or 33.8% of total project costs. The IDS funds will account for USD 30.13 million, or 55.0% of total project costs. FAO will finance a Technical Cooperation Programme of USD 400 000 (0.7%) for preparatory work on irrigation and drainage during the project initiation phase. The Government will finance costs equivalent to USD 5.54 million (10.1% of total costs) mainly in the form of taxes and duties. The beneficiaries will contribute the equivalent of USD 200 000, or 0.4% of total project costs, to cover the on-farm operation and maintenance costs of irrigation infrastructure and equipment. The contribution of WFP will involve the development and operation of the food rations distribution system.

⁴ See Appendix V for additional information.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD million)

	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Community organization and development					
1. Community mobilization and social development	6.48	5.55	12.03	46	23
2. Household food supply	1.87	7.48	9.35	80	18
Subtotal	8.35	13.03	21.38	61	42
B. Technical operation					
1. Agricultural production	4.20	0.58	4.78	12	9
2. Livestock development	0.89	0.20	1.08	18	2
3. Water management and water use	1.54	1.14	2.68	43	5
Subtotal	6.63	1.92	8.54	22	17
C. Marketing operations support	1.46	0.60	2.06	29	4
D. Credit facilitation and enterprise development					
1. Credit line	14.08	-	14.08	-	27
2. Credit facilitation	1.48	0.47	1.95	24	4
3. Enterprise development	0.50	0.21	0.71	30	1
Subtotal	16.06	0.69	16.75	4	33
E. Project management	1.99	0.63	2.62	24	5
Total base costs	34.49	16.86	51.35	33	100
Physical contingencies	0.55	0.58	1.13	51	2
Price contingencies	1.73	0.54	2.27	24	4
Total project costs	36.77	17.98	54.75	33	107

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD million)

	Government		IFAD		IDS		FAO		Beneficiaries		Total		Foreign Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Community organization and development															
1. Community mobilization and social development	0.70	5.2	8.96	65.8	3.94	29.0	-	-	-	-	13.60	24.8	6.28	6.72	0.61
2. Household food supply	0.84	8.9	-	-	8.52	91.1	-	-	-	-	9.35	17.1	7.48	1.87	-
Subtotal	1.54	6.7	8.96	39.0	12.46	54.3	-	-	-	-	22.96	41.9	13.76	8.59	0.61
B. Technical operation															
1. Agricultural production	1.79	33.3	0.63	11.8	2.95	54.9	-	-	-	-	5.36	9.8	0.65	4.59	0.13
2. Livestock development	0.27	22.1	0.08	6.9	0.86	71.0	-	-	-	-	1.22	2.2	0.22	0.95	0.05
3. Water management and water use	0.28	9.5	0.85	28.7	1.24	41.7	0.40	13.4	0.20	6.8	2.98	5.4	1.26	1.57	0.15
Subtotal	2.34	24.5	1.57	16.4	5.05	52.8	0.40	4.2	0.20	2.1	9.56	17.5	2.12	7.10	0.33
C. Marketing operations support	0.40	17.5	0.00	0.1	1.87	82.4	-	-	-	-	2.27	4.2	0.65	1.55	0.07
D. Credit facilitation and enterprise development															
1. Credit line	-	-	7.78	55.2	6.30	44.8	-	-	-	-	14.08	25.7	-	14.08	-
2. Credit facilitation	0.56	25.7	0.03	1.4	1.59	72.9	-	-	-	-	2.18	4.0	0.53	1.51	0.14
3. Enterprise development	0.07	9.1	0.08	10.6	0.64	80.4	-	-	-	-	0.79	1.4	0.23	0.54	0.01
Subtotal	0.63	3.7	7.89	46.3	8.53	50.0	-	-	-	-	17.05	31.1	0.76	16.13	0.16
E. Project management	0.63	21.7	0.06	2.1	2.21	76.1	-	-	-	-	2.91	5.3	0.68	2.14	0.08
Total disbursement	5.54	10.1	18.48	33.8	30.13	55.0	0.40	0.7	0.20	0.4	54.75	100.0	17.98	35.52	1.25

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

27. Procurement will be in accordance with IFAD guidelines for items financed through the IFAD loan. Procurement of equipment, materials and vehicles will be bulked where possible to take advantage of price premiums and will be arranged directly by the PMU. Implementing partners (for example, the agent bank, credit retailers and other NGOs) will procure goods and services on their own behalf in accordance with IFAD guidelines.

28. Civil works are likely to be arranged via small or medium-sized contracts, usually with a value of less than USD 1 million. Contracts are unlikely to be attractive to international contractors, but will be manageable by national contractors through local competitive bidding processes and in accordance with Egyptian law. Contracts for the supply of all other goods for which the estimated cost is USD 250 000 or more will be awarded following international competitive bidding procedures. Contracts costing more than the equivalent of USD 50 000 and less than the equivalent of USD 250 000 will be awarded through local competitive bidding procedures. Local acquisition based on quotations from at least three sources will be used to implement contracts costing USD 50 000 or less. Sufficient sources of supply exist in Egypt to allow for local purchase.

29. The IFAD loan will be disbursed over a seven-year period. Part of the proceeds of the IFAD loan will be made available through a special account to prefinance a share of eligible expenditures. The special account will be established in a qualified foreign exchange bank acceptable to IFAD. In view of the predicted interaction between inflows of IDS funds and the use of IFAD loan funds, the authorized allocation for the special account will be USD 1.3 million, equivalent to average anticipated disbursements over a six-month period over the life of the project. Disbursement from the special account for IFAD funds will be made against certified statements of expenditure.

30. The IDS funds must be disbursed over the next five years in accordance with the terms and conditions of the ongoing IDS agreement between the Italian and Egyptian Governments. A memorandum of understanding between MALR and the IDS management committee will be concluded prior to any disbursements from IDS funds. Such a memorandum will include, among other elements, a detailed breakdown of the budget allocations of the approved amount of USD 30 125 000 by component, by expenditure account and by disbursement plan per semester. The memorandum is expected to cover disbursement procedures and reporting and audit requirements consistent with the loan agreement concluded between the Government of Egypt and IFAD.

31. The PMU will maintain separate double-entry accounts and financial statements for each funding source for the project. Implementing partners will also maintain separate accountings of expenditures for their respective activities undertaken with project funding. Financial records of expenditures routed through the PMU will be maintained in accordance with government practices acceptable to IFAD and the IDS management committee. The agent bank will follow its own financial procedures, subject to the terms and conditions of the subsidiary agreement. The agent bank will make summaries of accounts available to project management and the cofinanciers. Quarterly consolidated statements of project accounts will be prepared by the project financial controller and forwarded for information to the cofinanciers and IFAD's cooperating institution. Project accounts and the separate accounts kept by implementing partners will be audited annually by an external professional firm acceptable to IFAD. The PMU will submit the annual financial statement for auditing within two months of the end of each financial year. Certified copies of the audited financial statements will be provided to the cooperating institution and IFAD as stipulated in the project loan agreement.



F. Organization and Management⁵

32. MALR will have overall national responsibility for the project and the PMU, which will be headed by a project manager with executive authority over all aspects of implementation. The project will be implemented under the guidance of a national steering committee to be constituted by ministerial decree. The committee will give guidance on issues of policy and strategy consistent with national programming concerns and will facilitate and support the work of the project management team. It will also formally approve (and subsequently receive reports on) the composite annual work programme and budget (AWP/B) of the project. The steering committee will consist of representatives of ministries and agencies, both at the centre and in the project area, including contracted NGOs and cooperatives.

33. Assisted by seven specialized managers, the project manager will be responsible for the day-to-day project operations. The PMU will be composed of a support-services group and a technical management group. The support-services group will comprise the financial controller, administrative manager, senior economist (monitoring and evaluation) and their respective professional support staffs. It will deal with all financial and administrative matters, the collation and analysis of management information and the preparation of statutory and occasional reports on project operations. The technical management group will comprise the community organization and development manager, technical operations manager, marketing operations manager and credit administration and enterprise development manager, plus their respective specialist advisers. The technical management group will be responsible for project investment activities. It will coordinate the operations of implementing partners, including contract service providers, and will give technical support to field operatives at the zone and village levels.

