

a

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-seventh Session
Rome, 19-20 April 2006

ARAB REPUBLIC OF EGYPT

COUNTRY STRATEGIC OPPORTUNITIES PAPER

TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS	iv
PORTFOLIO OVERVIEW	v
EXECUTIVE SUMMARY	vi
I. INTRODUCTION	1
II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT	1
A. Country Economic Background	1
B. Agricultural Sector	2
C. Rural Poverty	3
D. Constraints on and Opportunities for Rural Poverty Reduction	5
E. National Strategy for Rural Poverty Reduction	6
III. LESSONS FROM IFAD’S EXPERIENCE IN THE COUNTRY	7
IV. STRATEGIC FRAMEWORK FOR IFAD	8
A. IFAD’s Strategic Niche and Proposed Thrusts	8
B. Main Opportunities for Innovation and Project Interventions	9
C. Outreach and Partnership Possibilities with NGOs and the Private Sector	11
D. Opportunities for Linkages with Other Donors and Institutions	11
E. Areas for Policy Dialogue	12
F. Action Areas for Improving Portfolio Management	13
G. The Tentative Financing Framework and Rolling Programme of Work	14
ANNEX	
AGREEMENT AT COMPLETION POINT – COUNTRY PROGRAMME EVALUATION	15
APPENDIXES	
I. COUNTRY DATA	1
II. LOGICAL FRAMEWORK	2
III. TARGET GROUP PRIORITY NEEDS AND PROPOSALS	4
IV. POVERTY AND RURAL SECTOR ISSUES	5
V. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS	6
VI. IFAD’S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME	7
VII. ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED	8
VIII. NATIONAL STRATEGIES RELEVANT TO POVERTY ALLEVIATION	11

CURRENCY EQUIVALENTS

Currency unit	=	Egyptian pound (EGP)
USD 1.00	=	EGP 5.70
EGP 1.00	=	USD 0.175

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 ha
1 ha	=	2.38 fd

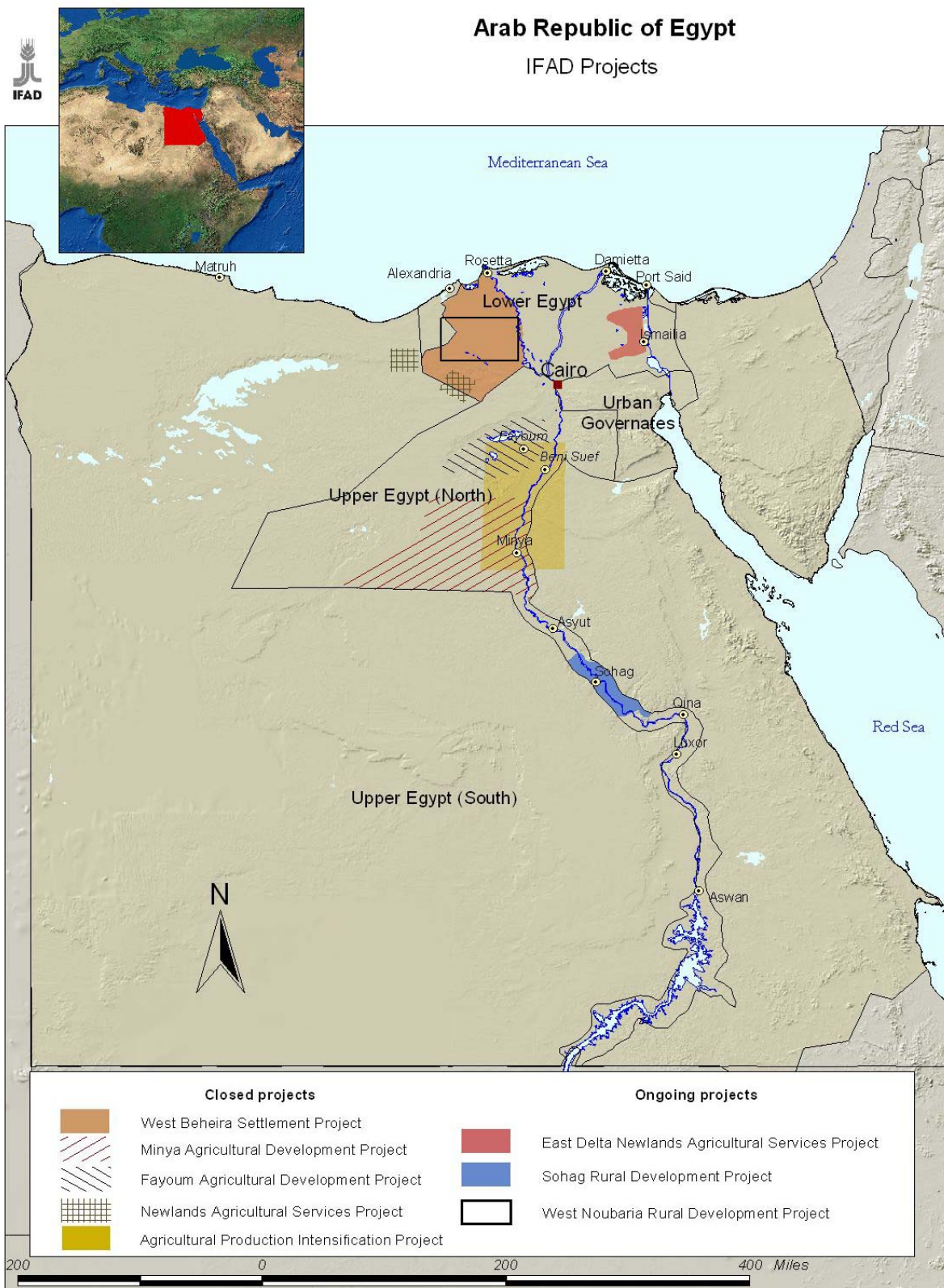
ABBREVIATIONS AND ACRONYMS

COSOP	country strategic opportunities paper
CPE	country programme evaluation
MALR	Ministry of Agriculture and Land Reclamation
PBDAC	Principal Bank for Development and Agricultural Credit
SFD	Social Fund for Development
SRDP	Sohag Rural Development Project
UNDP	United Nations Development Programme
WUA	water users' association

GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT
Fiscal Year

1 July – 30 June

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



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.

PORTFOLIO OVERVIEW

Region: Near East and North Africa

Country: Egypt

Project Name		Loan Amount Approved (SDR)	Board Approval	Loan Signing	Loan Effectiveness	Project Completion Date	Loan Closing Date	Disbursement (%)
CLOSED								
054-EG	West Beheira Settlement Project	21 800	04 Dec 80	10 Dec 80	05 Aug 81	30 Jun 92	30 Jun 00	100
114-EG	Minya Agricultural Development Project	23 550	09 Dec 82	13 Dec 82	28 Jul 83	30 Jun 99	30 Jun 99	94
157-EG	Fayoum Agricultural Development Project	10 100	14 Sep 84	09 Jan 84	06 Dec 85	30 Jun 93	31 Dec 93	100
306-EG	Newlands Agricultural Services Project	18 300	15 Apr 92	11 Dec 92	30 Dec 93	31 Dec 00	31 Dec 01	100
355-EG	Agricultural Production Intensification Project	14 450	20 Apr 94	30 Jun 94	25 Jan 95	30 Jun 05	31 Dec 05	95.53
ONGOING								
440-EG	East Delta Newlands Agricultural Services Project	17 300	05 Dec 96	30 Mar 98	25 Jan 99	31 Dec 05	30 Jun 06	56.32
484-EG	Sohag Rural Development Project	18 850	10 Sep 98	10 Dec 98	18 Jun 01	30 Jun 07	31 Dec 07	35.65
582-EG	West Noubaria Rural Development Project	14 600	23 Apr 02	29 May 02	09 Apr 03	30 Jun 10	30 Dec 10	10.66
	Total	138 950						
GRANTS								
	Gender technical assistance grant: Women Self-Empowerment Project (Sohag Rural Development Project)	USD 59 500			01 Sep 04	31 Dec 05	30 Jun 06	100
	Gender technical assistance grant: Gender Empowerment Programme (East Delta Newlands Agricultural Services Project)	USD 71 100			29 Oct 04	31 Dec 05	30 Jun 06	-

EXECUTIVE SUMMARY

1. **Rural poverty context.** During the 1990s, the poverty rate in Egypt fell, but, at the same time, the absolute number of poor people increased (with population growth), and the pattern of poverty changed from a pattern with a sharp urban-rural divide that had characterized the past to a new regional pattern. Overall, the number of Egypt's poor at present is about 10.7 million. Of these, 29% are urban poor, and 71% rural poor. However, the sharpest distinction in poverty rates is now between Egypt's metropolitan areas, Lower Egypt and the Border Areas on the one hand and Upper Egypt on the other. Upper Egypt is now where most of the rural poor are located. The Government of Egypt has clearly identified the need to direct more resources and efforts to this area. On the basis of available socio-economic data, the rural poor in Upper Egypt typically consist of the following four clusters: tenants and small farmers, landless labourers, unemployed youth, and women.

2. The **causes of poverty in rural areas** (throughout Egypt, but especially in Upper Egypt) are basically the very small land holdings that result in very low per capita share of cultivated land, the low level of growth and productivity and the lack of sufficient alternative employment opportunities, which is due to the limited development opportunities of small and microenterprises and the lack of an appropriate microfinance system that is responsive to the needs of small farmers and microentrepreneurs. In addition, at the post-harvest level, marketing is increasingly becoming a significant bottleneck to more rapid growth and higher incomes.

3. **National poverty reduction strategy.** There is no poverty reduction strategy paper process in Egypt, as Egypt is a lower middle income country. However, the Government's poverty reduction strategy is being pursued through five main avenues: (a) economic growth to increase income and employment through investment in productive sectors; (b) human development of the poor to raise their capabilities through education, health care, nutrition and social interventions; (c) women's advancement and the closing of the gender gap; (d) safety net measures for the poor, especially women; and (e) participatory governance to raise the voice of the poor.

4. **IFAD strategic niche: geographic and thematic focus.** The strong link between unemployment and rural poverty and the large geographical disparities between Upper Egypt and other parts of the country call for a narrower focus of IFAD's programme in Egypt geographically and thematically. The clear niche for IFAD given the development aspirations of the Government and the activities of other donors involves contributing to rural employment creation and income generation in southern Upper Egypt. The three rural governorates in this region – Assiut, Sohag and Quena – have the lowest Human Development Index rating and the highest concentration of rural poor (40%). Nonetheless, these governorates have good development potential and offer a solid ground for donor cooperation. Relying on the replication of successful approaches and the internalization of lessons learned, the main thematic thrusts of the programme will be private-sector development in rural areas and the enhancement of agricultural competitiveness. Specifically, IFAD will meet this objective by scaling up successful activities promoted in earlier projects and grants, such as the farming systems research approach, participatory irrigation management, contract farming for exports and participatory community development. In addition, through the internalization of lessons learned in rural credit, IFAD will promote rural microfinance on a pilot basis through partnerships with selected commercial banks and local microfinance institutions. This strategic choice is in line with government strategy and takes into consideration the lessons learned from previous and ongoing projects and the main recommendations of the country programme evaluation (2004).

5. With regard to **private-sector development**, the focus will be on off-farm employment and income generation. There is a need to assist rural poor men and women through small and microenterprise development, market linkage, export promotion and partnerships with the large private-sector entities involved in marketing and finance. In particular, the new programme will embody a substantially revised approach to rural finance.

6. With regard to the **enhancement of agricultural competitiveness**, the new programme will promote innovative research and extension systems with the aim of making them responsive to the needs of small farmers and rural women. Strong emphasis will be placed on the following themes: (a) the promotion of crop diversity and the introduction of high-value-added crops with potential markets, such as non-traditional and organic fruit, vegetables, dairy products and medicinal plants; (b) crop rotation and crop-livestock integration, (c) sound smallholder farm management for higher sustainable returns per unit of land and water; (d) support for local farmer organizations through capacity-building and service provision; and (e) the promotion of water use efficiency through the establishment and strengthening of water users' associations and their integration in water boards at the district level.

7. **Innovations and intervention themes.** Under the present country programme, innovation has been introduced through the Agricultural Production Intensification Project in order to promote the farming systems approach and through the West Noubaria Rural Development Project in order to promote export marketing. With the appropriate adjustment to local conditions in Upper Egypt, both innovations will be promoted and scaled up so as to realize the highest return from smallholder farming and rural microenterprises. In addition, participatory water management and rural microfinance will also be promoted either directly, or through partnership building with other donors.

8. **Opportunities for linkages with other donors and institutions and role of IFAD country presence office.** The IFAD country presence office is now fully operational. The United Nations Development Assistance Framework and the Development Assistance Group are the two most important forums for aid coordination. Besides providing implementation support and contributions to knowledge management, the country presence manager will help make IFAD known among donors and use this platform to promote the replication of IFAD experiences in farming systems research, the marketing of non-traditional products, and microfinance, thus resulting in increased opportunities for partnership and cofinancing. Therefore, IFAD intends to play a greater role in the Egyptian rural development process through the following in-country activities: (a) the systematic participation of the IFAD country presence manager (and/or the country programme manager) in the monthly meetings of the Development Assistance Group and its most relevant subgroups, such as gender and development, natural renewable resources; governance and participation, and small and microenterprise development; (b) continued input to the United Nations Development Assistance Framework initiative on IFAD ongoing and planned support for Egypt; (c) in the context of the implementation of the new programme in Upper Egypt, the organization of local and national seminars that will introduce policymakers and practitioners to the best practices regarding policy and regulatory frameworks conducive to small and microenterprises and rural finance development. In addition, IFAD will provide input and support for the ongoing formulation of an antipoverty action plan to be finalized by the end of 2006 through selected grant-financed initiatives, including the promotion and strengthening of village associations (producer associations, marketing associations, water users' associations), pilot initiatives on rural microfinance and the improvement of the knowledge base of rural small and microenterprises.