34. Overall project monitoring will be based on the logical framework (Appendix III) and the AWP/Bs. The basic measurement period will be a semester. Monitoring will be action-oriented in order to facilitate decision-making. It will take place at several levels, from the village and community association levels to the zonal and PMU levels. The most specific indicators of progress, including impact-oriented indicators, will be used at the local level, and increasingly broader indicators will be used higher in the system as required by the management information system.

35. Notwithstanding the success of participatory approaches in Egypt, the lack of sufficient involvement of beneficiaries in the implementation of the previous project was a major weakness that will be addressed through the present project. The Shorouk methodology, which is being implemented in an IFAD/World Bank project in the Governorate of Sohag, will be introduced either through the direct contracting of the Shorouk agency or through NGOs operating in the project area such as CARITAS or the Alexandria Home Economics Association. This approach involves awareness and publicity campaigns, the establishment of village-based representative associations to facilitate community action planning, the formation and strengthening of community, women and farmer interest groups and societies, and training and capacity-building in management, administration, financial control and civic affairs.

G. Economic Justification⁶

36. The project will mainly benefit smallholder farming households by improving the social amenities and services that most affect their lives and by boosting the resilience of their livelihoods through increased household incomes and food security. Village households and the newly established village communities will receive the benefit of about 95% of project funding. The household food supply programme will benefit 5 925 families, or 35% of the households in the primary project area.

⁵ See Appendix VI for additional information.

⁶ See Appendixes IV and VII for further information.



Since the rations are calculated on the basis of five persons per household, the provisions equate to benefits for some 29 625 persons. The standard of living of 4 850 families will be raised through the upgrading of substandard housing. All 19 villages in the primary project area will benefit from improved environmental health as a result of the introduction of sewage and refuse disposal systems.

37. Quantifiable project benefits will accrue mainly from investments in crop and livestock-related production and on-farm, agro-processing enterprises, which will lead in turn to the creation of skilled and unskilled jobs in the project area. Benefits will also derive from the assistance to producers because of the attention given to the profitability of individual enterprises and overall farm operations. This will be achieved through varying combinations of increased productivity, reductions in post-production losses, better selection in the enterprise and product mix, improvements in product quality control and product selection for marketing as contributions to the value added, and greater efficiencies in the interactions of producers with marketing chains. Crop budgets show a net increase of a minimum of 41% for winter faba beans and a maximum of 64% for winter *barseem*. Citrus products will be introduced as a new crop, with an expected yield at full development of about 10 t/ha. Gross margins and returns to labour for winter crops are expected to increase by 59-190% and 18-94%, respectively. For summer crops, however, gross margins and returns to labour are expected to increase by 64-74% and 16-28%, respectively.

38. The overall economic rate of return of the project is estimated at 20.1% for the base case. If the costs increase by 10%, the economic internal rate of return (EIRR) would be 18.5%, and a 10% decrease in benefits would reduce the rate of return to 18.3%. A one-year lag in benefits would reduce the rate of return to 17.2%. If costs increase by 10% and benefits decrease by 10%, the return would be 16.7%, and, finally, a two-year lag in benefits would reduce the benefit to 14.9%.

H. Risks

39. The people settled in the project area are naturally conservative and justifiably risk averse. They also have a long tradition of government dependency, which may continue to be fostered by entrenched attitudes within government agencies. A continuation of this dependency on the one hand and the maintenance of a paternalistic attitude on the other might adversely affect the rate and quality of the progress in implementation. The project design will reduce these effects through its focus on commercialization (both in the orientation of production and in service delivery), on staff and farmer training and on the considerably greater exposure of both government staff and farmers to work alongside implementing partners in the private and NGO sectors.

I. Environmental Impact

40. WNRDP is classified as a Category B project. The project aims to establish sustainable farm (crop and livestock) production on reclaimed lands through the efficient use of water. The area was formerly undeveloped desert land. Indirect or secondary environmental considerations can arise because of the implications of the additional energy required to raise water from the Nile to the project area. However, the project area represents less than 10% of the total command area supplied by the canals, which feed the whole of West Nubaria. In such a context, the incremental environmental effects of the project may be considered insignificant. The reclamation process and the resultant capacity of the area to support cultivation to some extent ameliorate the otherwise harsh environment and permit incoming settlers (unemployed youth, displaced tenant farmers and formerly landless labourers) to establish a means of livelihood they would otherwise be denied.



J. Innovative Features

41. Under its Rome Millennium Initiative, the Italian Government made a decision to cancel part of the official debt of Egypt, a middle-income indebted country. In return, Egypt committed itself to devote the local equivalent of the cancelled debt to support projects aimed at poverty reduction and the enhancement of food security among the rural poor. To that end, an agreement between the Government of Italy and the Government of Egypt was signed on 19 February 2001 as the first step in an initiative whereby IDS funds will be mobilized and used exclusively for rural poverty alleviation in the Near East and North Africa region. Furthermore, WNRDP was the first project to satisfy all IDS conditions and be approved for cofinancing by the IDS management committee. In order to facilitate the implementation of the project, a memorandum of understanding will be concluded between MALR and the IDS Management Committee that specifies disbursement procedures as well as reporting and auditing, monitoring and evaluation and impact assessment requirements. The project will be supervised by UNOPS as cooperating institution and will involve regular IFAD follow-up missions.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

42. A loan agreement between the Arab Republic of Egypt and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

43. The Arab Republic of Egypt is empowered under its laws to borrow from IFAD.

44. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

45. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that IFAD shall make a loan to the Arab Republic of Egypt in various currencies in an amount equivalent to fourteen million six hundred thousand Special Drawing Rights (SDR 14 600 000) to mature on and prior to 15 July 2022 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 21 December 2001)

1. The Government of the Arab Republic of Egypt (“the Government”) and the Government of the Italian Republic have entered into the Italian Debt Swap Agreement on 19 February 2001. The Italian Debt Swap Management Committee (“the IDS Management Committee”), created under such agreement, has agreed to make available, as a grant, Italian Debt Swap funds (IDS funds) equivalent to an amount of thirty million one hundred and twenty-five thousand United States dollars (USD 30 125 000) to assist in the financing of the project.
2. MALR intends to conclude a memorandum of understanding (MOU) with the IDS Management Committee. This MOU will be consistent with the overall financing plan of the project and in accordance with the AWP/Bs.
3. The Government will make the proceeds of the loan available to MALR in accordance with the AWP/Bs and its customary national procedures for development assistance to carry out the project.
4. The Government will make adequate budgetary allocations for the project in accordance with the AWP/Bs.
5. The Government will on-lend available funds and other resources called for in the AWP/Bs to the agent bank in accordance with a subsidiary loan agreement to be entered into between the Government and the agent bank to carry out the credit facilitation and enterprise development component.
6. The agent bank will establish and maintain a revolving fund into which all reflow of principal and interest from credits extended to project beneficiaries financed from the line of credit under the project will be deposited. The agent bank, through credit retailers and beneficiaries, will use the revolving fund to fund further on-lending in accordance with the project loan agreement.
7. The Government will ensure to maintain the autonomy of the PMU in organizing the affairs of the project, particularly with respect to the principle of commercialization and the project’s reliance for implementation efficiency on partnerships and contractual relationships between public-sector agencies/institutions, the private sector and reputable NGOs.
8. The Government will ensure that the credit-delivery and loan-recovery mechanisms under the credit facilitation and enterprise development component be based on acceptable and prudent banking principles.
9. No disbursements shall have been made for expenditures under the credit facilitation and enterprise development component until the subsidiary loan agreement referred to under paragraph 5 above shall have been finalized in a manner satisfactory to IFAD.
10. The following are the additional conditions precedent to the effectiveness of the project loan agreement:
 - (a) the project manager and the PMU staff shall have been appointed in accordance with criteria acceptable to the Government and IFAD;
 - (b) the Project Steering Committee shall have been duly established in accordance with criteria acceptable to the Government and IFAD;



ANNEX

- (c) the Credit Management Committee, which shall manage the line of credit under the credit facilitation and enterprise development component, shall have been constituted in a manner acceptable to the Government and IFAD;
- (d) the agent bank shall have been appointed through a transparent, competitive process to administer the line of credit under the credit facilitation and enterprise development component, and
- (e) the Government shall have been duly opened the special account and shall have been furnished the document indicating the specimen of signatures.

APPENDIX I

COUNTRY DATA

EGYPT

Land area (km² thousand), 2000 1/	995	GNI per capita (USD), 2000 1/	1 490
Total population (million), 2000 1/	63.8	GNP per capita growth (annual %), 2000 1/	4.4
Population density (people per km²), 2000 1/	64	Inflation, consumer prices (annual %), 2000 1/	2.7
Local currency	Egyptian Pound (EGP)	Exchange rate: USD 1 =	EGP 4.25
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1980-99 2/	2.2	GDP (USD million), 2000 1/	98 333
Crude birth rate (per thousand people), 2000 1/	26 a/	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people), 2000 1/	7 a/	1980-90	5.4
Infant mortality rate (per thousand live births), 2000 1/	47 a/	1990-99	4.4
Life expectancy at birth (years), 2000 1/	67 a/	Sectoral distribution of GDP, 2000 1/	
		% agriculture	17
Number of rural poor (million) (approximate) 1/	8.1	% industry	33
Poor as % of total rural population 2/	23	% manufacturing	20
Total labour force (million), 2000 1/	24.3	% services	50
Female labour force as % of total, 2000 1/	30		
		Consumption, 2000 1/	
Education		General government final consumption expenditure (as % of GDP)	10
School enrolment, primary (% gross), 2000 1/	101 a/	Household final consumption expenditure, etc. (as % of GDP)	72
Adult illiteracy rate (% age 15 and above), 2000 1/	45	Gross domestic savings (as % of GDP)	18
Nutrition			
Daily calorie supply per capita, 1997 3/	3 287	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5), 2000 1/	21 a/	Merchandise exports, 2000 1/	4 700
Malnutrition prevalence, weight for age (% of children under 5), 2000 1/	11 a/	Merchandise imports, 2000 1/	13 600
		Balance of merchandise trade	-8 900
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP), 2000 1/	3.8 a/	before official transfers, 1999 1/	-6 578
Physicians (per thousand people), 1999 1/	0.64	after official transfers, 1999 1/	-1 709
Population without access to safe water (%), 1990-98 3/	13	Foreign direct investment, net, 1999 1/	655
Population without access to health services (%), 1981-93 3/	1		
Population without access to sanitation (%), 1990-98 3/	12	Government Finance	
Agriculture and Food		Overall budget deficit (including grants) (as % of GDP), 1999 1/	-2.0 a/
Food imports (% of merchandise imports), 1999 1/	23	Total expenditure (% of GDP), 1999 1/	30.6 a/
Fertilizer consumption (hundreds of grams per ha of arable land), 1998 1/	3 926	Total external debt (USD million), 1999 1/	30 404
Food production index (1989-91=100), 2000 1/	153.7	Present value of debt (as % of GNI), 1999 1/	27
Cereal yield (kg per ha), 2000 1/	7 081	Total debt service (% of exports of goods and services), 1999 1/	9.0
		Lending interest rate (%), 2000 1/	13.2
Land Use		Deposit interest rate (%), 2000 1/	9.5
Arable land as % of land area, 1998 1/	2.9		
Forest area (km ² thousand), 2000 2/	1		
Forest area as % of total land area, 2000 2/	0.1		
Irrigated land as % of cropland, 1998 1/	100.0		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database.

2/ World Bank, *World Development Indicators*, 2001.

3/ UN Development Programme, *Human Development Report*, 2000.

PREVIOUS IFAD FINANCING

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount
West Beheira Settlement Project	IFAD	UNOPS	HC	04 Dec 80	05 Aug 81	30 Jun 00	L - I - 54 - EG	SDR	21800000
Minya Agricultural Development Project	IFAD	UNOPS	HC	09 Dec 82	28 Jul 83	30 Jun 99	L - I - 114 - EG	SDR	23550000
Fayoum Agricultural Development Project	IFAD	World Bank: IBRD	I	14 Sep 84	06 Dec 85	31 Dec 93	L - I - 157 - EG	SDR	10100000
Newlands Agricultural Services Project	IFAD	UNOPS	I	15 Apr 92	30 Dec 93	31 Dec 01	L - I - 306 - EG	SDR	18300000
Agricultural Production Intensification Project	IFAD	UNOPS	HC	20 Apr 94	25 Jan 95	31 Dec 02	L - I - 355 - EG	SDR	14450000
East Delta Newlands Agricultural Services Project	IFAD	World Bank: IDA	HC	05 Dec 96	25 Jan 99	31 Dec 06	L - I - 440 - EG	SDR	17300000
Sohag Rural Development Project	World Bank: IDA	World Bank: IDA	HC	10 Sep 98	18 Jun 01	30 Jun 07	L - I - 484 - EG	SDR	18850000

Note: HC = highly concessional
 I = intermediate

LOGICAL FRAMEWORK

Intervention Logic	Verifiable Indicators	Means of Verifications	Important Assumptions
<p>Goal</p> <ul style="list-style-type: none"> Livelihoods of the target population in the new settlement areas enhanced with increased and sustainable economic activity and greater social self-reliance 	<ul style="list-style-type: none"> Reduction in the poverty headcount index in West Noubaria Project area by 25% 50% reduction in settler absenteeism Percentage increase in local school enrolments Percentage decrease in women/child ill-health and malnutrition indicators Community, women and farmer societies/associations formed and active in civic and development affairs and enterprises 	<ul style="list-style-type: none"> Baseline and repeater surveys and case studies MALR (General Authority for Rehabilitation Projects and Agricultural Development) data Ministry of Education data Ministry of Health data Project records of formation and registration and minutes and reports of meetings 	<ul style="list-style-type: none"> Successful implementation of economic adjustment programmes Present pro-poor land-settlement policy maintained Adherence to economic and institutional reform Reasonable rates of economic growth
<p>Outputs</p> <ul style="list-style-type: none"> Profitable farming systems developed with better irrigation practices and water management Key social infrastructure improved and food security enhanced through investments based on participatory consultation process Local economy diversified and job creation opportunities enhanced in agriculture, marketing and non-farm and service enterprise sectors Improved access to and effectiveness of rural finance among the target group Market-based approach to rural lending established Improved farmgate prices as a percentage of consumer prices for project-area-produced agriculture and small-and-medium-enterprise commodities 	<ul style="list-style-type: none"> Number of agriculture technologies proven, spread and adopted Number of households with improved houses and assured food supply Number of social service facilities operational Ratio of social-service availability to relevant segment of the settler population Volume and value of farm production and produce sales Diversification of household income sources Increased supply and accessibility of credit and borrower/enterprise support 	<p>Surveys and studies as above, plus:</p> <ul style="list-style-type: none"> Selective participatory impact assessments Annual stakeholder feedback workshops Project and component reports Contracts tendered and fulfilled Reports of facility management entities Reports of contract agencies Records of off-take, production, sales and revenues from MALR Office and market statistics Quarterly and annual project monitoring and evaluation reports and management information system reports 	<ul style="list-style-type: none"> Policy and institutional framework remain conducive to participatory approach Assured cooperation from the relevant ministries and agencies No serious adverse trends of the natural environment and market conditions Zero interference in financial market with respect to rural lending
<p>Activities</p> <p>Technical Operations: Technology development and transfer Training and deployment of village extension workers Training and demonstration to farmers groups Extension/advisory service delivery Studies, feasibility of farming projects; drainage Capacity-building, farmers' associations/WUAs; enterprise groups (crops, livestock, processing) Partial funding for irrigation maintenance Technical assistance in water management</p>	<ul style="list-style-type: none"> Number of adaptive research contracts Number/calibre of staff operational Numbers trained, demonstrations held Output of useful information Number of training and study visits Number/type of cases and funds accessed Number of WUA/groups formed Number and performance of TA inputs 	<ul style="list-style-type: none"> Research contract records Course/session reports Training agency contracts Papers, articles published, broadcasts Minutes of meetings and negotiations Grant/loan documentation Project management reports 	<ul style="list-style-type: none"> Active involvement by farmers/groups Information demands materialize Sound viable opportunities emerge