9. **Areas for policy dialogue.** There are many areas of potential engagement, and IFAD has to choose carefully and selectively, in consultation with partners, to determine where it can use its knowledge and limited resources. IFAD's best comparative advantage is to promote participatory community development at the village level. Therefore, in IFAD's use of investment projects (loans and grants) as entry points, the three key priority areas for policy dialogue are decentralization (including a stronger role for NGOs and civil society in rural development), participatory water resources management and rural microfinance.

10. **Action areas for improving portfolio management.** A key task of the country programme manager and the IFAD country presence manager will be to help to improve the arrangements for portfolio management and the efficiency of project implementation. Action areas that will be particularly addressed are: (a) needs assessments to help project implementation staff and agencies to

identify training requirements early on in the life of a project; (b) the development of an overall approach to a monitoring and evaluation system to be coordinated among projects, plus more consistent emphasis on impact reporting requirements and methods; (c) intensification of implementation support, especially in areas requiring capacity-building, such as rural finance and water resources management; and (d) assistance in the start-up of new projects.

11. **Tentative financing framework and rolling programme of work.** Under IFAD's Performance-Based Allocation System, Egypt has been allocated an annual loan-grant potential of USD 9.6 million (base scenario). According to the present loan sizes in ongoing projects, this will mean a new project every 2.5 years. A more high-level scenario with a yearly allocation significantly exceeding USD 9.6 million is unlikely given the Government's desire to limit its foreign borrowing and the country's easier access to bilateral aid (higher concessionality and less conditionality). The main triggers for the high-level scenario will be: (a) greater government financial commitment to support and aid in capacity-building among the community development associations within the Government's own budget or loan resources; (b) the amendment of Law 32 of 1964 so as to enable NGOs to participate freely in Egypt's rural poverty reduction programme, with less governmental control and more transparency; (c) the Government's agreement to relend loan resources to NGOs to act as intermediaries for microfinance in rural areas; (d) the ratification of a new water law by Parliament; and (e) the achievement of tangible progress in reforming the Principal Bank for Development and Agricultural Credit and the introduction of best practices in the bank's lending programme.

12. **The grant programme.** Within the loan-grant allocation, the following issues related to capacity-building could be addressed through the country grants window: the promotion of producers associations, water users' associations and pilot initiatives on rural microfinance. The other main requirements involve the need for capacity-building for project implementation staff, improving the knowledge base of rural enterprises and developing a better understanding of the best ways to implement gender mainstreaming given local circumstances. These areas are ineligible for country grants, but could be addressed through supplementary funds available through IFAD.

ARAB REPUBLIC OF EGYPT
COUNTRY STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION

1. IFAD's first Egypt country strategic opportunities paper (COSOP) was approved in 2000 at a time when Egyptian economic growth was slowing, and the political will to pursue reforms appeared to be waning. The current context features a revival of both growth and an interest in reforms. The growth rate of the economy has picked up, helped by policy reforms and favourable external developments. This is a good opportunity for IFAD to join efforts with other donors and Egyptian partners in supporting the Government's poverty reduction strategy. It is within this context that the Government invited IFAD to develop this COSOP and identify a new programme for rural poverty reduction covering the period 2006-2009.

2. As a precursor to the preparation of a new COSOP, a country programme evaluation (CPE) was undertaken in 2004. The CPE process concluded with a major workshop attended by partners and held in Cairo in March 2005. The CPE recommendations were fully endorsed by the representatives of the Government, the main donors and the NGOs represented at the workshop. These recommendations were incorporated in the agreement at completion point of the CPE, which was approved by the core learning partnership of the evaluation, including senior officials of the Ministry of Agriculture and Land Reclamation (MALR) and the Ministry of International Cooperation. The recommendations of the agreement at completion point have been fully incorporated in this COSOP.

3. Following the CPE, the fieldwork for the COSOP was started in April 2005 as a joint effort between IFAD and the MALR. Initial discussions were held in Cairo with the MALR, the Ministry of International Cooperation and the World Bank representation (as one of the major IFAD partners in the ongoing programme). Several meetings were held with senior representatives of the MALR, the Ministry of International Cooperation, the Ministry of Water Resources and Irrigation, the Principal Bank for Development and Agricultural Credit (PBDAC), Government-sponsored poverty reduction and rural development agencies (the Social Fund for Development and the National Programme for Integrated Rural Development/the Organization for the Reconstruction and Development of the Egyptian Village), potential donor partners and other international financial institutions (the World Bank, the European Union, the World Food Programme, Italian Cooperation, the Canadian International Development Agency, the Food and Agriculture Organization of the United Nations, the United Nations Development Programme [UNDP], the United States Agency for International Development, the Swiss Agency for Development and Cooperation, the Japan International Cooperation Agency) and NGOs (the Microfinance Network of Arab Countries and the Italian NGO Co-operation for the Development of Emerging Countries [COSPE]). In January 2006, the field presence initiative in Egypt became effective. This has greatly facilitated the final stages of the COSOP consultations. The draft COSOP report was discussed with and endorsed by all the Government's current and potential partners, selected donors representatives and NGOs.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT¹

A. Country Economic Background

4. Although Egypt has a total land area of 1 million km², only 6% of the land is inhabited. The total population has grown rapidly over the last 25 years to reach 69.6 million (2003), but the rate of increase has slowed to 2.1%. There have been steady improvements in health and education. Infant

¹ See Appendix I for additional information; summary country data drawn from the World Bank database, April 2005.

mortality was reduced to 33 per 1 000 live births by 2003, and the primary school completion rate was estimated at 91%. However, despite consistent improvements in development indices, Egypt still ranks 120 out of 177 countries included in UNDP's 2004 Human Development Index and ranks poorly on UNDP's gender employment measure (75 out of 78 countries). Moreover, despite the overall progress, there are clear divisions between the moderately well-off urban sector and the poor to very poor rural sector and also between the relatively well-developed region of Lower Egypt and the much poorer region of Upper Egypt.

5. During the 1990s, the economy experienced a period of sustained growth in response to economic reforms and a comprehensive structural adjustment programme, which had been initiated in 1991. Between 1991 and 1998, the annual growth in GDP rose from 1.9 to 5.6%, while inflation fell from 21.1 to 3.6%. The reform programme also instigated fundamental changes in the dominant role of the public sector. Once centrally controlled, trade and investment were privatized, and liberalization policies freed up the economy. GDP per capita increased from USD 720 to USD 1 390 between 1994 and 2003. However, beginning in 2000, a number of external and internal shocks affected the economy, and growth rates slowed markedly. Only recently have newer macroeconomic and social development policies been introduced. These have been aided by higher oil prices and receipts from tourism, but population increases and the need to provide additional services in health care and education continue to put a major strain on government resources.

6. The reforms of the 1990s did result in higher levels of unemployment and increases in poverty for some sections of the population, however. In addition, social sector spending and repayment of public debt remain the two largest categories of government expenditure, absorbing over half of the recurrent budget. Job creation, the driving force for expanding the economy, is now seen to be the role of the private sector, replacing the traditional job creators in the government and public sectors. The extent of unemployment and underemployment can be gauged from the estimate that only 46% of the working age population participates in the labour force; of those employed, 40% earn a living in small-scale and microenterprises that operate in the informal sector.² While unemployment exists across all educational categories and age groups, most of the unemployed are actually the young and educated.

7. While the administrative system has traditionally been highly centralized, there has been a recognition that decentralization is necessary to provide equality in development opportunities and to enfranchise more of the population. The theme of UNDP's Human Development Report 2004 is "Choosing Decentralization for Good Governance".

B. Agricultural Sector

8. Although the contribution of agriculture has fallen over time, it still accounts for 17% of GDP and 20% of total exports and foreign exchange earnings. In addition, industries linked to agriculture, such as processing and marketing and input supplies, account for another 20% of GDP. Agriculture is therefore a key sector in the economy, providing livelihoods for 55% of the population and directly employing about 30% of the labour force.³ Almost all farms are small (an average of 2 feddans [fd], while 95% of farms are less than 5 fd). Yields in the "oldlands" are among the highest in the world for several cereal and horticultural crops (rice, sugar cane and sorghum). However, this intensive cultivation system is only applicable to 3% of the land area, and Egypt still has to import 40% of its food requirements. The main vegetables and fruits grown in Lower and Upper Egypt are potatoes, tomatoes, watermelons, beans, peas, onions, melons, garlic, peppers, cucumbers, sweet potatoes, cabbage, leaf vegetable crops, citrus, grapes, mangoes, dates, bananas, olives and deciduous and evergreen trees. The main cereals are wheat, maize, rice, sorghum and barley. Medicinal, aromatic

² UNDP Country Evaluation Egypt, 2004.

³ MALR: The Strategy for Agricultural Development in Egypt until the Year 2017, May 2003.

and ornamental crops represent a rapidly growing farm business of importance for both domestic and external markets.

9. Agriculture is the largest user of water (83% of the total amount used, compared to 6.5% and 10.5% for municipal and industrial uses, respectively). The current per capita availability of renewable fresh water is down to 936 m³ (below the international poverty standard of 1 000 m³ per capita per year). By 2017, the annual amount of water available per person will decline to roughly 750 m³, and the country thus faces the compelling challenge of improving the efficiency and productivity of water use.

10. In the formal sector, rural finance is dominated by a single, centralized institution, the PBDAC, which is directed by the MALR. This bank accounts for 80% of rural credit, while the remaining 20% is provided mainly by commercial banks and a few microfinance institutions and NGOs. PBDAC's main target population is farmers with land titles as collateral or personal guarantees as a collateral substitute. However, PBDAC's lending to agribusiness has been limited; its lending to non-agricultural rural industries was insignificant, and its coverage of disadvantaged groups, including the landless and women, was minimal. PBDAC has been the main partner organization in IFAD projects through which credit has been directed to rural areas.

11. The Government's present policies in agriculture were published in May 2003 under the title "The Strategy of Agricultural Development until the Year 2017" (see Appendix VIII). The main thrusts of the strategy are the promotion of growth in the efficient and environmentally sustainable management of land and water, market development and the promotion of the private sector, better involvement of rural women in the development process, and reforms that make agricultural institutions more responsive to the needs of farmers. In particular, the strategy identifies the need to: (a) strengthen producer associations and make market information more freely available; (b) enact and enforce laws and regulations on product standards; (c) link agricultural extension more closely to research, and (d) develop the extension role of the private sector.

12. Although agriculture is the main water user, the Ministry of Water Resources and Irrigation is responsible for authorizing use and managing water resources, irrigation and drainage systems and associated pumping stations. These responsibilities are carried out through several departments and agencies, including the Irrigation Department, the Mechanical and Electrical Department, the Egyptian Public Authority for Drainage Projects and the National Water Research Centre.

13. In addressing the use and management of water resources, the government strategy aims at improving water use efficiency as the most sustainable way of addressing the increased pressure on water resources. The strategy calls for the promotion of water-saving technology, complemented by improved on-farm water management, and the institution of cost-recovery mechanisms for the operation and maintenance of the tertiary irrigation network by establishing or strengthening of water users' associations.

C. Rural Poverty

14. The cost-of-basic-needs method was used by the World Bank (2004) to construct absolute poverty lines for Egypt.⁴ The resulting poverty line is household specific, is the sum of a food poverty line and a non-food poverty line, and accounts for the differences in regional prices, as well as

⁴ Many methods have been used to calculate poverty lines for Egypt. They suffer from one or more of four problems: (a) they ignore significant differences in consumption patterns and prices that exist across regions; (b) they do not account for the differing basic needs requirements of different household members; (c) they use the cost of a hypothetical diet for the poor rather than the actual diet; and (d) they ignore economies of scale within households, that is, the fact that non-food items can be shared among household members. This study uses a methodology that attempts to account for these problems.

differences in the consumption preferences and size and age composition of households. Key findings of this study show the following:

- (a) Among sectors, the rate of poverty is highest in agriculture (22%) and lower in manufacturing (11%) and services (8%).
- (b) The principal source of income for the poor is their labour. Unemployment is therefore one of the major causes of poverty. Labour typically accounts for 85% of household incomes among the poor, while non-labour assets such as property, financial instruments and transfers contribute only around 15%.
- (c) The self-employed in metropolitan areas show low rates of poverty. This suggests that small and microenterprise activity offers a way out of poverty.

15. According to the study, the poverty rate fell from 25% in 1996 to 17% in 2000. At the same time, the absolute number of poor people increased (with population growth), and the pattern of poverty changed from a pattern with a sharp urban-rural divide that had characterized the past to a new regional pattern. Overall, the number of Egypt's poor is about 10.7 million; of these, 29% are urban poor, and 71% rural poor, with an urban poverty rate of about 9% and a rural poverty rate of about 22%. However, the sharpest distinction in poverty rates is now between Egypt's metropolitan areas, Lower Egypt, and the Border Areas on the one hand and Upper Egypt on the other (see the table below). Most of the poor are now located in Upper Egypt; governorates in rural Upper Egypt also contain the highest concentrations of the poor.

Poverty Rates by Governorate 1999-2002

Region	Governorates	Total Population ('000)	Rural Population (%)	% Total Poor		Human Development Index	Adult Literacy Rate (+15)	Infant Mortality Rate (per 1 000 live births)
				Urban	Rural			
Metro Egypt	All	12 181	–	3.5	–	0.765	85.4	29.9
Lower Egypt		29 152	71.1	5.4	10.5	0.666	68.06	18.1
Upper Egypt	All	25 018	68.7	22.5	33.7	0.653	59.7	29.2
Northern Upper Egypt	Giza	5 426	40	9.43	16.95	0.694	75.2	17.7
	Beni-Seuf	2 161	77	32.35	51.66	0.621	54.3	31.5
	Fayoum	2 320	78	19.76	34.27	0.603	50.5	26.9
	Minia	3 874	81	9.12	24.03	0.618	52.2	33.4
	Assiut	3 280	73	39.21	56.76	0.618	52.2	42.5
Southern Upper Egypt	Sohag	3 654	78	35.61	41.09	0.618	52.4	32.6
	Quena	2 820	79	13.30	24.85	0.618	52.9	29.1
	Aswan	1 077	58	18.33	18.81	0.696	74.3	28.1
	Luxor	0 406	54	25.35	34.80	0.646	64.3	27.7
Border Areas	All	0 950	43.4	3.6	17.7	0.708	74.3	21.2
Egypt	All	67 301	58	9.21	22.07	0.687	69.4	24.5

Sources: CPE (2004), Poverty and Economic Growth in Egypt (World Bank, 2004), Human Development Report (2004).