Intervention Logic	Verifiable Indicators	Means of Verifications	Important Assumptions
<p>Activities (cont.):</p> <p>Community Organization and Development: Training of community organizers/leaders Training, capacity-building of locally based organizations Funding, execution of housing renovations Arrangement of social facilities and amenities construction and operation Household food supply provision Training, support commercialization linkages and funding for income-generating enterprises</p>	<ul style="list-style-type: none"> • Number/calibre of personnel operational • Number of groups/people trained • Number and quality of works done • Number of contracts issued/completed • Number of families supplied • Number/type of arrangements made, training given and amount of funds accessed 	<ul style="list-style-type: none"> • Course/session records • Training agency contracts • Construction contract documents • MALR food-ration-distribution records • Case studies and impact surveys • Contract and grant/loan documentation 	<p>As above, plus:</p> <ul style="list-style-type: none"> • Full cooperation of Ministries of Health, Education, and Water Resources and Irrigation forthcoming • Member conviction of benefits
<p>Marketing operations support: Specialist marketing extension staff deployment Establishment of commercialization linkages, including for exporting Marketing information system set up, operational Training, coaching, on-job experience and exchange visits for enterprise competence-building Consulting expertise and technical assistance</p>	<ul style="list-style-type: none"> • Number/calibre of staff operational • Number of contracts, cases dealt with and success rate of linkages/contracts • Amount and quality of data disseminated • Sessions provided, numbers participating and results/achievements • Number and performance of contracts • Number and level of satisfaction with cases for liaison and contracted service provision 	<ul style="list-style-type: none"> • Personnel records • Component management reports • Publishing, distribution records • Training feedback reports • Operating agency reports, accounts • Service and supply contract documents • Case studies and surveys 	<p>As above, plus:</p> <ul style="list-style-type: none"> • Training needs confirmed • Good will and endeavour of agencies and enterprises concerned • Private sector cooperation obtained
<p>Credit Facilitation and Enterprise Development: Introduction of rationalized credit delivery mechanism Provision of additional credit line (up to USD 20m) Formalization of agreements with banks/agencies for credit delivery Equipment and systems upgrading for agencies Business advice, studies and training for borrowers and new ventures Planning, funding and technical backstopping of processing and service enterprises</p>	<ul style="list-style-type: none"> • Agent bank agreement confirmed and operational • Funds approved and lodged • Credit-guarantee mechanism confirmed and operational • Appointees in position • Relevant materials procured and installed • Adequate funds available/accessible • Number of cases, studies, sessions dealt with, enterprises developed and in operation 	<ul style="list-style-type: none"> • Project loan agreement covenants and accounts • Employment contracts • Procurement contracts • Scheme publicity and operations documentation • Service provision reports • Loan records and accounts • Project management reports 	<ul style="list-style-type: none"> • Economy remains conducive to stimulation of private enterprise • Non-interference in financial markets • Loan discipline improved • Practicable, lending criteria and terms agreed • Support of selected bank assured
<p>Project Management: Management unit and steering committee appointment Operating and administration systems set up Project information collation and analysis Service contracting supervised Service requests and proposals appraised/approved Workshops, studies, surveys for monitoring and evaluation arranged Coordination of line agency and external assistance International/national TA and specialist inputs contracted for all technical and management matters</p>	<ul style="list-style-type: none"> • Structure, resources, systems in place/active • Publicity, promotion of project effective • Working relationships with agencies and service providers established • Numbers and types of service requests and proposals • Technical assistance contracted 	<ul style="list-style-type: none"> • Employment contracts and operating procedure manuals • Register of cooperating partners and consultants • Service provision agreements • Management information system and assignment records 	<ul style="list-style-type: none"> • Positive attitudes from agencies, service providers • Suitable consultants available • No inordinate delay/complication in asset transfer or funding



QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS

Objectives			Instruments			Incremental Benefits					
<p>1. The project goal is to enhance the livelihoods of the targeted population through increased and sustainable economic activity and greater social self-reliance.</p> <p>2. Subsidiary objectives are:</p> <p style="margin-left: 40px;">(a) achievement of social cohesion and a sense of community in the villages,</p> <p style="margin-left: 40px;">(b) reliable, equitable access to support services essential for economic and social well-being,</p> <p style="margin-left: 40px;">(c) diversified and profitable farming, based on more efficient water use,</p> <p style="margin-left: 40px;">(d) self-sustaining arrangements in place to provide accessible and effective credit services, and</p> <p style="margin-left: 40px;">(e) a diversified and strengthened local economy contributing to wider, national economic advancement.</p>			<p>The main instruments to be utilized in the implementation of the listed components are as follows:</p> <ul style="list-style-type: none"> • support the creation of credit fund in an agent bank • selection of credit retailers • Support for microenterprise development through specialized services in the project area • Upgrade the quality of existing homes by providing garbage collection and sewage disposal facilities • Contract Shorouk agency to promote community participation • Promote participatory approach through contracted local NGOs • Increase the number and role of women as beneficiaries and as staff of project management team • Diversify economic activities by promoting non-farming enterprises especially for woman-headed households and the landless. 			<p>Incremental benefits at full development:</p> <p>Incremental return to labour at project year (PY) (/day)</p> <ul style="list-style-type: none"> • Traditional irrigation 7-30 • Modernized irrigation 13-15 <p>Project beneficiaries (households)</p> <ul style="list-style-type: none"> • Direct 22 000 <ul style="list-style-type: none"> • Livestock 4 650 • Rural Finance 27 500 • Agricultural Dev. 16 810 • Water Management 8 160 • Rural Infrastructure 4 850 • Indirect 9 405 <p>Net economic return (USD/household)</p> <ul style="list-style-type: none"> • At PY5 179 • At full development 323 					
PROJECT COSTS			FINANCING			BENEFICIARIES			ECONOMIC/FINANCIAL ANALYSIS		
COMPONENTS	USD million	% Base Costs		USD million	%	<p>Project activities will be targeted to benefit 36 185 households. Women will have access to better services, training and credit</p>			<p>Economic IRR (%)</p> <ul style="list-style-type: none"> • Project as a whole 20 <p>Project cost per household (USD/household)</p> <ul style="list-style-type: none"> • Project as a whole 2 500 • Livestock 244 • Rural Finance 544 • Agricultural Dev. 298 • Water Management 343 • Rural Infrastructure 1 850 		
A. Community development	21.38	42	IFAD	18.48	34						
B. Technical operations	8.54	17	IDS	30.13	55						
C. Marketing operations	2.06	4	Government	5.54	10						
D. Rural finance	16.75	33	Beneficiaries	0.20	0.4						
E. Programme management	2.62	5	FAO	0.40	0.7						
F. contingencies	3.40	7	Total	54.75	100						
Total including contingencies	54.75	107									