16. Similar characteristics are reported in UNDP's Human Development Index by Governorate (2004), which combines indices of life expectancy, adult literacy and GDP per capita. In the 2004 report,⁵ the most poorly performing governorates are listed as Sohag, Minia, Assiut, Quena and Fayoum, all of which are in Upper Egypt. The gap in urban-rural deprivation is also much higher in Upper Egypt, and measures of illiteracy, access to safe water and sanitation, infant mortality and numbers of underweight children are all significantly higher in governorates in Upper Egypt. For particularly disadvantaged groups (including women) in rural areas, these differences are more severe. About 80% of girls are taken out of schooling to do farm work before the age of 10. There are indications that, recently, poverty in Upper Egypt has actually been increasing, and the Government has clearly identified the need to direct more resources and efforts to this area.

17. On the basis of available socio-economic data, the rural poor in southern Upper Egypt typically consist of the following four clusters: (a) tenants and small farmers; (b) landless labourers; (c) unemployed youth; and (d) women.

18. **Tenants and smallholders** (up to 3 fd) work their own agricultural land, but have to supplement their incomes from wage labour, livestock raising and internal migration because their agricultural work provides, at best, half of their basic staples. Most of the households have one large ruminant and two or three small ruminants. The small ruminants are used as a resource for cash when needed. The household holdings of small fowl and poultry are the main regular source of cash, alongside daily wage labour during the non-agricultural season.

19. **Landless labourers** are usually engaged in daily wage labour in agriculture or construction, internal migration to urban areas, and petty trading. They find work for about 10 days a month. They have insignificant numbers of livestock, usually only domestic fowl, which are used for home consumption, but are more frequently sold when the need for cash is particularly acute.

20. **Unemployed youth.** On the whole, this group's living standards are falling due to the worsening employment situation that has resulted from the rapidly growing labour force in a context of limited additional employment opportunities. Many graduates of the Egyptian free schooling system revert back to meagre survival on household farms due to the lack of employment opportunities elsewhere.

21. **Rural women** in Upper Egypt represent only 14% of the labour force; the corresponding figure for urban women is 23% (compared to 21% and 25%, respectively, in Lower Egypt). Furthermore, adult illiteracy among women is 53%, compared to 31% among men, while maternal mortality is 70%, in contrast to 47% in Lower Egypt. Rural women may spend up to 19 hours a day performing essential chores such as sowing, weeding, harvesting, animal husbandry, fetching water and firewood, and other home activities. Women's access to and control over productive resources (inputs and labour-saving technology) and support services (credit, extension, training and markets) is limited.

D. Constraints on and Opportunities for Rural Poverty Reduction

22. In rural households in Egypt, 42% of total income comes from non-farm sources, while 25% is derived directly from agriculture (plus 9% from livestock), while the remaining 24% comes from transfers, remittances and rental incomes. For agricultural households with less than 1 fd of land, 67% of total income comes from non-farm sources, such as seasonal work.

23. According to the World Bank (2004), the poverty rate in rural Upper Egypt was 34% in 1999/2000, compared to 11.8% in rural Lower Egypt. The higher poverty in rural Upper Egypt is partly attributed to the nature of the area's main economic activity, i.e. agriculture. Almost two thirds of the population of Upper Egypt is engaged in agriculture. The main reasons why farm income in

⁵ The figures are actually for 2002.

rural Upper Egypt is lower than it is in rural Lower Egypt are threefold: (a) agriculture in Upper Egypt is dominated by traditional low market-value crops and therefore generates less revenue per cropped area compared to Lower Egypt; (b) farmers in Upper Egypt are unable to finance the higher costs and greater risks of growing non-traditional crops; and (c) average farm holdings in Upper Egypt tend to be smaller than those in Lower Egypt: 82% of land holdings in Upper Egypt are less than 3 fd, compared to 58% in Lower Egypt. In addition, rural poverty is exacerbated by the lack of sufficient alternative employment opportunities, which is itself due to the limited development opportunities of small and microenterprises and the lack of an appropriate microfinance system that is responsive to the needs of small farmers, microenterprises and rural women.

24. At the post-harvest level, marketing represents a significant bottleneck in Upper Egypt to more rapid growth and higher incomes. Local markets are underdeveloped, and the marketing infrastructure (transport, cold storage, grading and packing facilities) is poor, leading to a high rate of losses and waste, which limits efficient marketing and negatively affects the incomes of small farmers. Producers are not well organized into associations and cooperatives. This limits their bargaining power and their ability to capture the benefits of economies of scale and export markets. Market information for smallholders is lacking not only in terms of prices and volumes, but also in respect of quality standards, especially for European and Gulf markets.

25. Hence, although most poor households are agriculturally based, comprehensively addressing poverty issues requires a balanced approach that promotes the optimization of production from small, intensively managed agricultural holdings, the development of on- and off-farm small and microenterprises, and support for marketing.

26. With regard to the main opportunities and taking into consideration the Government's strategy for poverty reduction, IFAD's advantage lies in the Fund's knowledge and experience in working with rural communities, especially to enhance farm incomes. In particular, within Upper Egypt, there are examples in the present project portfolio of cases in which IFAD has successfully supported mechanisms to improve farm productivity, developed participatory approaches for the construction of locally prioritized rural infrastructure and supported decentralization. Through the grants programme, the Fund has also been able to foster empowerment by facilitating the provision of identity cards for women so as to allow them to access services and vote. These measures provide positive building blocks for the design of a future programme for Upper Egypt.

E. National Strategy for Rural Poverty Reduction

27. There is no poverty reduction strategy paper process in Egypt, as it is a lower middle income country. However, as mentioned in Appendix VIII, the Government of Egypt has adopted a multi-pronged strategy, "Vision 2017". The strategy gives priority to the creation of employment opportunities as the surest way to combat poverty. A poverty action plan is under preparation (through the Ministry of Planning, with UNDP assistance) and is due to be announced at the end of 2006.

28. The Government has been pursuing this poverty reduction strategy through five main avenues:
- (a) economic growth to increase incomes and employment through investment in productive sectors and encouragement for private-sector development;
 - (b) human development of the poor to raise their capabilities through education, health care, nutrition and social interventions;
 - (c) women's advancement and the closing of the gender gap;
 - (d) safety net measures for the poor, especially women, against anticipated and unanticipated income and consumption shocks through better targeting; and
 - (e) participatory governance to raise the voice of the poor.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

29. Lessons from the experience of the Government-IFAD cooperation over the last 25 years have been well described and analysed in the recent CPE (2004). The key lessons also formed the basis for agreements reached between the Government and IFAD at the completion workshop held in March 2005. The following summarizes the points of relevance to the COSOP.

30. IFAD's programme in Egypt has comprised two main themes and groups of activities: support for settlement in lands reclaimed from the desert in northern (Lower) Egypt and support for productivity improvement in old lands in the Nile Valley and Upper Egypt. The CPE concluded that, while small farms in Upper Egypt are highly productive, there remained abundant scope to raise the productivity of the main crops, particularly in southern Upper Egypt so as to diversify production into new commodities of higher value and to support the rural poor in benefiting from marketing opportunities through better engagement with private-sector channels. The CPE also recommended that IFAD should shift its geographic focus towards the rural areas in Upper Egypt with a high incidence of poverty.

31. Four other conclusions were highlighted. First, while IFAD has leveraged more resources from other donors over time, it has only cooperated with a few, namely, the World Bank and the Italian Debt Swap Initiative. This contrasts with IFAD's stated policy ambition of increasing partnerships. Second, IFAD has built its relationship with the Government only via the MALR. There is a need to widen partnerships. Third, IFAD's special concern for women is not noticeably reflected in its strategic choices, although, more recently, a technical assistance grant has been approved to strengthen gender mainstreaming in two ongoing projects. Fourth, while IFAD, since its 1995 Vision Statement, is formally seeking to be innovative and support pilot actions, only some elements of its support in the present portfolio could be considered innovative.

32. On the basis of this analysis, the CPE described the following challenges for IFAD's future programme:

- (a) to establish an effective presence in donor forums in Cairo and to engage in real and mutually beneficial partnerships; and
- (b) IFAD will become better able to support rural development that is targeted at the poor more effectively when Egypt's civil society organizations grow and mature. Currently, the capacity of civil society organizations is modest, and it will take a more supportive policy environment, plus effective capacity-building, before that situation changes.

33. On the subject of rural credit, the CPE recommended that IFAD engage in policy dialogue on rural finance and actively seek alternative mechanisms for providing financial services to IFAD target groups. This did not exclude dialogue with the PBDAC in order to seek reform or support for PBDAC's extensive village banking network. However, this should occur in conjunction with the promotion of community-based microfinance institutions owned and managed by members of the institutions. In addition, given the high potential, the partnership with private banks should be pursued.

34. The above conclusions and lessons are drawn from the experience of IFAD loan and grant programmes. Egypt has benefited from a number of regional and multicountry technical assistance grants and other grants; earlier grants were mostly technical and were predominantly concerned with soil and water issues. More recently, the scope of the grants programme, of which Egypt is a beneficiary, has been broadened; the subjects addressed include gender mainstreaming, the development of knowledge-sharing networks, the promotion of microcredit for the rural poor and institutional capacity-building.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

35. **Geographic and thematic focus.** The strong link between unemployment and rural poverty and the large geographical disparities between Upper Egypt and other parts of the country call for a narrower focus in IFAD's programme both geographically and thematically. Over the last 25 years, about 80% of IFAD investment has been concentrated in the Nile Delta and northern Upper Egypt. The clear niche for IFAD, given the development aspirations of the Government and the activities of other donors, involves contributing to rural employment creation and income generation in southern Upper Egypt. The three rural governorates in this region – Assiut, Sohag and Quena – have the lowest Human Development Index (0.618 in terms of income level, adult literacy and life expectancy), the highest concentration of rural poor (40%) and the highest rural unemployment rate (10%). In addition, the leadership of these governorates has expressed a strong interest in supporting the proposed IFAD approach. These governorates also offer solid ground for donor cooperation. Relying on the replication of successful approaches and the internalization of lessons learned, the main thematic thrusts of the programme will be private-sector development in rural areas and the enhancement of agricultural competitiveness. Specifically, IFAD will meet this objective through the scaling up of successful approaches promoted through earlier projects and grants, such as the farming systems research approach (Agricultural Production Intensification Project), participatory irrigation management (technical assistance grant), contract farming for exports (West Noubaria Rural Development Project), and participatory community development (Sohag Rural Development Project, SRDP). In addition, through the internalization of lessons learned in rural credit, IFAD will promote rural microfinance on a pilot basis through partnerships with selected commercial banks and local microfinance institutions. This strategic choice has the potential to enable IFAD to reach around 70% of the 4.5 million rural poor in southern Upper Egypt.

36. With regard to **private-sector development**, the focus will be on off-farm employment and income generation. There is a need to assist the land poor, the landless, unemployed youth and rural women through small and microenterprise development, market linkages, export promotion and partnerships with the large private-sector entities involved in marketing and finance. The rural poor, especially women, need to be equipped for employment opportunities through pro-poor human capital development and easy access to and firmer command of physical assets and finance. The new programme will embody a substantially revised approach to rural finance. In addition, the provision of technical assistance to small and microenterprises through government institutions and NGOs will help significantly increase the chances of these entities to survive and contribute to poverty reduction. Finally, the improvement of access to local, national and international markets represents another major requirement of the success of small and microenterprises and small farming. These sorts of activities have already received considerable attention, especially in urban areas; hence, there are agencies with experience in supporting such initiatives. The intention will be to link with these agencies rather than develop new schemes and to extend support to the poorer rural areas of Upper Egypt, thereby building on IFAD's experience in working with the rural poor.

37. With regard to the **enhancement of agricultural competitiveness**, the new programme will promote innovative research and extension systems with the aim of making them responsive to the needs of small farmers and rural women. The primary dimension of the IFAD strategy in this area is to replicate the Fund's innovative experience in supporting the farming system approach and adapt it to the conditions of southern Upper Egypt. The research and extension services in Upper Egypt are not responding to the technology and information needs of the small farmers adequately. There is a lack of research and information on more advanced farming systems, post-harvest technologies and the economic and market information necessary to diversify agriculture and improve farmer incomes. Strong emphasis will be placed on the following themes: (a) promotion of crop diversity and introduction of high-value-added crops with potential markets, such as non-traditional and organic

fruit, vegetables, dairy products and medicinal plants; (b) crop rotation and crop-livestock integration; and (c) sound smallholder farm management for higher sustainable returns per unit of land and water. Professional institutions capable of assisting farmers throughout production, post-production and marketing processes in these areas are weak or non-existent. Institutional support in the country and the region will therefore be strengthened to meet the requirements of the new emphasis. In addition, more attention will be given to identifying and supporting local farmer organizations through capacity-building, service provision and strengthening local services to meet community needs.

38. The second dimension in increasing agricultural competitiveness on a sustainable basis is the efficient utilization of water resources. IFAD will build on its previous experience in promoting water use efficiency and user associations in the new lands and will adapt this experience to the conditions in Upper Egypt. These associations will also become the nucleus for eventually creating strong producer and marketing associations.