SUMMARY COST AND FINANCING TABLES

Table 1: Components by Financiers

	Government		IFAD		IDS		FAO		Beneficiaries		Total		Foreign Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Community Organization and Development															
1. Community Mobilization and Social Development	702 240	5.2	8 956 572	65.8	3 943 914	29.0	-	-	-	-	13 602 725	24.8	6 278 209	6 715 967	608 550
2. Household Food Supply	836 296	8.9	-	-	8 517 244	91.1	-	-	-	-	9 353 540	17.1	7 482 832	1 870 708	-
Subtotal Community Organization and Development	1 538 535	6.7	8 956 572	39.0	12 461 158	54.3	-	-	-	-	22 956 265	41.9	13 761 041	8 586 675	608 550
B. Technical Operation															
1. Agricultural Production	1 787 333	33.3	631 114	11.8	2 945 018	54.9	-	-	-	-	5 363 465	9.8	648 489	4 588 228	126 748
2. Livestock Development	268 755	22.1	83 861	6.9	862 926	71.0	-	-	-	-	1 215 541	2.2	217 081	946 306	52 155
3. Water Management and Water Use	282 254	9.5	854 720	28.7	1 241 915	41.7	400 000	13.4	201 606	6.8	2 980 495	5.4	1 258 558	1 570 200	151 737
Subtotal Technical Operation	2 338 342	24.5	1 569 695	16.4	5 049 859	52.8	400 000	4.2	201 606	2.1	9 559 501	17.5	2 124 128	7 104 734	330 640
C. Marketing Operations	397 906	17.5	2 997	0.1	1 874 019	82.4	-	-	-	-	2 274 923	4.2	649 789	1 551 738	73 396
D. Credit Administration and Enterprise Development															
1. Credit Line	-0	-0.0	7 778 910	55.2	6 301 090	44.8	-	-	-	-	14 080 000	25.7	-	14 080 000	-
2. Credit Facilitation	560 406	25.7	31 026	1.4	1 589 882	72.9	-	-	-	-	2 181 314	4.0	526 593	1 510 891	143 830
3. Enterprise Development	71 985	9.1	83 514	10.6	636 005	80.4	-	-	-	-	791 504	1.4	233 143	543 889	14 472
Subtotal Credit Administration and Enterprise Development	632 392	3.7	7 893 449	46.3	8 526 977	50.0	-	-	-	-	17 052 818	31.1	759 736	16 134 781	158 302
E. Project Management	631 455	21.7	62 052	2.1	2 212 986	76.1	-	-	-	-	2 906 493	5.3	683 307	2 139 301	83 885
Total Disbursement	5 538 630	10.1	18 484 765	33.8	30 125 000	55.0	400 000	0.7	201 606	0.4	54 750 000	100.0	17 978 000	35 517 229	1 254 772

Table 2: Expenditure Accounts by Financiers

	Government		IFAD		IDS		FAO		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs															
A. Civil Works															
2. Construction Works	515 557	5.0	8 400 135	81.5	1 395 454	13.5	-	-	-	-	10 311 147	18.8	5 155 573	4 640 016	515 557
B. Vehicle, Equipment and Materials															
1. Vehicles	119 921	15.0	-	-	679 550	85.0	-	-	-	-	799 470	1.5	679 550	-	119 921
2. Equipment and Goods	258 574	15.0	952 178	55.2	513 075	29.8	-	-	-	-	1 723 827	3.1	1 379 062	86 191	258 574
3. Materials	20 075	15.0	95 930	71.7	17 826	13.3	-	-	-	-	133 831	0.2	80 299	33 458	20 075
Subtotal Vehicle, Equipment and Materials	398 569	15.0	1 048 109	39.4	1 210 451	45.6	-	-	-	-	2 657 129	4.9	2 138 910	119 649	398 569
C. Technical Assistance and Studies															
1. International TA	-	-	-	-	726 600	64.5	400 000	35.5	-	-	1 126 600	2.1	1 126 600	-	-
2. National TA	-	-	-	-	176 520	100.0	-	-	-	-	176 520	0.3	-	176 520	-
3. Studies and Demonstrations	0	-	-	-	1 114 770	100.0	-	-	-	-	1 114 770	2.0	250 284	864 486	-
Subtotal Technical Assistance and Studies	0	-	-	-	2 017 890	83.5	400 000	16.5	-	-	2 417 890	4.4	1 376 884	1 041 006	-
D. Training															
1. Farmer training	-0	-0.0	1 257 612	36.9	2 150 314	63.1	-	-	-	-	3 407 925	6.2	170 396	3 237 529	-
2. Staff training	72 082	10.8	-	-	592 791	89.2	-	-	-	-	664 873	1.2	33 244	631 629	-
Subtotal Training	72 082	1.8	1 257 612	30.9	2 743 105	67.4	-	-	-	-	4 072 798	7.4	203 640	3 869 158	-
E. Contractual Services	0	-	-	-	2 365 936	100.0	-	-	-	-	2 365 936	4.3	946 374	1 419 562	-
F. Food Rations	836 296	8.9	-	-	8 517 244	91.1	-	-	-	-	9 353 540	17.1	7 482 832	1 870 708	-
G. Credit Line	-0	-0.0	7 778 910	55.2	6 301 090	44.8	-	-	-	-	14 080 000	25.7	-	14 080 000	-
Total Investment Costs	1 822 505	4.0	18 484 765	40.8	24 551 170	54.2	400 000	0.9	-	-	45 258 439	82.7	17 304 213	27 040 100	914 127
II. Recurrent Costs															
A. Salaries and Allowances	2 791 495	39.8	-	-	4 227 490	60.2	-	-	-	-	7 018 985	12.8	-	7 018 985	-
B. Incremental Operation and Maintenance															
1. Irrigation O & M	0	-	-	-	-	-	-	-	201 606	100.0	201 606	0.4	100 803	100 803	-
2. Vehicles O & M	281 499	40.7	-	-	410 274	59.3	-	-	-	-	691 773	1.3	415 064	172 943	103 766
Subtotal Incremental Operation and Maintenance	281 499	31.5	-	-	410 274	45.9	-	-	201 606	22.6	893 378	1.6	515 866	273 746	103 766
C. Other Operating Costs	643 132	40.7	-	-	936 066	59.3	-	-	-	-	1 579 198	2.9	157 920	1 184 398	236 880
Total Recurrent Costs	3 716 125	39.2	-	-	5 573 830	58.7	-	-	201 606	2.1	9 491 561	17.3	673 786	8 477 129	340 646
Total Disbursement	5 538 630	10.1	18 484 765	33.8	30 125 000	55.0	400 000	0.7	201 606	0.4	54 750 000	100.0	17 978 000	35 517 229	1 254 772



ORGANIZATION AND MANAGEMENT

A. Project Coordination and Policy Guidance

1. The primary project area lies within the Bustan Extension and Branch 20 zones of Beheira Governorate, but as yet has no permanent local governance structure. The formation of a new Governorate has been mooted in the past for all the newland settlements in West Noubaria Region, but the concept has not yet come to fruition. At the current stage of settlement and development of the newlands, Beheira Governorate has only limited responsibility for activities in the project area. The responsibility for infrastructure development is vested in the General Authority for Rehabilitation Projects and Agricultural Development until the moment when the reclaimed land and the adjoining villages are handed over to the Mubarak Project. The Mubarak Project oversees the settlement process, but has extremely limited funds for the provision or maintenance of infrastructure and little capacity to implement development activities in support of settler households. These circumstances reinforce the rationale for the autonomy and jurisdiction of the PMU over project-sponsored investments.

2. The project will be implemented under the guidance of a national steering committee to be constituted by ministerial decree. The committee will give guidance on issues of policy and strategy consistent with national programming concerns and will facilitate and support the work of the project management team. It will also formally approve (and subsequently receive reports on) the composite AWPBs of the project. The composition of the committee will be such as to ensure top-level support from the relevant line agencies of Government. It will comprise high-calibre staff nominated by the minister, MALR, with the following representation: chairman, General Authority for Rehabilitation Projects and Agricultural Development; executive director, the Mubarak Project; secretary general, Beheira Governorate; a counsellor from the State Legal Council; supervisor, Central Administration for Foreign Agricultural Relations, MALR; head of international financing, Ministry of International Cooperation, and project manager, WNRDP, as member and secretary. The steering committee will meet once per year, preferably following the preparation of supervision mission reports by IFAD's cooperating institution so that current findings can be discussed and any issues resolved.