39. **Stronger emphasis on gender aspects.** IFAD's future programme will include a stronger empowerment agenda for rural women. Some evidence suggests that policy reform processes have put women in a disadvantaged position since women are less able to compete in the marketplace than men. This calls for more pronounced efforts to mainstream gender concerns into programme design and the programme monitoring and evaluation system, as well as using the grant mechanism to raise the profile of gender issues with IFAD development partners. It also calls for a systematic emphasis on increasing women's skills and capabilities as farmers and microentrepreneurs by drawing women fully into research, extension and microfinance activities. The external assessment of the ongoing technical assistance grant for gender mainstreaming in the Near East and North Africa region (to be completed in early 2006) will provide specific lessons for improvement in programme design and implementation regarding gender aspects.

40. **Decentralization.** Building on the experience of the SRDP, the new programme will support the Government's recent efforts in decentralization. It will accomplish this through capacity-building at the governorate (and lower) level, accompanied by the introduction of monitoring and evaluation mechanisms that can enhance accountability and provide adequate feedback to allow for rational adjustments to implementation plans. In parallel, local and producer organizations will be strengthened to empower the rural poor in Upper Egypt in taking decisions regarding the marketing of produce (including small and microenterprises) and to influence local level decision-making by the governorates. The practical mechanism adopted in the SRDP needs to be developed and supported to encourage its wider adoption in southern Upper Egypt.

41. **Widening in-country partnerships.** The new geographic and thematic focus of IFAD will require an enlarged spectrum of partnerships beyond the MALR. The MALR is a technical ministry, and its implementation experience has been positive; IFAD will continue to work with it, but the involvement of other partners is crucial for the new strategy. Potential partners include the Ministry of Water and Irrigation (water resources management, water use efficiency and the participatory approach), the Ministry of Local Development, the Offices of the Governors (decentralization), NGOs (community development and capacity-building at the local level), commercial banks and microfinance institutions (microfinance and small and microenterprise development), bilateral organizations and operators in the private sector (marketing and small and microenterprise development). United Nations organizations such as the World Food Programme, UNDP, the United Nations Children's Fund and the Food and Agriculture Organization of the United Nations will remain invaluable partners, particularly during implementation.

B. Main Opportunities for Innovation and Project Interventions

42. In IFAD's ongoing programme in Egypt, innovation has been introduced in the promotion of the farming systems approach in the Agricultural Production Intensification Project and of non-traditional and organic export marketing in the West Nubaria Rural Development Project. Both

innovations will be scaled up and adjusted to local conditions and the agricultural potential in southern Upper Egypt. In addition, successful pilot interventions in participatory water management and the planned pilot rural microfinance initiative financed through a technical assistance grant will also be promoted either directly, or through partnership building with other donors.

43. **Innovative farming systems approach.** Within the new strategic thrusts, IFAD will support the replication of the proven innovative features of the farming systems extension and research approach pioneered in the Agricultural Production Intensification Project. This will involve adapting the approach to local conditions in southern Upper Egypt based on lessons learned and the priorities of small farmers and rural women. In particular, this demand-driven approach will be used to introduce and promote non-traditional and organic farming, which, despite its large potential, is still at a very primitive stage.

44. **Promotion of non-traditional and organic export marketing.** The “Green Corridor” initiative, currently being implemented through the West Noubaria Rural Development Project, will be introduced in Upper Egypt to promote exports of non-traditional and organic vegetables, fruit and medicinal plants to Europe. The initiative, launched in February 2002 by the Italian and the Egyptian ministers of agriculture, in the context of the Italian Debt Swap Initiative, aims to establish a permanent and effective channel for the commercialization of Egyptian agricultural products and their export to the Italian and European markets. The extension of this initiative to IFAD’s new programme in southern Upper Egypt will be a significant innovation with a positive bearing on the incomes of poor farmers.

45. **Water resources management.** IFAD has gained substantial experience in mobilizing the rural poor for more effective and efficient water resources management through previous and ongoing interventions, such as the West Noubaria Rural Development Project and the Agricultural Production Intensification Project. The lack of the efficient and equitable distribution of irrigation water among end-users (particularly in Upper Egypt), coupled with the increased demand for water, will be addressed through improved systems management and disciplined approaches to the allocation of water among strongly competing demands. Therefore, the new programme will support participatory irrigation management, including the establishment, empowerment and training of water users’ associations (WUAs) at the branch canal level and their incorporation into water boards at the district level. This is an innovative feature in the context of rural southern Upper Egypt. The new programme will provide for capacity-building in the irrigation advisory service and training of service staff, as well as the training of leaders and members of WUAs. The programme will also promote efficient measures to promote the strong representation of women in management positions at WUAs and water boards. The ongoing IFAD-supported technical assistance grant for participatory irrigation management is due to be completed by 2006, and the results will be used in developing the new water resources management features of the programme.

46. **Rural finance.** In developing its new, wider approach to rural finance in the Near East and North Africa region, IFAD has approved a technical assistance grant to the NGO ACCION International to support an action research programme to this effect. At the moment, ACCION International is in the process of examining the market potential in Egypt for promoting rural finance services through commercial banks and identifying commercial banks with a profile appropriate to engaging in rural finance. ACCION International has already selected three banks with a strong interest in adopting microfinance principles: the Commercial International Bank, the National Bank of Egypt and the Bank of Alexandria. The intention is to demonstrate that viable financial products can be designed to help diversify the portfolios of the banks without incurring unacceptable risks and to open up a very large additional growth area for small and microenterprises in rural areas. This promising innovation in the country’s context will be linked to the new programme.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

47. For its first two decades, IFAD's programme in Egypt worked almost exclusively with the Government. More recently, two projects have included roles for NGOs, community development associations and other civil society organizations in project design, but, as yet, have not managed to engage NGOs as expected. Although there are some international development NGOs present in Egypt (e.g. the Cooperative for Assistance and Relief Everywhere, COSPE, etc.), their involvement in Government-sponsored programmes is not very extensive. Local NGOs are numerous (around 14 000 NGOs are registered with the Ministry of Social Affairs under Law 32), but they tend to be small and limited in their capabilities and outreach. A difficulty is that the NGO regulations in Egypt are somewhat restrictive. The Government is wary of NGOs that are religious in nature and is also reluctant to channel loan resources to NGOs willing to be involved in project implementation. Hence, NGO cooperation will be limited by what the Government is willing to allow and the associated policy dialogue between IFAD and the Government. However, given the Government's increased emphasis on decentralization and local level community development, an area where NGOs have a relative advantage, especially in relation to their emerging key role in microfinance intermediation, the official policy vis-à-vis NGOs and civil society may well change substantially.

48. The potential for private-sector partnership is more promising in that the private sector is now acknowledged as the main driving force for creating employment. The potential in rural areas remains very much linked to the success in establishing small and microenterprises and the internal and external marketing infrastructure. In order to help understand more clearly the mechanisms of and constraints on promoting rural enterprises in Upper Egypt, a grant funded review will be undertaken in 2006 to provide the background information necessary for programme design. The review will include a full analysis of the supply chain for specific on-farm and off-farm products, as well as the potential for collaboration with existing market linkage efforts by other donors and NGOs.

D. Opportunities for Linkages with Other Donors and Institutions

49. IFAD's country presence office in Cairo is fully operational; it is situated at the UNDP premises. This will provide the means not only for establishing and harmonizing linkages with other donors, but also for enhanced policy dialogue with the Government and for implementation support and knowledge management. For many donors, the value added in cooperating with IFAD will revolve around the experience and competency in working with the rural poor that the Fund brings. In particular, high complementarities and synergy will exist between IFAD proposed programmes and those of United Nations agencies, Italian Cooperation, Swiss Agency for Development and Cooperation, the United States Agency for International Development, the Netherlands, the Canadian International Development Agency, the World Bank and regional finance institutions such as the Arab Fund for Economic and Social Development, the Organization of the Petroleum Exporting Countries Fund for International Development, the Arab Authority for Agricultural Investment and Development and the Islamic Development Bank (see Appendix VI). Successful innovative approaches will be shared, and opportunities for scaling up will be identified.

50. In particular, with regard to small and microenterprise development, IFAD will link with the World Bank (preliminary work is currently being carried out for the Upper Egypt Integrated Development Project) and with the Swiss Import Promotion Programme, financed by Swiss Agency for Development and Cooperation. The latter programme currently supports Egyptian small and microenterprises in the design and marketing of their products to fit European standards and facilitates contacts with potential Swiss buyers or buyers from Organisation for Economic Co-operation and Development countries. The programme has been promoting organic products, fruits and vegetables, textiles and fashion, general trade and market information in Switzerland and Europe, workshops and seminars (export marketing). Its current phase will continue until the end of 2008. Recent partnership meetings with the Organization of the Petroleum Exporting Countries Fund for International

Development and the Islamic Development Bank indicate a strong interest in cooperation (cofinancing) with IFAD.

51. As well as with donors, partnerships with knowledge-based institutions are also crucial to position IFAD as part of the debate on poverty issues and to help the Fund draw on the most recent knowledge for programme development. The Social Fund for Development (SFD) provides an example. The new vision statement and strategy of SFD imply close cooperation and coordination with the development programme supported by IFAD. The possibility of working together with SFD will be closely explored. In particular, the Small Enterprise Development Organization, which is part of SFD, provides financing and other support for small and microenterprises.

52. **In-country coordination and role of the IFAD country presence office.** The IFAD country presence office is now fully operational. The United Nations Development Assistance Framework and the Development Assistance Group are the two most important entities for aid coordination.⁶ Among the main responsibilities of the country presence manager is engagement in policy dialogue with other donors and the use of this platform to promote the replication and scaling up of successful IFAD experiences in farming systems research, the marketing of non-traditional products and microfinance. Therefore, IFAD intends to play a greater role in the in-country donor coordination process through the following in-country activities: (a) the systematic participation of the IFAD country presence manager (and/or the country programme manager) in the monthly meetings of the Development Assistance Group and the most relevant subgroups; (b) the provision of substantial input to the United Nations Development Assistance Framework initiative on ongoing and planned IFAD support to Egypt; and (c) in the context of the implementation of the new programme in Upper Egypt, the organization of local and national seminars that will introduce policymakers and practitioners to best practices regarding policy and regulatory frameworks conducive to small and microenterprise and rural finance development. In addition, IFAD will provide input and support for the ongoing formulation of an antipoverty action plan to be finalized by the end of 2006 (led by the Ministry of Planning) through selected grant-financed initiatives, including the promotion and strengthening of village associations (producer associations, marketing associations, water use associations), pilot initiatives on rural microfinance, and the improvement of the knowledge base of rural small and microenterprises.

E. Areas for Policy Dialogue

53. There are many areas of potential engagement, and IFAD has to choose carefully and selectively – in consultation with partners – to determine where it can use its knowledge and limited resources. Under the performance-based allocation system for Egypt, the two poorest indicators were related to dialogue between the Government and rural organizations (participatory rural development) and the enabling conditions for the development of rural financial services. IFAD will use its best comparative advantage to promote participatory community development at the village level so as to address these weaknesses through the following three key priority areas for policy dialogue:

- (a) **Decentralization and the role of NGOs and civil society in rural poverty reduction.** In most community development initiatives, whether locally or donor driven, NGOs and community development associations have been playing an important role at the village level. However, they suffer from various constraints, such as weak management capabilities, limited funding and legal and judicial constraints on the mobilization of resources. IFAD, other donors and the Government will become better able to support

⁶ The United Nations Development Assistance Framework is a well-established UN tool that guides a unified UN-system approach to supporting development in Egypt and that encourages joint UN programmes and initiatives. Related to the United Nations Development Assistance Framework, the Development Assistance Group is informal and open to all senior donor representatives in Egypt (bilateral and multilateral). The group meets every month at the premises of the UNDP. It has a rotating chair, and the secretariat is the UNDP, through the Office of the Resident Coordinator.

rural development that is targeted at the poor more effectively if Egypt's civil society organizations grow and mature. For this to occur, Law 32 of 1964 on the role of NGOs should be amended, and the local capacity of the community development associations strengthened.

- (b) **Water resource management.** Because 70% of the poor live in rural areas, boosting water use efficiency could result in a substantial increase in production, farm incomes and employment, and water saving. Water services account for 10% of the Government's total public expenditures, and reforming water management has therefore become critical to accelerating the country's economic growth. The promotion of water use efficiency should include policy dialogue for the support for the establishment, empowerment and training of WUAs at the branch canal level and their incorporation into the water boards at the district level with no or minimum investments on infrastructure. In addition, the new water law should be ratified by Parliament as soon as possible.
- (c) **Rural finance.** IFAD should engage in a dialogue with the Government and other partners to strengthen appropriate financial institutions and deepen financial services. There is need to: (a) engage successful microfinance institutions, such as the SFD and NGOs, more aggressively in promoting community-based microfinance institutions; and (b) induce commercial banks to operate in rural areas. In addition to exploring commercial lending, a policy dialogue will also be maintained with the PBDAC, particularly to take advantage of its extensive network of village banks. It is possible that, within the lifetime of a new programme, sufficient progress could be made by the PBDAC so that it could become the more favoured, but not the only channel for rural financial services. While IFAD will pursue this dialogue in conjunction with its donor partners; until the PBDAC demonstrates that it has actually developed lending mechanisms appropriate to the rural poor, it should be viewed as a second choice. Only after the PBDAC has demonstrated this will IFAD support the PBDAC in engaging in retail financing for microfinance institutions.

F. Action Areas for Improving Portfolio Management

54. Delays in project effectiveness and in the implementation of infrastructure and credit and, in some instances, inadequate project management arrangements and monitoring and evaluation have resulted in fewer achievements in the ongoing country programme. A key task of the country programme manager and the IFAD country presence manager will be to improve arrangements for programme management and implementation. Action areas that will be especially addressed include: (a) needs assessments so that project implementation staff and agencies can identify training requirements early in the life of the projects; (b) the development of a unified approach to monitoring and evaluation systems that is based on the results and impact management system and coordinated among projects and more consistent emphasis on impact reporting requirements and methods; (c) intensification of implementation support, especially in areas requiring capacity-building, such as rural finance and water resources management; and (d) assistance with the start-up of new projects so as to reduce delays in effectiveness.

55. The other aspect of portfolio management to be articulated within the newly established IFAD field presence concerns project supervision. So far, projects have been supervised by the World Bank or the United Nations Office for Project Services. These arrangements have proved generally satisfactory, but suffer from the usual drawbacks. In order for a more innovative agenda to be followed in the new programme, it will be necessary to ensure that supervision processes allow for more rapid learning and the possibility of modifying design concepts. Hence, it is foreseen that an important aspect in improving the management efficiency of the portfolio will be to allow for the possibility of experimental approaches to supervision, with a less prescribed timetable for project supervision and allowing for supervision to take place as needed. This suggests a more continuous

and systematic monitoring of projects, possibly as a joint effort between Egyptian partners and IFAD, interspersed with joint supervision exercises. More allowance for implementation support within the IFAD Near East and North Africa Division budget should also be a feature of such an approach so that projects can be flexibly provided with additional support as needed. Such a new supervision process will be detailed within the emerging new supervision policy for IFAD in the framework of the 2006-2009 Action Plan.

G. The Tentative Financing Framework and Rolling Programme of Work

56. **Rolling programme.** Under IFAD's Performance-Based Allocation System initiated in 2002, Egypt scored 3.88 in rural sector performance (slightly below the Near East and North Africa average of 4.05). The two lowest indicators were related to dialogue between the Government and rural organizations (score of 3.5) and the enabling conditions for the development of rural financial services (score of 3.25). The base-case scenario of the performance-based allocation system allocates to Egypt an annual loan-grant portfolio of USD 9.6 million. On the basis of the loan sizes in ongoing projects, this will mean a new project every 2.5 years. The ongoing portfolio will therefore consist of four projects at any one time. Should country performance deteriorate due either to a worsening of policies in the rural sector, or to a deterioration in portfolio performance, or should the Government decide on a reduction in foreign borrowing, the current performance-based system's allocation of USD 9.6 million per year will be adjusted accordingly (low scenario). Conversely, a higher rural sector performance score due to policy improvements vis-à-vis rural organizations and in the rural financial sector will result in a more advanced scenario with a yearly allocation of USD 10 million (a more advanced scenario simulation based on a substantial improvement of the above-mentioned scores related to dialogue and rural finance increases the yearly allocation by only USD 400 000).

57. The main triggers for the more advanced scenario will be: (a) greater government financial commitment to support for and capacity-building among community development associations within the Government's own budget or loan resources; (b) the amendment of Law 32 of 1964 by Parliament so as to enable NGOs to participate freely in Egypt's rural poverty reduction programme, with less governmental control and more transparency; (c) the Government's agreement to relend loan resources to NGOs so they can act as intermediaries for microfinance in rural areas; (d) ratification by Parliament of the new water law on the transfer of irrigation management to WUAs; and (e) the achievement of tangible progress in reforming the PBDAC and the introduction of best practices in PBDAC's lending programme.

58. **The grant programme.** Within the loan-grant allocation, the following issues related to capacity-building could be addressed through the country grants window: the promotion of producer associations, WUAs, and pilot initiatives on rural finance. The other main requirements are capacity-building among project implementing staff, improvement in the knowledge base among rural enterprises and the development of a better understanding on the best ways to implement gender mainstreaming given local circumstances. Being ineligible for country grants, these requirements could be addressed through supplementary funds available through IFAD.

AGREEMENT AT COMPLETION POINT – COUNTRY PROGRAMME EVALUATION

A. THE CORE LEARNING PARTNERSHIP AND THE USERS OF THE EVALUATION

1. The agreement at completion point (ACP), which is the end point of the evaluation process, records the understandings reached among members of the Core Learning Partnership with respect to the main recommendations and follow-up actions arising from the Egypt country programme evaluation (CPE). The Core Learning Partnership included the Government of Egypt (Ministry of Agriculture and Land Reclamation; Ministry of International Cooperation); the Principal Bank for Development and Agricultural Credit (PBDAC); representatives of project management units of ongoing IFAD-supported projects; the World Bank; the United Nations Office for Project Services (UNOPS) and IFAD (Near East and North Africa Division).¹ The Office of Evaluation facilitated the process. The CPE team was fielded in March/May 2004; the main objectives were to assess the results and impact of IFAD-Government of Egypt development cooperation over the last 25 years, to draw lessons and insights from this experience, and to provide building blocks for a new country strategic opportunities paper (COSOP) for Egypt. This ACP has been prepared following the CPE workshop held in Cairo on March 23-24, and takes account of the discussions in that workshop, especially those related to the issues paper of the evaluation.

B. OVERVIEW OF THE MAIN EVALUATION FINDINGS

2. IFAD's programme in Egypt has comprised two main themes and groups of activities: support for settlement in new lands; and support for productivity improvement in old lands. The most recent project, the Sohag Rural Development Project (SRDP) added a further dimension and is an innovative and ambitious attempt to raise the capacity of rural communities to plan, implement, operate and maintain infrastructure projects in a poor governorate of Upper Egypt. The CPE found that investment in new lands in the West Delta had clearly made a large difference to the quality of life for the targeted communities through improvements in economic and social infrastructure, improved farm productivity, marketing and water management. In the East Delta, the outlook at the time of evaluation was less bright, mainly because the environment for reclamation had been more difficult and challenges more severe. New lands development supported by IFAD and the World Bank requires additional investment in the East Delta if the foundation built so far is to be brought to fruition. In the old lands of Upper Egypt, IFAD has supported the agricultural research and extension system in three governorates and has promoted in the last of these projects a number of innovative approaches. The CPE concluded that while small farms in Upper Egypt are highly productive, scope remained to raise the productivity of the main crops even further, particularly in southern Upper Egypt, and to diversify production into new commodities of higher value.

3. Key overarching factors identified by the CPE as affecting the outcomes of the programme in Egypt have been: first, while IFAD has leveraged more resources from other donors over time, it has

¹ The members of the Core Learning Partnerships who participated in the workshop included: H.E. Eng. Ahmed A. El-Leithy, Minister for Agriculture and Land Reclamation; Dr Fadia Nosseir, Supervisor of Foreign Agricultural Relations, Ministry of Agriculture and Land Reclamation (MALR); Mrs Souraya Abo El Saoud, Under-Secretary of State, Ministry of International Cooperation; Dr Abdel Azem El-Tantawy, Head of Agricultural Research Centre and National Coordinator, Agricultural Production Intensification Project (MALR); Mr Mohamed F.A. El-Essawy, Supervisor, International Funding Agencies, Foreign Agricultural Relations (MALR); directors of ongoing IFAD-supported projects; Dr Ramzy Ragab Mersal, Manager of Foreign Projects Department, Financial Sector, PBDAC; Dr Hany Shalaby, Senior Environmental and Safeguards Specialist, World Bank; Mr Mohamed Chaalala, Coordinator, UNOPS, Rome office; Dr Mona Bishay, Director (Near East and North Africa Division, IFAD); and Dr Abdelhamid Abdouli, Country Portfolio Manager (Near East and North Africa Division, IFAD). The workshop was also attended by the following representatives of the Office of Evaluation of IFAD: Mr Luciano Lavizzari, Director; Ms Caroline Heider, Deputy Director; and Mr Fabrizio Felloni, Evaluation Officer.

only cooperated with a few, namely the World Bank and the Italian-Egypt Debt-for-Development Swap. Second, although IFAD has built a strong and successful relationship with the Government via the Ministry of Agriculture and Land Reclamation (MALR), work in irrigation and water management and community-based rural infrastructure lends itself to expanding partnerships with other agencies, e.g. the Ministry of Water Resources and Irrigation, the National Programme for Integrated Rural Development, as well as NGOs, but this did not materialize. Third, IFAD's portfolio of projects in Egypt cannot yet be defined as a fully integrated "programme" – rather IFAD has supported a set of development projects but without the integration needed to create a programme. The CPE also found that progress in much of the portfolio had been marked by significant delays in implementation, which had affected the flow of benefits and had increased costs. The credit programmes had also largely been ineffective, and in various instances supervision and implementation support could have been firmer and more effective.

4. **Opportunities.** The CPE found that IFAD had promoted some innovations in its operations, namely the farming systems research approach and farmers' schools under the Agricultural Production Intensification Project (APIP), and the support for village-level decentralization in rural infrastructure in the SRDP. However, the conclusion was that in future a more systematic support to newer dimensions – such as applied research that benefits the poorest and women farmers, mechanisms that improve the marketing of small farmers' crops, growth in agriculturally based off-farm employment, and saving and credit mechanisms that can be used successfully by the poor – needed to be given priority. The gender dimension of agriculture and off-farm employment was also identified as requiring urgent attention to address the perception of rural women as labour inputs for farm and domestic chores only.

5. **Challenges.** The first challenge is to establish an effective presence in donor forums in Cairo, and to this end IFAD has decided on a pilot field presence in Egypt. The second challenge is to engage in mutually beneficial partnerships. Given the Government's growing reluctance to borrow for activities that do not pay their way financially, IFAD will be hard-pressed to propel its pro-poor agenda forward without strategic alliances with donors that share IFAD's priorities and have grant resources to deploy in partnerships. IFAD's experience in poverty reduction can be shared in return. The third challenge is to address inertia: to move away from adherence to an old but comfortable agenda and unwillingness to apply new knowledge, and to identify new directions and take risks. IFAD's present strategy and programme lags behind corporate-level policy changes: while the Fund's mandate has become more clearly pro-poor, the empowerment of rural organizations of the poor and pro-innovation, its programme has not been adjusted and its behaviour remains risk-averse. This needs to be addressed in the new COSOP. A fourth challenge is the adoption of an approach to project implementation that is sufficiently demanding with respect to delivery and scheduling. IFAD needs to be firmer, when needed, with respect to agreements and determined schedules, and also has to apply the same discipline to its own responses to project and borrower needs.

C. RECOMMENDATIONS AGREED BY ALL PARTNERS

Partnerships

6. **Work through partnerships and engage in policy dialogue.** The CPE concluded that IFAD must work less in isolation and more in partnership with like-minded others. Partnerships should be sought on the basis of shared goals and practical synergies, where the strengths of partners are complementary both in knowledge and modalities of finance (grants and loans). As IFAD seeks to be a privileged dialogue partner of the Government and key donors, it has to equip itself with relevant knowledge and experience, be present in the appropriate forums, employ its links to leaders and policymakers, and take part in the development scene. The precursor to developing such partnerships, according to the CPE, was clearly to identify IFAD's niche, so that the value added by cooperating with the Fund could be demonstrated.

7. The ACP workshop participants, while agreeing with these conclusions, added that IFAD should be careful to assess the skills and capacities of potential partners (especially NGOs) and to define the areas in which they had advantages (e.g. literacy, health). Workshop participants also recommended supporting such partners to allow them to develop their implementation capabilities, and involving NGOs early on in the project planning processes as well as in the implementation stages. A way to further enhance the importance of NGOs (and other civil society organizations) may be by ensuring, among other things, their representation on project steering committees.

8. The appropriate time to seek new partners, according to the CPE, was during the process of updating the country strategy, when the “fit” with the development ambitions of potential partners could be assessed. Although of relatively recent vintage, the CPE found that the COSOP required updating to take account of the fast-changing circumstances in the rural economy of Egypt. During this process, IFAD should take full account of the potential for widening partnerships with other funding agencies.

9. The rationale for having **a presence in Cairo** was clearly described in the CPE and endorsed by the workshop. The representative should participate in the regular government and donor forums that plan, monitor and evaluate donor assistance to the rural sector and occasionally participate in project supervision missions. The CPE concluded that an enhanced field presence should also seek to strengthen the Fund’s **sectoral knowledge base**. This could be done through closer associations with Egyptian universities and research organizations, and other relevant multilaterals and bilaterals. The workshop further recommended that the IFAD presence could be made more visible by sponsoring appropriate conferences and seminars, and developing contacts with the local media.

10. **Extend implementation partnerships and improve supervision and monitoring arrangements.** This CPE recommendation will require a frank and open dialogue with existing implementation partners and implies widening the number of such partnerships. To implement innovative projects and pilot actions, or to scale up successes, IFAD needs to get closer to the action on the ground. This also implies more effective project supervision and improving the capacity for implementation support. In the supervision provided so far there is often more emphasis on maintaining fiduciary responsibility at the expense of problem solving; the Fund should therefore review the results it wants from supervision in Egypt and, at the same time and as a necessary adjunct, no longer be prepared to accept weak performance in project monitoring and evaluation.

11. The workshop participants welcomed and endorsed the need to broaden the range of implementing partners, but cautioned that one main implementing agency was still needed for each project. The participants also emphasized the need to arrange for more effective communication among the projects for sharing experiences and lessons (for example, through a website and an annual programme review workshop). On the matter of improving monitoring and supervision of projects, the participants called, first, for greater clarity in the project documents with respect to development objectives and indicators, and second, for the use of former project staff on supervision missions. The hope was expressed that, with a field presence in Cairo, much better implementation support and faster reactions to project requests would be achieved.

Summary Agreements

It was agreed that IFAD should:

- engage in dialogue with all relevant agencies in Egypt, be fully involved in development forums and develop a more proactive approach to publicizing project results and development findings;

- broaden the spectrum of implementation partnerships and intensify implementation support in order to optimize project and grant impacts; and support the development of NGOs as potential partners;
- facilitate the communication of innovative approaches and experiences across projects through regular workshops and field visits, noting that wider consultation with project users and staff might also facilitate support to innovative approaches; and
- insist on higher-quality monitoring and impact assessments in order to retain the emphasis on achieving development objectives, and share knowledge across projects, using local skills of project staff to help in this respect.

Suggested timing:

- The timing should be immediate, using the new COSOP process to establish partnerships and dialogue in Egypt.
- IFAD should also consider revising implementation mechanisms/partnerships as part of the review of the SRDP and the planning of a new pipeline of projects.

Geographical Focus and Targeting

12. **Shift the geographical focus of IFAD interventions.** The CPE recommended that IFAD should shift its strategic focus towards the rural areas of the governorates in Upper Egypt with higher poverty prevalence, closely aligning areas of intervention to meet the needs of the poorest members of society and helping realize the development intentions in the poverty reduction strategy paper.² The workshop agreed with the proposed shift and highlighted the need for an exit strategy for projects in Lower Egypt.