3. A local-level advisory panel will be convened by the project manager in consultation with the steering committee. Membership in the advisory panel will be open to the concerned authorities in the project area, in addition to contracted NGOs and farmers representatives. Its purpose will be to represent a similar range of interests to those of the steering committee, but at a more local level and with wider, more practical application to the routine management of the project.

4. During its regular meetings, the panel will review quarterly progress, analyse any deviations from project targets and approach and recommend remedial actions and review annual work plans and budgets, ensuring that any provisions for social facilities and services such as water and power supply, education and health facilities are consistent with the governorate plans and Government's budgetary provisions for staff and facility operation and maintenance over the longer term.

B. Project Management

5. The project manager will maintain executive authority over day-to-day project operations through the seven managers of the PMU. The managers, together with their specialist staff, will constitute a support services group and a technical management group. The support services group will be comprised of the financial controller, administrative manager, senior economist (monitoring and evaluation) and their respective professional support staffs. It will deal with all financial and administrative matters, the collation and analysis of management information and the preparation of statutory and occasional reports on project operations. The technical management group will be



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responsible for project investment activities, the coordination of the operations of implementing partners, including contract service providers, and technical support for field operatives at the zone and village levels.

6. The project manager will convene full meetings of the management unit initially on a weekly basis. Once project systems are in place, the project manager may find it more appropriate to hold meetings on a monthly basis, with additional ad hoc meetings as necessary. The project manager may request the participation of other management staff, external advisers or representatives of implementing partners as deemed necessary. The PMU has the independence and jurisdiction for ensuring efficient financing mechanisms and fund flows for approved activities and the ability to direct and control project affairs with an effective management style.

7. The project manager will be answerable for progress and performance to the minister, MALR, and at the local level will in effect become the advisor to the deputy minister responsible for the Mubarak Project on WNRDP affairs. This advisory relationship may need to be reviewed during the course of project implementation if the administration of villages in the newlands is changed, for example by the formation of a new Governorate. Operating within the policy guidelines of the steering committee, the terms and conditions of agreements with the financiers and a tripartite protocol for the project to be signed between the Government of Egypt, the Italian Government and IFAD, the PMU will have full authority for the execution of the work, including the establishment and oversight of subsidiary contract activities. Should there be any recourse to specialist legal advice in respect of contracted services, this will be hired from the private sector.

8. The technical managers will have administrative and technical responsibility for specialist personnel in their sections at headquarters and zonal level and will coordinate and facilitate the activities of implementing partners/contracted organizations. They will have direct contact with the Governorate and Mubarak Project authorities (including directors of the zones) and through them access to community and representative bodies in the villages. Their principal implementation concerns will be liaison with service providers and community and farmer associations, the provision of technical support to field operatives, the aggregation of work plans arising from the participatory village planning processes and the arrangement of appropriate responses and inputs, the arrangement and chairing of review workshops and seminars, the management of wider project initiatives including the arrangement and execution of studies and surveys, notably the baseline and needs-assessment surveys, periodic case studies and impact evaluation exercises, and oversight and administration of all downstream operations.

C. Phasing of Project Implementation

9. Following IFAD loan signature, Parliamentary approval of the loan will be sought in Egypt. The process may take several months, suggesting that the timing of IFAD loan effectiveness and the availability of IDS and other funds for the project will not be synchronized. Assuming that the project as designed passes IDS Approval Step 2, such funds will immediately become available to finance preparatory and set-up activities. The FAO Technical Cooperation Project will also be initiated at this time. Accordingly, the project will have two phases: a preliminary Initiation Phase of about a year, during which preparatory and set-up activities will be completed, and an Implementation Phase covering the remainder of the project period. For planning and cost estimation purposes, the Initiation Phase is assumed to correspond to project year (PY) 1.

Initiation Phase

10. The Government will recruit a project manager acceptable to IFAD and the Italian Government on a contract basis. At the same time, IFAD will arrange to hire a project expeditor familiar with IFAD investment projects to assist and advise the project manager in putting fundamental project



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arrangements into place. The project expeditor will be contracted for a six-month period. Associated costs for both the expeditor and the manager will be met initially from IDS funds. It is anticipated that office space, transport and essential equipment will be available in the former Newlands Agricultural Services Project office to enable the project manager and project expeditor to begin their tasks.

11. Early tasks in the Initiation Phase will include:

- (a) establishment of the project special account for IDS funds,
- (b) ensuring the identification of the project in the government budget for the fiscal year 2002/03,
- (c) convening an initial meeting of the project steering committee,
- (d) organization of the consultancies through which the detailed design of the credit wholesaling and credit retailing mechanism will be finalized,
- (e) on the basis of these designs and the Financial Brief – Information for Bidders, organization of the competitive processes for appointing the agent bank and credit retailers, establishment of the credit trust fund and constitution of the board of trustees for the trust fund,
- (f) organization and initiation of the household food supply programme,
- (g) initiation of design work for the upgrading of substandard housing,
- (h) contracting experienced NGOs to implement the community organization and development process (these may also be eligible to bid as potential credit retailing organizations),
- (i) preparation of the documentation for an initial round of procurement,
- (j) recruitment of senior project management personnel and thereafter specialist advisers in the PMU, technical officers at zonal level and village extension workers,
- (k) establishment of the project management information system, including accounting, administration and reporting procedures. Procedures will lay particular emphasis on the recording of information that will permit project performance to be evaluated in terms of the stated objectives, as well as in terms of physical and financial progress,
- (l) completion of a baseline survey in a sample of villages in the primary project area,
- (m) completion of a needs-assessment survey in the primary project area to establish, among other elements, the most suitable arrangement for the allocation of responsibilities for contracted NGOs and credit retailers (expected areas of geographical and technical coverage),
- (n) preparation of a draft project implementation manual,
- (o) drafting of the first year's AWPB,
- (p) completion of the FAO Technical Cooperation Project on preparatory work for irrigation and drainage activities under the project, including preparation of a reconnaissance report on drainage problems in the primary project area and the preparation of terms of reference for a detailed drainage study,
- (q) recruitment of consultants to carry out the drainage study, and
- (r) recruitment of other specialist consultants and consulting companies to assist in the design of systems associated with the marketing operations component and the enterprise development sub-component and begin the formation and training of WUAs.

D. Monitoring, Evaluation, Reporting and Supervision

Monitoring

12. A baseline survey will be conducted during the project initiation phase to develop a clear picture of the circumstances of the target population at the outset of the project. The baseline survey will be conducted in ten villages selected at random to represent the conditions found throughout the primary project area. The findings of the survey will be key measures against which future project



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progress will be assessed. In a separate exercise, a needs assessment will be carried out which will influence initial design and planning for project work programmes. Programmes will thereafter be subject to continual review and modification as part of the community mobilization and development process and project AWPB preparation.

13. Project monitoring at an overall level will be based on the logical framework (Appendix 3) and the AWPBs. The basic measurement period will be a semester. Monitoring will be action oriented to facilitate decision-making: the data to be monitored will be sensitive to change over relatively short periods so that the effects of changes can be measured and follow-up and corrective action can be taken as necessary by project management. Monitoring will take place at several levels, from the village and community association levels to zonal and PMU levels. The most specific indicators of progress (including those selected by the beneficiaries themselves during interactions with project implementation partners) will be used at the local level, and increasingly broad indicators will be used higher up the system as required for the project management information system. The senior economist in the PMU will hold quarterly progress monitoring meetings with the technical management team and directors general of the project zones. Participation in one of the meetings will be broadened to constitute an annual review workshop involving the project manager, the executive director of the Mubarak Project and representatives of other key project stakeholders, including the beneficiaries. The workshop will be timed to allow outcomes to contribute to the preparation of the AWPB for the following year. The workshop will review implementation approaches, component performance, operating procedures and the effectiveness of project organizational arrangements.