13. **Invest more in social development** and sequence programme interventions properly. According to the CPE, IFAD's investments so far have placed stronger emphasis on the hardware needed for poverty reduction, e.g. irrigation and rural infrastructure and credit. Emphasis on local-level institutional strengthening and community development (i.e. building social capital) have received less attention overall. However, IFAD's global experience has indicated that local-level institutional strengthening is often a precondition for successful investment in rural infrastructure and agriculture, and hence sequencing is an important element of country strategy and project design. The workshop endorsed these recommendations and further stressed the need to support governorates and local authorities and improve flexibility at the implementation phase.

14. **Promote innovative approaches, their replication and scaling up.** According to the CPE, project design and implementation processes should be realigned to the needs of promoting innovative approaches, and the appropriate mix of instruments (loans and grants) should be used to this effect. Successful innovative approaches in IFAD's current programme should be supported and replicated. During the workshop it was highlighted that innovative approaches and experiences should be widely communicated and discussed across projects. In this context, the experience of farming systems research (in APIP) and the innovative features of the Sohag Rural Development Project should be reviewed and the results of the review widely disseminated.

² The emphasis in the recent poverty reduction strategy is on Upper Egypt.

Summary Agreements:

It was agreed that IFAD should:

- shift the geographical focus of its strategy to Upper Egypt and develop an exit strategy for Lower Egypt;
- examine the need to invest more in social development activities and sequence them better;
- promote the capacity of governorates, local authorities and local committees to manage and support rural development programmes; and
- review the performance of the SRDP and widely disseminate the results of the review.

Suggested timing:

- This work should start with the preparation of the next COSOP for Egypt and continue through the implementation of the new IFAD strategy.

Partners involved:

- IFAD, MALR plus other government social development agencies and partner agencies already involved in Upper Egypt.

Rural Financial Services

15. **Revise the approach to rural finance.** IFAD's rural credit intervention has not succeeded in reaching the poor, the landless or women. The evaluation found that PBDAC had been unwilling to lend to these target groups. At the workshop, PBDAC expressed its concern over conditions and procedures required under IFAD loans, which differ from its own. The evaluation found that PBDAC and governorate BDACs resisted suggestions to broaden their client base through subblending through an NGO network. Yet, during the workshop PBDAC voiced no objection to IFAD's working with civil society organizations that had the capacity to provide rural financial services as long as they operated within the existing financial sector framework.

16. **Strengthen financial institutions and deepen financial services.** The CPE recommended that PBDAC village banking network be strengthened and its reach extended to poorer areas and market segments including women and the landless as future microentrepreneurs. Workshop participants agreed on the need to identify innovative financial instruments that were relevant to the needs of unserved target groups. In the concluding session, it was highlighted that all stakeholders (IFAD, PBDAC and others) should analyse and continue policy dialogue on promoting community-based microfinance institutions and the expansion of the PBDAC village banking network. It was recognized that those who lacked land or other collateral had the potential to become microentrepreneurs and contribute greatly to income and employment generation on a national scale. This should be seen as a major banking opportunity.

17. **Engage in rural finance policy dialogue.** The CPE found that IFAD provided institutional support to the PBDAC system, but did not participate in national policy dialogue on rural finance. Workshop participants agreed that IFAD should enter directly into dialogue with PBDAC, respecting its autonomy as a financial institution, and should take an active part in national policy dialogue on rural finance involving all relevant stakeholders.

Summary of ACP Agreements

It was agreed that IFAD should:

- support the already existing civil society organizations and encourage the formation of new ones with the capacity to provide and manage financial services for rural development. To ensure their sustainability, they should comply with legal requirements for financial institutions;
- take a lead role, through the field presence in Cairo, in stimulating rural finance policy dialogue, especially to ensure better outreach to IFAD target groups;
- enter into direct dialogue with PBDAC, recognizing the bank's autonomy in deciding its financial policies and ensuring its sustainability (within the legal framework); and
- assist PBDAC and other financial institutions in identifying innovative financial instruments to reach women and the landless as future microentrepreneurs.

Suggested timing:

- The policy dialogue agenda should be established at the time of the next COSOP, with the new project used as an entry point.

Partners involved:

- IFAD, other donor agencies, PBDAC, suitable NGOs and community-based organizations.

Gender

18. **Strengthen gender emphasis.** The CPE found that the projects had addressed the needs of rural women in Egypt unevenly and concluded that IFAD needed to pursue a stronger empowerment agenda for women in its future investments in Egypt. IFAD investments had tried to enhance women's income through livestock production and microenterprise development, but outreach to women had been unsatisfactory. The CPE attributed this shortcoming to the failure to mainstream gender concerns into project designs and suggested that the Fund consider using its grant mechanism to raise the profile of gender issues with its development partners. In discussions, workshop participants recognized that rural women were doubly disadvantaged, by being both poor and women. To address this, it was suggested that the gender focus in projects should be increased and that in certain circumstances it might be necessary to have separate gender components.

19. **Increase women's skills and employment opportunities.** The CPE suggested that a stronger focus be placed on skills development and employment generation for women and increased emphasis on the participation of women in the local institutions and forums such as WUAs and community development associations. In southern Upper Egypt, IFAD needed to focus more on women as farmers and microentrepreneurs by drawing them fully into research, extension and microcredit activities, and extending the scope for more on- and off-farm income-generation and employment opportunities. Workshop participants agreed with this and added that the Government should give more opportunities to women to reach leading positions in projects financed by IFAD as well as within implementation agencies.

Summary of ACP Agreements:

It was agreed that IFAD should:

- increase the emphasis on gender aspects in projects;
- use grant mechanisms to promote the empowerment agenda for women; and
- increase skills and employment opportunities for women through IFAD projects.

Suggested timing:

- The new strategy for Upper Egypt should specify the use of grants and other suitable instruments to address the specific needs of rural women.

Partners involved:

- IFAD, other donor agencies, suitable NGOs; research organizations and NGOs for technical assistance grants.

APPENDIX I

COUNTRY DATA

EGYPT

Land area (km² thousand) 2003 1/	995	GNI per capita (USD) 2003 1/	1 390
Total population (million) 2003 1/	67.56	GDP per capita growth (annual %) 2004 1/	2.5
Population density (people per km²) 2003 1/	68	Inflation, consumer prices (annual %) 2003 1/	5
Local currency	Egyptian Pound (EGP)	Exchange rate: USD 1 =	EGP 5.70
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	1.9	GDP (USD million) 2003 1/	82 427
Crude birth rate (per thousand people) 2003 1/	24	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2003 1/	6	1983-1993	4.2
Infant mortality rate (per thousand live births) 2003 1/	33	1993-2003	4.7
Life expectancy at birth (years) 2003 1/	69	Sectoral distribution of GDP 2003 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	16
Poor as % of total rural population 1/	n/a	% industry	34
Total labour force (million) 2003 1/	26.68	% manufacturing	19
Female labour force as % of total 2003 1/	31	% services	50
Education		Consumption 2003 1/	
School enrolment, primary (% gross) 2003 1/	97 a/	General government final consumption expenditure (as % of GDP)	13
Adult illiteracy rate (% age 15 and above) 2003 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	72
Nutrition		Gross domestic savings (as % of GDP)	15
Daily calorie supply per capita, 1997 2/	n.a.	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	21 a/	Merchandise exports 2003 1/	6 161
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	11 a/	Merchandise imports 2003 1/	10 893
Health		Balance of merchandise trade	-4 732
Health expenditure, total (as % of GDP) 2003 1/	5 a/	Current account balances (USD million)	
Physicians (per thousand people) 1999 1/	2 a/	before official transfers 2003 1/	35
Population using improved water sources (%) 2003 2/	97	after official transfers 2003 1/	3 743
Population with access to essential drugs (%) 1999 2/	80-94	Foreign direct investment, net 2003 1/	237
Population using adequate sanitation facilities (%) 2003 2/	98	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	25	Total expenditure (% of GDP) 2003 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	4 375 a/	Total external debt (USD million) 2003 1/	31 383
Food production index (1989-91=100) 2003 1/	108	Present value of debt (as % of GNI) 2003 1/	31
Cereal yield (kg per ha) 2003 1/	7 139	Total debt service (% of exports of goods and services) 2003 1/	12
Land Use		Lending interest rate (%) 2003 1/	14
Arable land as % of land area 2003 1/	3 a/	Deposit interest rate (%) 2003 1/	8
Forest area as % of total land area 2003 1/	0.1 a/		
Irrigated land as % of cropland 2003 1/	100 a/		

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

1/ World Bank, *World Development Indicators* CD Rom 2005

2/ UNDP, *Human Development Report*, 2005

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<i>Super Goal</i>			
<ul style="list-style-type: none"> Rural poverty in Upper Egypt reduced in line with Egypt's MDGs and national strategy for poverty reduction. 	<ul style="list-style-type: none"> Selected MDG indicators such as improvements in HH assets; reduction in the prevalence of malnutrition for children under five (weight for age, height for age, weight for height). 	<ul style="list-style-type: none"> National Household Living Standard Surveys for specific Governorates in Upper Egypt UNDP poverty and HDI reports Impact assessment surveys undertaken by projects. 	<ul style="list-style-type: none"> Recent economic growth maintained Continued Government commitment to pro-poor macro-economic policies and institutional reforms.
Goal:		<ul style="list-style-type: none"> 	
<ul style="list-style-type: none"> Successful approaches replicated and scaled up in Upper Egypt with a new configuration of partnerships 	<ul style="list-style-type: none"> Work Plans and Budgets of Gov and other partners reflecting replication activities Policies changed in response to successful innovations, including: <ol style="list-style-type: none"> Micro finance best practices adopted and implemented by private Banks, PBDAC, etc Water Users' Associations fully involved in water management, including water distributions and cost recovery Decentralisation adopted by GOE 	<ul style="list-style-type: none"> Budget and work plan of GOE and other partners number of micro borrowers sustainably served by rural finance institutions number of WUA fully operational budget of GOE 	<ul style="list-style-type: none"> Donors/GOE/NGOs agree to up scale successful innovations Private banks agree to adopt best practices in micro finance in rural areas Decentralization policies continued

LOGICAL FRAMEWORK (Cont'd)

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<i>Purpose/Objective</i>			
<ul style="list-style-type: none"> Promote sustainable small scale farming Support SME processes and the private sector to expand opportunities for employment and income generation support community development organizations, water users' associations and involvement of NGOs and civil society Increase IFAD's participation and influence in development forums 	<ul style="list-style-type: none"> Increases in production and productivity in project areas Number of new full-time equivalent jobs created. Extent of involvement of governorate and community level agencies in project implementation Participation in development forums, number and level of co-financing 	<ul style="list-style-type: none"> Project reports GOE employment statistics Project reports Project reports Reports from DAG and other donor groups MOUs with potential financing partners 	<ul style="list-style-type: none"> Decentralization policies continued Donors agree to collaborate with IFAD
<i>Outputs Sought</i>			
<ul style="list-style-type: none"> Changes in practices and areas farmed by small farmers Rural financial services significantly improved for small producers & micro-enterprises and rural women Community driven mechanisms for planning, implementation and monitoring established Support mechanisms for SMEs established and/or expanded, including improved marketing arrangements 	<ul style="list-style-type: none"> Increases in farm crop yields and livestock numbers, especially for non-traditional and organic crops Number of small farmers, rural women and youth sustainably reached by micro-finance programmes Number of Community Development Associations/Organizations or other groups formed Number of micro enterprises established or expanded by gender and type of activity, including marketing 	<ul style="list-style-type: none"> GOE and project records and reports Independent assessments (including evaluations) GOE and project records Project records Market surveys 	<ul style="list-style-type: none"> Small farmers adopt new farming systems focused on non-traditional and organic crops

TARGET GROUP PRIORITY NEEDS AND PROPOSALS

Typology	Priority Needs	Programme Response
Landless and unemployed youth	<ul style="list-style-type: none"> • Better income earning opportunities • Rural infrastructure & social services • Better access to assets, including micro finance, markets 	<ul style="list-style-type: none"> • Promotion of SMEs • Community development • Skill and basic management training • Promotion of micro-finance through best practices and pilot initiatives
Small Farmers and tenants	<ul style="list-style-type: none"> • Technical packages/training • Improved access to land and other productive resources (especially water) • Better access to rural finance and markets • Institutional support to users and/or producers associations • Better access to off farm income opportunities 	<ul style="list-style-type: none"> • Promotion of Farming Systems Research and crop-livestock integration • Agricultural development • On farm water management and promotion of Water Users' Associations • Promotion of micro-finance through best practices and pilot initiatives • SME development
Rural Women	<ul style="list-style-type: none"> • Literacy & skill training • Better access to rural finance and markets • Empowerment and better representation in local associations 	<ul style="list-style-type: none"> • Community development • Promotion of micro-finance through best practices and pilot initiatives • Promotion of Women groups