14. The documentation to be prepared by partner NGOs associated with the planning, implementation and certification of the completion of village activities will provide the means for project management to verify actions and outcomes and hold partners in the investment process to task. Technical personnel at zonal and project management levels will guide implementing partners in monitoring procedures in accordance with the procedures laid down in the project implementation manual. Field operating procedures will be designed in part to guarantee that beneficiaries become proactive in monitoring and reviewing project performance as part of the community organization and development process and thereby exert an influence on the content of future activity of programmes in their locality.

15. At the zonal level the respective officers in charge of technical activities will have the responsibility, as part of her or his routine duties, to report on progress to the director general of the zone and, in composite summary form, to the relevant manager in the PMU. At the PMU, the senior economist and the monitoring and evaluation officers will collate and distil information from field operatives and implementing partners and prepare consolidated reports. Reports will illustrate actual achievements against AWPB targets for works completed, activities performed, input delivery and production outputs. The reports will be incorporated into biannual progress reports to the project manager, and thence forwarded to the advisory panel, steering committee and cofinanciers. The AWPB for the following year will be attached to the annual progress report. A list of monitoring and evaluation indicators will cover community organization and development at various stages (at the early stages of mobilization and at the consolidation stage). Indicators regarding social infrastructure services and support, technical operations, credit facilitation and marketing operations have also been developed. Special indicators regarding project impact have also been formulated. The monitoring and evaluation reports will be prepared on the basis of baseline surveys and ongoing surveys, as well as case studies to be completed periodically over the duration of the project. In order to ensure that project monitoring and evaluation are an integral part of the logical framework of the project, a dynamic planning and implementation process has been formulated.

16. The PMU will provide the Government of Egypt, the Italian Government representation in Egypt, IFAD and the cooperating institution with semi-annual progress reports on project implementation. These will be submitted within one month of the end of the period to which they



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relate. As a contribution to transparency and accountability, the annual progress report will be in the public domain and will be published in English and Arabic for distribution to stakeholders. Abstracts from the report will be circulated to communities in the project areas. The PMU will also prepare and submit other reports and information relating to the project that IFAD may reasonably request.

17. Reporting formats at all levels will be compiled specifically for the project. Designs will be based on those used under the Newlands Agricultural Services Project and other similar projects and will be in line with established MALR documentation requirements, but will reflect the specific information requirements of WNRDP.

18. Consultants conducting independent assessments of WNRDP field operations or those involved in other specially commissioned studies or surveys will present their findings to the project manager through the relevant technical manager in the PMU. Details of the reporting requirements will be included in the terms of reference of consultants and specified in their contracts of engagement.

19. A mid-term review will be carried out in PY4. This will not only review the physical and financial progress of project activities, but also include an interim assessment of the impact of interventions in relation to the stated project objectives, the pre-established indicators of benefit and impact and the key parameters measured in the initial baseline survey. The review will assess the degree to which the underlying principles of the project (participatory approach, gender equity in the access to project resources and benefits and commercialization in project institutional arrangements and investment activities) have been introduced and upheld during the course of implementation. The review will take advantage of the outcomes of independent beneficiary impact assessments to be carried out by locally contracted consultants. The outcome of the review will have a bearing on the direction and content of the WNRDP during the remainder of the project period. In particular, it will examine the status of the IDS funding and make recommendations on any necessary adjustments in project financing arrangements.

20. The review will also pay particular attention to:

- (a) the effectiveness of WNRDP approaches and implementation arrangements in serving the interests of settlers in the newlands,
- (b) aspects of social cohesion within and among communities,
- (c) the attitudinal change engendered among field operatives in their role as facilitators and promoters of commercial linkages,
- (d) the benefits derived by the target population from the investment activities facilitated by their enhanced access to credit and
- (e) the need and the scope for design modifications to improve targeting and impact.

21. Within three months of the completion of the project, the MALR will submit to the cofinanciers a Project Completion Report detailing, among other things information on the implementation status of the project, the disbursement history of loan, debt-swap and counterpart government funds, and the extent to which the objectives of the project have been accomplished. The completion report will also analyse and verify all previous studies and progress reports and draw overall lessons from the implementation experience. The external financiers will arrange for an independent assessment of project performance after project closure. National or international consultants will be retained to draft papers on the project impact and the achievement of project objectives from the perspective of the beneficiaries and the local institutions involved in project implementation. The scope for the continuation, adaptation, expansion and replication of the project activities will be specifically highlighted in both the interim and project completion assessments.



Supervision

22. IFAD will appoint a cooperating institution – UNOPS – to supervise the WNRDP in accordance with the terms and conditions of the Loan Agreement. The Ministry of International Cooperation, in consultation with the MALR, will be responsible for coordinating IFAD/UNOPS missions. Missions to Egypt and the project area will be made at six-month intervals. The PMU will provide logistical support and arrange to supply all information and reports required by supervision missions so as to include, but not necessarily be restricted to, (a) the implementation status of project components, (b) financial records of disbursement and procurement for all WNRDP-associated accounts, (c) the reports of the board of trustees for the credit trust fund and of the agent bank responsible for trust fund administration and (d) the status and effectiveness of project organization and administration. For all such missions, the MALR will assign a senior counterpart from its Central Administration for Foreign Agricultural Relations Department to participate in the reviews.

23. The routine responsibilities of UNOPS will concern aspects related to IFAD loan administration and the operation of the special account. However, during the course of supervision, they will be required to examine the overall implementation status of the project in relation to its stated objectives from technical, financial and administrative perspectives. Supervision missions will examine adherence to loan covenants and financing agreements and the underlying principles of the project and attempt to resolve any problems that might arise during the course of implementation. Supervision reports will be made available to cofinanciers and the project manager within three weeks of supervision missions so that any follow-up actions can be promptly taken.

FINANCIAL AND ECONOMIC ANALYSIS

A. Financial Analysis

1. The objectives of the financial analysis are to assess the financial viability of the improved production technologies and enterprise development opportunities that will become more readily accessible to the target population as a result of project interventions, examine the financial impact of investment opportunities at the household level, define the amount and phasing of finance required for seasonal, medium and long-term credit, and establish the framework for the economic analysis of the project. The financial analysis relates directly to the investments made in irrigation, agricultural extension, marketing and credit administration. Technical justification for proposed interventions is set out in Annexes I to IV of the appraisal report.

2. Information on the farming systems in the project area and its vicinity is reflected in the key parameters used to develop illustrative crop budgets, livestock enterprise models and aggregate farm models. Detailed physical and financial parameters are presented in Annex VI of the appraisal report for 10 crop budgets, 11 livestock enterprises and 6 farm models. The crop budgets and livestock enterprise budgets reflect the production characteristics and potentials in the project area, while the farm models are considered representative of the principal differentials in the production system. The farm models account for farm-generated income and therefore represent only partial models of household income, which will often be supplemented from other sources, such as off-farm employment. The main indicators for assessing the financial results are the incremental benefits of crop and animal products and the returns to family labour. An assessment is also made of the influence on the level of household food self-sufficiency.

3. The basic information embedded in the models for labour requirements and wages, yields, input use and prices, machinery and energy requirements, the farmgate and market prices of produce and farm-to-market transport costs results from field investigations during formulation and appraisal. The prices used in the financial analysis represent estimates of average seasonal prices based on field research and agricultural department data. At present, the market price of labour in rural areas ranges from EGP 6 to EGP 8 per day. The opportunity cost of family labour has been valued for the financial analysis at EGP 7 – the prevailing wage for hired labour in agriculture – as a proxy for the private price of family labour.

4. The major assumptions for the project are that (a) yield increases are in the range of 40-60%, (b) in most cases, fertilizer application rates almost double, (c) appropriate use is made of plant protection chemicals, (d) mechanization services are readily obtainable, particularly through improved access to seasonal loans, resulting in better land preparation, and more timely planting and harvesting, (e) there is provision of improved seed and seedlings and (f) in the irrigated areas the rehabilitation of the irrigation systems will raise water-use efficiencies. The yield assumptions used in the crop budgets are given in Table 1.