POVERTY AND RURAL SECTOR ISSUES

Priority Area	GOE	IFAD	Major Issues	Actions Needed
Agriculture	Moderate	High	<ul style="list-style-type: none"> • Research/demonstration focus not farmer-led • Small holding size; farming alone can not sustain families • Minimal attention to farm operating margins in farm advisory services • Minimal attention to crop/livestock integration in advisory services 	<ul style="list-style-type: none"> • Intensify demand driven research and extension effort • Create job opportunities outside farm • Encourage, foster and support farmer enterprise groups • Encourage crop/livestock integration through extension services
Irrigation	High	Moderate	<ul style="list-style-type: none"> • Poor involvement of farmers in system management • Problem with irrigation water supply at the upper system level • Insufficient adaptation and upkeep of irrigation systems • Inefficiencies in management of field water use 	<ul style="list-style-type: none"> • Introduce participatory irrigation management • Involve water users in decision making, establish Water Boards • Better follow-up and training of WUAs • Improve irrigation extension, coordinate services of MALR and MWRI
Rural Finance	Moderate	High	<ul style="list-style-type: none"> • Inaccessibility of existing rural financial system to small farmers, the landless and women because of collateral requirement and onerous costly transaction procedures • Inappropriate duration/terms for credit that is available 	<ul style="list-style-type: none"> • Need for different types of rural financial institutions and village banking initiatives. • Facilitate credit availability through the financial intermediaries, commercial banks; promote micro-finance • Encourage PBDAC to restructure and work on commercial basis
Marketing	High	High	<ul style="list-style-type: none"> • Limited market access/trade competition in new areas • Market information/know-how inaccessible for farmers • Local market saturation, gluts and low prices for popular crops • Lack of transport and collection/marketing facilities 	<ul style="list-style-type: none"> • Facilitate commercial grower/trader linkages • Provide marketing extension/advisory services and market information • Encourage commercial approach to establishment and operating of services/facilities in the marketing chain
Gender	Low	High	<ul style="list-style-type: none"> • Illiteracy/low levels of skills • High unemployment rate/ high gender gap • Access to assets • Low levels of entrepreneurial skills among women • Inequitable access to assets and employment opportunities • Poor understanding of potential for IGA/enterprise establishment especially among women • Inefficient recognition of women's role/requirements in promotion/development of rural technologies/enterprises 	<ul style="list-style-type: none"> • Gender mainstreaming; • Literacy and skill training • Improved job opportunities; • Better and more equitable access to financial services and related marketing/business advice

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Organization	Strengths	Weaknesses	Opportunities	Threats
MALR	<ul style="list-style-type: none"> Large and extensive field presence High quality/ well renowned NARS and training support Comprehensive Department structure Experience with IFAD projects 	<ul style="list-style-type: none"> Limited staff incentives and operational budgets Dominant strategy aimed at new land reclamation Limited view of social development aims Inability to influence PBDAC conditions 	<ul style="list-style-type: none"> Further potential to intensify present agricultural production Potential for expansion of agricultural areas Extension of FSR approach Scope for SME development, especially agro-processing and services 	<ul style="list-style-type: none"> Lack of vision related to poverty alleviation aims Reluctance of farmers to alter traditional techniques Reluctance of Ministry to work with NGOs and private sector
MWRI	<ul style="list-style-type: none"> Highly qualified technical staff; Experience with participatory irrigation management and formation of WUAs and Water Boards 	<ul style="list-style-type: none"> Highly centralized departments and agencies; Limited coordination of activities of various departments and affiliated agencies. 	<ul style="list-style-type: none"> Establishment of Integrated Water Districts; New water law under review by the Peoples' Assembly to transfer irrigation management to water users 	<ul style="list-style-type: none"> Limited integration of responsibilities with other stakeholders at the district level.
MLD	<ul style="list-style-type: none"> Representation in all Governorates; Well-established strategy for integrated participatory rural/local development; 	<ul style="list-style-type: none"> Limited capability and experience to implement decentralisation; 	<ul style="list-style-type: none"> Government priority to decentralize decision making; 	<ul style="list-style-type: none"> Politicized decision making
ORDEV	<ul style="list-style-type: none"> Highly qualified staff at central level; Experience in participatory process and delivering development assistance to local communities with emphasis on decentralised decision making; 	<ul style="list-style-type: none"> Limited staff at local level, compared to increasing demand; 	<ul style="list-style-type: none"> Government priority to decentralize decision making; 	<ul style="list-style-type: none"> Limited authority over line ministries at governorate level
PBDAC	<ul style="list-style-type: none"> Extensive network of branches and outreach Mandate to work with farmers and rural businesses 	<ul style="list-style-type: none"> Politicized Poor history of adaptation of lending terms to poor borrowers Inflexible 	<ul style="list-style-type: none"> GOE pressure mounting to address rural poverty in UE through credit Plans to double size of network mean must develop approach for IFAD target groups 	<ul style="list-style-type: none"> Poor history with IFAD projects means unable to rely on
SFD	<ul style="list-style-type: none"> Poverty alleviation mandate New permanent organization including section for small business start ups and promotion Aims at unemployed youth and graduates Funds available Network in all governorates 	<ul style="list-style-type: none"> Inadequate outreach to rural communities, mostly urban, but improving Uses grant funds from various donors, as well as GOE funds Unused to working as part of larger projects, but improving 	<ul style="list-style-type: none"> Potential partner for SME development 	<ul style="list-style-type: none"> Bureaucratic and limited linkage to private sector
Local Govt	<ul style="list-style-type: none"> Decentralization feature of GOE strategies Able to coordinate and link government agencies at governorate level Positive experience in SRDP 	<ul style="list-style-type: none"> Very limited capacities at local level Interest level depends on Governor 	<ul style="list-style-type: none"> Mechanism established to involve decentralised agencies and increase local empowerment Direct links to communities 	<ul style="list-style-type: none"> Accountability for funds
NGOs	<ul style="list-style-type: none"> Local level implementation experience 	<ul style="list-style-type: none"> Legal basis still rather unclear Reluctance of government to involve in development projects 	<ul style="list-style-type: none"> Social development activities; New law on SMEs envisions participation of NGOs 	<ul style="list-style-type: none"> Limited capacities and experience of larger projects
Community Development Associations (CDAs)	<ul style="list-style-type: none"> Mechanism already used in IFAD projects for CBOs Supports producer groups 	<ul style="list-style-type: none"> No legal status Sustainability unclear 	<ul style="list-style-type: none"> An important consideration in UE to access inputs and resources and extend knowledge 	

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

IFAD Strategic Framework	NENA Strategy	2005 Egypt Country Strategy/Programme
<p>Human and social assets ⇒ Strengthening the capacity of the rural poor and their organizations</p> <p>Financial assets and markets ⇒ Increasing access to financial services and markets</p> <p>Productive assets and technology ⇒ Improving equitable access to productive natural resources and technology</p>	<p>Within the corporate thrusts, the Regional Strategy focuses on:</p> <p>⇒ empowering the rural poor to give them a voice in shaping their lives ⇒ reducing gender inequalities</p> <p>⇒ diversifying rural income</p> <p>⇒ improving natural resource management.</p> <p>The achievement of IFAD's strategic objectives in the NENA region will be by four activities – policy dialogue, strategic partnerships, knowledge management and impact management</p>	<p align="center">Human and social assets</p> <p>⇒ Strengthening the capacity of the rural poor and their organizations. <i>The principle will be (i) to promote local organizations such as WUAs, CDAs, FSR producer groups and marketing groups etc. so as to increase their involvement in planning and implementation of project activities and (ii) to provide for increasing the capabilities of project participants through extensive capacity building allied to improved access to resources. Partnerships will be sought in order to offer a wide range of services.</i></p> <p align="center">Financial assets and markets</p> <p>⇒ Increasing access to financial services and markets. <i>More attention is being given in the country strategy to the development of appropriate financial services, and this will be pursued through both practical project level activities and also through policy dialogue. Processing and marketing will be addressed as part of the promotion of SMEs</i></p> <p align="center">Productive assets and technology</p> <p>⇒ Improving equitable access to productive natural resources and technology. <i>Farmer led research findings will enable communities to access technological improvements relevant to their needs; packages will be developed so as to be inclusive of the most marginalised groups (especially women and the landless). Under this heading SMEs will also be promoted to encourage up-and downstream linkages with producers and to create employment opportunities.</i></p>

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor/Agency	Nature Of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
World Bank	<ul style="list-style-type: none"> Country Assistance Strategy May 2005. The Bank proposes to help the GOE achieve its goals by aligning its support to three key strategic objectives, namely, facilitating private sector development, enhancing the provision of public services, and promoting equity. In facilitating private sector development, support by the Bank Group will be directed to achieving three specific outcomes: a financial sector that is more efficient, and responsive to private sector needs; an international trade regime that features lower transaction costs; and, a business climate that features lower transaction costs for initiating, running, and closing down business operations. With regard to promoting equity, Bank Group support will aim to (a) improve the coverage and effectiveness of safety nets; (b) reduce disparities between Upper and Lower Egypt; (c) improve access and quality of healthcare for the poor; and (d) reduce gender disparities. Sohag Rural Development Project: community-based rural development, IFAD-co financed. Integrated Irrigation Improvement and Management Project (IIIMP): Support for the establishment, expansion, and up-scaling of Water Users' Associations (WUAs) and Water Boards; and rehabilitation of irrigation and drainage infrastructure. Integrated Governorates Project II: A community-based local development project to involve multiple Governorates in Upper Egypt with the aim of improving public service provision and fostering growth in productive sectors 	<ul style="list-style-type: none"> Base case USD 500 million pa High case (USD700 million pa) tied to financial reforms, but no more than 10% in rural areas The current active portfolio has 18 projects (including the recently effective Airports Project) with a commitment value of about USD 1.025 billion. Sohag Governorate Nile Delta, and Upper Egypt (Quena) Upper Egypt (Location to be decided) 	<ul style="list-style-type: none"> 2006-2009 Ongoing Approved May 2005 (USD 120 million loan), to close 2014. Under preparation 	<ul style="list-style-type: none"> References to UE and rural poverty but unclear as to what actions to be taken other than promotion of private sector Possible benefits from restructuring in financial sector Positive experience with decentralised approach in SRDP Strong synergy and replication to other parts of Upper Egypt Replication of lessons learned on WUAs to Upper Egypt Strong synergy and potential partnership
EU	<ul style="list-style-type: none"> EU assistance for Egypt supports efforts mainly in water and governance. Additional EC resources, possibly twice as large as those currently available, are expected to be negotiated under the aegis of the new European Neighbourhood Policy which promotes free trade. No more support for agriculture Support for SFD Financial Investment and Sector Cooperation Project 	<ul style="list-style-type: none"> National, Euro 88 million Country-wide-Euro 16 million through MALR for credit to farmers and rural SMEs 	<ul style="list-style-type: none"> Ongoing A four-year project, started February 2005 	<ul style="list-style-type: none"> Potential for collaboration and synergy through SFD High potential for linkage through MALR

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED (Cont'd)

Donor/Agency	Nature Of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
USAID	<ul style="list-style-type: none"> • USAID Programmes in Egypt are increasingly supporting efforts in the education, governance (democracy), and financial sector domains as compared to ongoing Programmes in the water, environment, and large infrastructure domains. Historically USAID has supported employment generation through SMEs, but limited outreach in rural areas. • Agricultural export and rural income project. Promotion of export crops through farmer groups; links to exporters. • Integrated Water Resources Management Project: Decentralized Management of Water Resources; formation of integrated water management Districts; formation of branch canal WUAs; and equitable allocation of water resources 	<ul style="list-style-type: none"> • Increased loan in Upper Egypt • Country wide • Upper Egypt and the Delta 	<ul style="list-style-type: none"> • Ongoing • Ongoing to 2007 • Ongoing – a four year project started in 2004 	<ul style="list-style-type: none"> • Synergy on SME Development • Potential for collaboration in support of business/SME development especially processing/marketing of horticulture and livestock products. • High synergy potential in relation to establishing of WUAs
WFP	<ul style="list-style-type: none"> • Supports FFW Programmes in new settlements through cooperatives; major school feeding Programme; assisting GOE in revising targeting mechanism for food safety net. About USD 10 million pa. • New country Programme under preparation – to start in 2006 	<ul style="list-style-type: none"> • Country wide 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • Keen to work with IFAD on HFS issues, through coordinated programme developed through the UNDAF
JICA	<ul style="list-style-type: none"> • Supports expansion of agricultural production through the effective use of water resources and improvements in production, distribution, and processing technologies 	<ul style="list-style-type: none"> • Country wide 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • Synergy for capacity building.
Germany	<ul style="list-style-type: none"> • Focus on water resources (sanitation), the environment and SMEs. 	<ul style="list-style-type: none"> • Supports the SFD for SMEs 	<ul style="list-style-type: none"> • ongoing 	<ul style="list-style-type: none"> • Synergy on SME Development
Italy	<ul style="list-style-type: none"> • Main programme is Euro 150 million debt swap initiative focused on rural development and poverty alleviation, directly or through Italian NGOs. 	<ul style="list-style-type: none"> • Major co-financier of WNRDP 	<ul style="list-style-type: none"> • ongoing 	<ul style="list-style-type: none"> • Potential for continuing support in UE
The Netherlands	<ul style="list-style-type: none"> • Water Board Project: Formation of Branch Canal and District Water Boards. 	<ul style="list-style-type: none"> • Nationwide 	<ul style="list-style-type: none"> • Ongoing to 2006; next phase 2006 – 2012. 	<ul style="list-style-type: none"> • Next phase to concentrate in Upper and Middle Egypt • High potential for synergy with future projects in Upper Egypt

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED (Cont'd)

Donor/Agency	Nature Of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
FAO	<ul style="list-style-type: none"> • Technical support provided to introduce IT facilities in the agriculture extension services and to strengthen the linkages between agricultural research and extension, centrally and the field level. • Strengthening the capability of Government agencies, NGOs and farming communities to plan, organize and implement Integrated Pest Management (IPM). • Introduced new irrigation technologies training of technicians, extension agents and farmers, and securing high food production per unit water through short cycle crops and hybrids (rice, vegetables, maize etc.). 	<ul style="list-style-type: none"> • Country wide • Country wide • Country wide 	<ul style="list-style-type: none"> • Ongoing • Ongoing • Ongoing 	<ul style="list-style-type: none"> • Potential collaboration on capacity building and Technology Transfer in Upper Egypt
UNDP	<ul style="list-style-type: none"> • “Building A National Strategy for Micro Finance in Egypt”. The project aims at integrating microfinance activities into the formal financial sector to ensure sustainable access to finance by the poor. • Anti Poverty Action Plan under preparation to be integrated in 5 year National Development Plan. • Popular Markets: Working in Giza to establish market of fruits and vegetables at one low price by a cooperative of local community members. • Micro credit provided to women headed households addressing unemployment levels among women (under the Social Fund for Development). 	<ul style="list-style-type: none"> • Country wide • Country wide • Giza Government • Fayoum 	<ul style="list-style-type: none"> • Ongoing • Ongoing • Ongoing • Ongoing 	<ul style="list-style-type: none"> • Potential synergy on promotion of micro-finance • Potential synergy on SME promotion • Potential synergy on marketing initiatives • Potential for collaboration and synergy through SFD
Swiss Economic Development Cooperation (SECO)	<ul style="list-style-type: none"> • SECO assistance aims at improving SME’s business environment through capacity building and promotion of innovative term-finance mechanisms for SME, such as leasing, credit-guarantees schemes of private banks or SME - targeted venture capital funds; • Selective assistance (sector approach) by the Swiss Import Promotion Programme (SIPPO) to support Egyptian SME in the design and marketing of their products to fit European standards, and to facilitate contacts with potential Swiss or OECD buyers. The Programme promotes: Organic products, Fruit & vegetable, textile & fashion, trend forecasts (fashion, jewellery), general trade and market information CH/EU, workshops and seminars (export marketing) 	<ul style="list-style-type: none"> • 2005-2008 – USD 25 million (grant and loans). 	<ul style="list-style-type: none"> • Ongoing • Ongoing 	<ul style="list-style-type: none"> • Promotion of SME in Upper Egypt. • Marketing of agricultural IGA products.
Cooperation for the Development of Emerging Countries (COSPE) an Italian NGO	<ul style="list-style-type: none"> • Implemented in collaboration with the Egyptian Craft Centre, the project aims at contributing to alleviation of poverty among vulnerable groups (rural residents, women, youth, and unemployed) by supporting the development of income generating activities in the craft and agro-processing sectors including facilitation of access to European markets. 	<ul style="list-style-type: none"> • Project: Community Crafts Producers and Markets supported in Aswan, Sohag, Fayoum, Siwa and Cairo 	<ul style="list-style-type: none"> • Ongoing 2003-2006 	<ul style="list-style-type: none"> • Promotion of SMEs and Marketing
Canadian International Development Agency (CIDA)	<ul style="list-style-type: none"> • Under the Country Development Programme Framework 2001-2011, CIDA aims at supporting basic education and enhancing employment creation through promotion of SMEs 	<ul style="list-style-type: none"> • USD 20.0 million per year • country wide 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • Promotion of SMEs in Upper Egypt

NATIONAL STRATEGIES RELEVANT TO POVERTY ALLEVIATION

1. In its efforts to address poverty alleviation and protect vulnerable segments of society, as well as promote decentralization of decision making, the Government of Egypt has adopted a multi-pronged strategy, "Vision 2017", which gives priority to the creation of employment opportunities as the surest way to combat poverty. The strategy recognises the close relationship between employment growth and poverty reduction. Job creation is viewed by Egypt's policy makers favourably because of Egypt's high current poverty head count (25%), its current high levels of unemployment (9-15%), the rapid growth rate of its labour force (3%) related to past high population growth rates; and its slowing rate of labour migration. A Poverty Action Plan is under preparation (through the Ministry of Planning, with UNDP assistance) and is due to be announced end of 2006.
2. Such poverty reduction strategy is being pursued through five main avenues:
 - (a) economic growth for increasing income and employment of the Egyptians;
 - (b) human development of the poor for raising their capability through education, health, nutrition and social interventions;
 - (c) women's advancement and closing of gender gaps;
 - (d) safety net measures for the poor, especially women, against anticipated and unanticipated income/consumption shocks through targeted and other efforts; and
 - (e) participatory governance for enhancing voice of the poor.
3. The main Government's actors for the strategy are:
 - (a) The Ministry of Planning draw the overall economic and social development plans for short, medium and long terms;
 - (b) The Ministry of Social Affairs (MOSA), provides several safety net programmes;
 - (c) The Ministry of Education provides free education and literacy programmes;
 - (d) The Ministry of Health provides free health care through the local health units and large public hospitals;
 - (e) The Ministry of Trade and Supply provides subsidies for bread, flour, sugar and oil; and
 - (f) The Ministry of Agriculture for rural development projects.
4. The social safety net is being implemented mainly through the consumer food subsidy programmes and the Social Fund for Development.
5. The food subsidy programmes reaches the largest share of the Egyptian population. It is one of the oldest in terms of continuity of assistance delivered to the population. It provides all the population with a subsidy on *baladi* (or indigenous) bread, which is provided at about one-third the cost of production. Subsidies on sugar and on cooking oil are more restricted, and are given out through a two-tier system of ration cards that are based on incomes and need. This is by far the largest safety net programmes, spending around 1.5% of GDP per year since 1999. Several programmes are being implemented through local organisation at governorate and village level. The most successful one are the SFD, CDAs and LFD.
6. The Egyptian Social Fund for Development (SFD) is one of the impressive models in the field of SME development. SFD is a semi-autonomous governmental agency under the direct supervision of the Prime Minister. Financed by the Government of Egypt in cooperation with the World Bank/IDA, the European Union, Arab Funds and other donors, the SFD was created to protect and

APPENDIX VIII

improve the status of the poor and the unemployed, during the period of economic transition. The objectives of the SFD are primarily achieved through five core programmes: (i) the Public Work Programmes (PWP); (ii) the Community Development Programmes (CDP); (iii) the enterprise development programmes (EDP); (iv) the employment and retraining programmes (ERP); and (v) the institutional development programmes (IDP).

7. At the village level the Community Development Associations (CDAs) are community based organizations which are required to register with the Ministry of Social Welfare and Insurance (MSWI). Most of these are small village based associations with limited outreach and capacity and consist of a small number of members who are generally the more enterprising young men and women in the community. The outreach of the CDAs generally extends to the main village and its satellite hamlets. Some of these organizations were established on a voluntary basis for sometime, others are relatively new with limited experience. However, those which have been established through voluntary efforts such as in Minya and Sohag have proved their sustainability over time. These are generally sustained through the efforts of small donor grants from CARE, COESS, CRS, etc and are generally engaged in the delivery of micro-credit, establishment of community centres, and other social sector services.

8. The Local Development Fund (LDF) was established within ORDEV in 1978 and capitalized through a USAID grant. It is an autonomous legal entity under MLD and is tax-exempt. LDF Board of Directors consists of 14 members and comprises of officials from the Ministries of Planning and Finance, the stock exchange, and from the governorates, district level and local administrative units. Though an autonomous institution, LDF is in effect, a part of ORDEV. The Chairman of ORDEV presides over the Board of Directors. LDF has a small organization and staff in its office in Cairo and operates through the large network of Local Administrative Units (LAUs) in the governorates. LDF has been successful in financing small and micro-projects and on-lend to NGOs. In view of the limitation in resources, their operations have been on a small scale. The major lending activities cover poultry, transport, workshop and mechanization units. Loans are processed through the local administration. The average loan size has been about USD 500. As LDF is a Development Lending Institute (DLI), it does not come under Central Bank of Egypt prudential guidelines.

9. With regards to rural/agricultural development, the above-mentioned strategy recognises that Egypt is becoming increasingly integrated into the world economy, which, in the long run will mean, on the one hand less government support for the sector but on the other hand lower barriers for agricultural exports. The agricultural strategy therefore calls for a high rate of agricultural growth, largely based on "horizontal expansion" of cropped area, and "vertical expansion" through improved farming techniques that improves yields and adjustments in the crop mix towards higher value horticulture crops and livestock. The agricultural development strategy is based on the following pillars:

- (a) increase the annual rate of growth of agricultural production to 4%;
- (b) sustain the increase in cereals production which recently amounts to 18 million tons yearly through the contrivance of high yielding varieties, national campaigns, and setting optional floor price for targeted crops so as to be consistent with border price and maintain rice acreage around 900 000 feddans a year;
- (c) substantiate Cotton Price Stabilization Fund with the purpose of raising production of this major crop to meet the requirements of domestic mills on the one hand and fulfil export objectives on the other. The Cotton Fund also safeguards cotton producers against the risk of price fluctuation arising from economic liberalization policy application. This GOEs side with setting floor price consistent with border price and such proposed floor price must be announced broadly prior to the planting season. The Ministry of Agriculture and Land

APPENDIX VIII

Reclamation will give every support possible to this strategic crop to achieve the highest level of productivity and restore its privileged position in the world market too;

- (d) increase edible oil crops production to substitute imports through the expansion of sunflower, soybeans and canyola areas and setting acceptable optional floor price of such crops;
- (e) increase sugar production through the expansion of sugar-beet crop which proved to be promising in several governorates. More sugar-beet factories are planned to be established in Fayoum governorate and Noubaria Zone;
- (f) upgrade horticultural crops marketing efficiency, whose production amounts recently to 19 million tons yearly, through pursuing improved post harvest treatment, establishment of vegetables & fruits stock of exchange, and functioning the comparative advantages in production and exports in light of WTO and EU & USA partnerships with Egypt;
- (g) maintain restrictions on excessive use of pesticides and chemical fertilizers in line with giving more room to biological integrated pest management to minimize the cost of production and upgrade quality to survive severe competition in the world markets and keep the environment safe;
- (h) place more emphasis on irrigation, water use efficiency and agricultural soil improvement and maintenance projects. The Executive Authority for Land Improvement Projects (EALIP) assumes to perform extra services such as agricultural gypsum addition, deep ploughing, laser land levelling and tiled drainage;
- (i) increase animal production protein from its numerous to maintain self sufficiency of poultry meat, dairy products and eggs and raise self sufficiency in red meat. These objectives could be attained through the revival and development of Veal Production Project, upgrade veterinarian services, uplevel productivity of endogenous cattle (buffalo, cows and sheep) through adoption of efficient breeding and genetic improvement Programmes. Likewise, fish resource development projects exert much effort to achieve sustainable development of resources kept in the Nile and its tributaries, seas, lakes and fish farms;
- (j) support agricultural researches, marketing extension, mobilize women's role in agricultural and rural development and develop agricultural co-operative legislations to cope with the new trends of privatization, liberalization and economic reform Programmes;
- (k) develop the credit policies pursued by the PBDAC to play an active and constructive role in the agricultural sector through extending more credit and services to all agricultural rural activities. The Bank also assumes to create and encourage saving awareness among rural population and its units are planned to work on an economic basis through restructuring and reorganizing themselves down to the village bank level;
- (l) maintain the system of letting the recently graduated youth own some reclaimed land in the framework of Mubarak National Project to alleviate the unemployment problem. The rest of the reclaimed land will be allocated to small farmers & investors;
- (m) continue proceeding in New Land Reclamation Programmes on the area of 1.8 million feddans at an annual rate of 150 000 feddans of the land ranked on top of priorities envisaged by Master Plan of Land Resources. Those targeted lands are located in Upper Egypt and Oases (New Valley governorate), East and North of the Suez Canal and in the National South Valley Development Programmes aiming at the creation of new integrated communities to alleviate living conditions in dense populous areas in the Delta and in the old Valley strip; and
- (n) creation of a conducive environment for Egyptian, Arab and Foreign investors to launch initiatives in agricultural production, post harvest, marketing and export projects.

10. **The National Water Strategy.** The water strategy calls for developing new water resources, improving the efficiency of the present use and protecting environment and health by preventing pollution and by treatment and control of polluted water in an integrated manner and in cooperation with all stakeholders. The water strategy also includes a number of institutional measures to address challenges related to scarce water resources and improvement and prevention of rapid deterioration of the quality of water resources. This includes aspects of co-operation, decentralisation and privatisation including a restructuring of the role of MWRI, by establishing Integrated Water Management Districts (IWMD). Major elements in this respect are a participatory approach in planning, development and management and the inclusion of cost-recovery aspects. In order to improve operation and maintenance of irrigation and drainage systems on a sustainable manner, the strategy calls for promotion and establishment of strong Water Boards and Water Users' Associations to takeover operation and management functions of irrigation and drainage networks at various levels of the system.

11. In the light of major changes resulting from 2017 vision and policies, the Government has formulated and proposed a new water law for approval of the People's Assembly. The focus of the proposed draft law is on strengthening capability to manage water resources in an era of increasing water scarcity, including the involvement of stakeholders at all levels in the planning, management, and allocation of water resources. In terms of water users' organizations, the proposed law will authorize the MWRI to entrust a specialized association or board of water users to manage, operate and maintain, at their expenses, parts of the irrigation and drainage system with full beneficiaries' independence in this respect.

12. **The National Environmental Strategy.** The environmental policy of the Government supports the fundamental principle of sustainable development. It seeks to protect the environment through establishment of proper institutional, economic, legislative and technical frameworks at the local, regional, national and international levels. Law 4 of 1994 provides the legal base for protection of the environment and requires preparation of Environmental Impact Assessments (EIA) for new projects and establishments. Egypt has developed a National Environmental Action Plan (NEAP) covering a fifteen-year period (2002-2017) and, in recognition of the need for decentralised environmental management, is in the process of developing Governorate Environmental Action Plans (GEAP) for each governorate. GEAPs for Sohag, Quena, Beni Sweif and Aswan in Upper Egypt, as well as for several other Governorates have been prepared through extensive community consultation, participation and consensus building on priority environmental issues and actions.

13. **National Strategy for Women.** The Government policy recognizes the importance of women's participation in all socio-economic and development activities and regards women as equal partners with men. In recognition of this role, special measures are being undertaken to ensure that all constraints and factors inhibiting women's enhanced role in agricultural production and food security and in entrepreneurship be identified and lifted. Specific actions include: (i) narrowing the gender gap in illiteracy rates to promote women's role in development endeavours; (ii) introducing new educational and training Programmes to encourage the provision of appropriate technology; (iii) comprehensive development of the health care system and expansion of health insurance. Creating additional job opportunities by developing small, micro and possibly medium enterprises, as well as by the promotion of self-employment schemes to generate new employment opportunities. The National Council for Women (NCW) was established in the year 2000 by Presidential Decree No. 90 as an autonomous entity with the purpose of advancing the status of Egyptian women.