Table 1: Yield Assumptions – Crop Budgets (kg/fd)

Item	Without Project	With Project	Increments	% Change
Winter Wheat	1 000	1 500	500	50%
Winter Berseem	5 500	9 000	3 500	64%
Winter Faba Beans	425	600	175	41%
Winter Potatoes	7 500	12 000	4 500	60%
Summer Tomatoes		8 000	8 000	
Summer Melons		950	950	
Summer Maize	2 000	3 000	1 000	50%
Summer Groundnuts	750	1 200	450	60%
Summer Fodder	5 000	8 000	3 000	60%
Citrus		10 000	10 000	

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5. Table 2 compares income per feddan in the “without the project” and “with the project” situations for each crop budget. Incremental increases are expected to range from EGP 42 for faba beans to EGP 3 066 for citrus, the largest gains being achieved for those crops likely to benefit most from improved irrigation.

6. A further set of models has been drawn up for a range of livestock enterprises appropriate to farming circumstances in the newlands. In summary, significant financial benefits are expected to accrue to individuals investing in typical forms of crop and livestock enterprises. Financial analysis shows that households are able to service the loans required. The positive cash flow after financing in the first year of the activity is an important feature of several of the activities. The majority of the models show that incremental benefits after financing will begin in the first year; therefore, no internal rate of return could be calculated. Sensitivity analysis shows that the models will remain attractive even if costs increase or benefits decrease.

Table 2: Financial Returns: Crop Production Models (EGP/fd)

Crops	Returns/fd (EGP)			Returns/family labour day (EGP)		
	Without Project	With project	% change	Without project	With project	% change
Winter						
Wheat	95	186	95.8	10	13	30.0
Berseem	37	107	189.2	3.1	6	93.5
Faba Beans	57	99	73.7	4.4	7.1	61.4
Potatoes	1485	2356	58.7	33	39	18.2
Summer						
Melons	0	1585		0	35	
Maize	362	593	63.8	36	46	27.8
Groundnuts	532	924	73.7	19	22	15.8
Fodder	2458	4052	64.8	246	289	17.5
Citrus (Drip System)	0	3066		0	160	
Tomatoes	0	620		0	16	

7. The farm models combine crop budget information in typical farming situations and, where appropriate, include the effects of incorporating a small-scale livestock enterprise. Six farm models represent typical farming opportunities in the project area, namely:

- (a) Unimproved irrigation system (2.5 fd)
- (b) Unimproved irrigation system (5.0 fd)
- (c) Unimproved irrigation system with horticulture (2.5 fd)
- (d) Unimproved irrigation system with horticulture (5.0 fd)
- (e) Improved irrigation system with horticulture (2.5 fd)
- (f) Improved irrigation system with horticulture (5.0 fd)

8. The cropping patterns and detailed assumptions about livestock introduction, family labour availability, off-farm employment, credit need and terms, by-product use and on-farm consumption for each of the models have been calculated “without the project” and “with the project”. The results of the models are summarized in Table 3.

Table 3: Summary of the Results of Farm Models

Farm Models	Net Income (EGP)			Family Labour (Days)		Incremental labour days	With Project Returns per Incremental Labour Day (Family) EGP/Day)
	Without Project	With Project	% Change	Without project	With project		
Model 1*	2502	6300	152%	66	281	215	29
Model 2*	5005	9985	100%	132	382	250	40
Model 3*	2387	6012	152%	72	323	251	24
Model 4*	4774	13172	176%	143	250	107	123
Model 5	3238	4748	47%	83	166	83	57
Model 6	6475	10361	60%	165	362	197	53

* Incorporates a livestock raising enterprise.

9. Net incomes increase substantially in the “with project” situation in all models. In Models 1-4, which incorporate a small livestock enterprise, the requirement for family labour inevitably rises substantially. However, the analysis illustrates the underemployment of family labour in the “without the project” situation, especially for households on farms of 2.5 fd. For a two-adult person household, the number of family-days labour required remains below that for an average working year of 250 days per person. The financial returns per incremental family labour day in the “with the project” situation are attractive, ranging from EGP 29 to EGP 123, equivalent to between three and 17 times the opportunity cost of labour. The high return for Model 4 compared to Model 3 reflects the opportunity of including a higher proportion of horticulture crops on a 5.0-fd farm. The returns per incremental labour day in Model 6 “with the project” reflect the higher labour requirement and production cost of orchard crops. For the more disadvantaged households (for example, woman-headed households with limited labour availability), the returns are sufficient to permit the hiring of additional labour as necessary.

10. Across the primary and secondary project areas, the incremental demand for labour for farming-related activities in these improved systems is substantial, representing about 3.4 million person days of combined family and hired labour. This is equivalent to full-time employment for some 13 400 people. The labour demand will be met from increased efficiencies per family labour-day and the hiring of labour among unemployed or underemployed adults and youths in the vicinity.

B. Economic Analysis

11. In the estimates of the likely economic returns, the period of analysis has been set at 20 years to account for the phasing of household participation and for the gestation of several of the possible types of farm/household improvements. The analysis identifies quantifiable benefits and costs that relate directly to the activities undertaken in the components or that can be attributed as a consequence of project implementation. The UN Development Programme/FAO comparative advantages study indicates that the prices estimated for outputs and tradable inputs are distorted by approximately 10%, reflecting an even higher negative protection. Adjustments for economic prices are made using the conversion factors or border prices. The economic value of water costs as domestic resources is based on the FAO estimates and equal EGP 0.07/m³. FAO estimates are also used to evaluate the costs of machinery services, water pumping and land. All values are given in constant September 2001 prices.

12. The incremental benefit stream comprises the economic net value of the production of the farms expected to take up the improved production opportunities. It is assumed that all of these farms will achieve the full-development output levels. These farms represent full adopters of the technology, as well as beneficiaries of project credit. Partial adopters will also gain benefits on a wide scale, but these are ignored for the purpose of the analysis. Family labour is valued at EGP 7, a figure representative of the daily agricultural wage during the peak season, this being considered a good estimate of the opportunity cost of labour and its marginal value product. This wage assumes that other opportunities for off-farm income will develop over the course of the 20-year period.



APPENDIX VII

13. The incremental cost stream has been calculated by removing price contingencies and taxes. No residual values on capital investment items have been assumed. The farm models developed above form the basis of the analysis; these costs exclude any financial charges such as the principal and interest paid on credit, but include the opportunity cost of labour. In addition to the costs of individual household production, the analysis includes (a) the project costs for extension services, (b) support for the establishment of credit institutions, excluding the credit fund, which is already accounted for in the analysis, (c) water management, (d) marketing services development, (e) social infrastructure and services, (f) community organization, and (g) food supply and the costs of institutional support.

14. Given the above streams of activity benefits and project costs, the base EIRR is estimated at 20.1%.

15. Sensitivity analysis shows that, given the present low levels of productivity of farm households in the “without the project” situation, the estimated returns can fall within a fairly large margin and still produce a positive result. The results of the sensitivity testing on the internal economic rates of return reflect the effect of potential adverse changes in key variables. These include a 10% decrease in benefits, a 10% increase in costs and various possible delays in the initiation of benefits. The results are as follows.

Base EIRR 20.1%

a)	Benefits Decrease by 10%	18.3
b)	Costs Increase by 10%	18.5
c)	Combined Decrease in Benefits and Cost Increase by 10%	16.7
d)	Benefits Delay by 1 year	17.2
e)	Benefits Delay by 2 years	14.9

16. The switching value for total project benefits is 28%, while it is approximately 20% for project costs. A fall in total project benefits by 20% and an increase in project costs by the same proportion reduce the base EIRR to 13.6%. The sensitivity analysis indicates that the project is relatively robust and will remain economically viable under most foreseeable adverse conditions.