



Investing in rural people

## **Arab Republic of Egypt**

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### **Sustainable Agriculture Investments and Livelihoods**

#### **Design completion report**

Main report and appendices



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## Currency equivalents

|               |   |                      |
|---------------|---|----------------------|
| Currency Unit | = | Egyptian Pound (EGP) |
| US\$1.0       | = | EGP 6.97             |

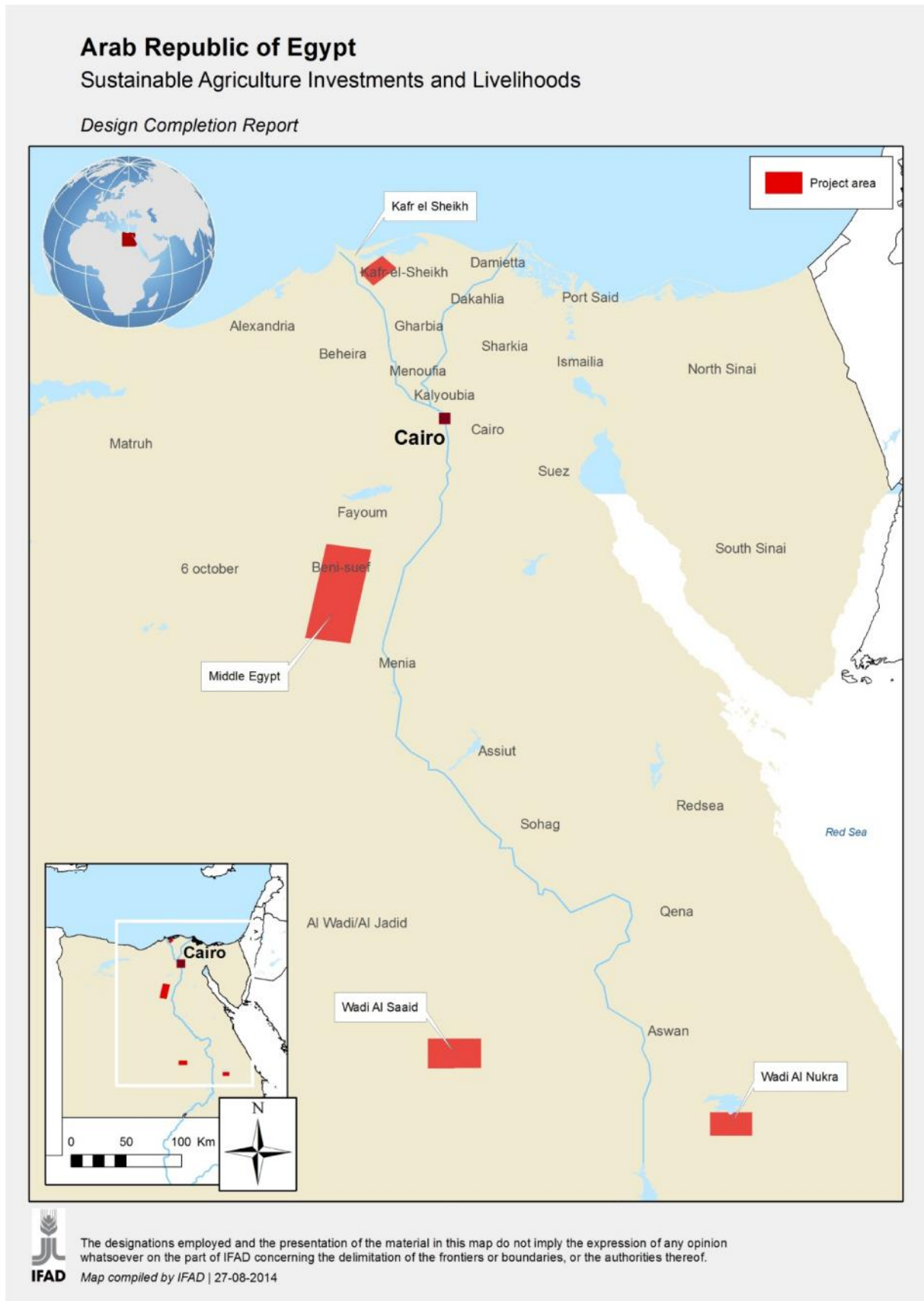
## Weights and measures

|                  |   |                   |
|------------------|---|-------------------|
| 1 kilogram       | = | 1000 g            |
| 1 000 kg         | = | 2.204 lb.         |
| 1 kilometre (km) | = | 0.62 mile         |
| 1 metre          | = | 1.09 yards        |
| 1 square metre   | = | 10.76 square feet |
| 1 acre           | = | 0.405 hectare     |
| 1 hectare        | = | 2.47 acres        |
| 1 feddan         | = | 1.038 acres       |
| 1 feddan         | = | 0.42 ha           |

## Abbreviations and acronyms

|        |  |
|--------|--|
| ADP    | Agriculture Development Programme                                    |
| ACs    | Agriculture Cooperatives   |
| AfDB   | African Development Bank   |
| APIP   | Agricultural Production Intensification Project                      |
| ARC    | Agricultural Research Center   |
| ASAP   | Adaptation for Smallholder Agriculture Programme                     |
| CAPMAS | Central Agency for Public Mobilization and Statistics                |
| CBE    | Central Bank of Egypt  |
| CDAs   | Community Development Associations                                   |
| CIB    | Commercial International Bank  |
| COSOP  | Country Strategic and Opportunities Paper                            |
| EDNASP | East Delta Newlands Agricultural Services Project                    |
| EGP    | Egyptian Pound   |
| EHDR   | Egypt Human Development Report                                       |
| EIRR   | Economic Internal Rate of Return                                     |
| GAP    | Good Agriculture Practices   |
| GDP    | Gross Domestic Product   |
| GCSRL  | General Cooperative Society for Reclaimed Lands and Land Reclamation |
| GEF    | Global Environmental facility  |
| GNI    | Gross National Income  |
| GOE    | Government of Egypt  |
| ICDT   | International Centre for Development and Training                    |
| IFAD   | International Fund for Agriculture Development                       |
| IIP    | Irrigation Improvement Project                                       |
| IIIMP  | Integrated Irrigation Improvement Management Project                 |
| MA     | Marketing Associations   |
| MALR   | Ministry of Agriculture and Land Reclamation                         |
| MFIs   | micro finance institutions   |
| MIC    | Ministry of International Cooperation                                |
| MSEs   | Micro and Small Enterprises  |
| MTR    | Mid-Term Review  |
| NGOs   | Non-Governmental Organizations                                       |
| OFIDO  | On-Farm Irrigation Development on Old Lands Project                  |
| PBDAC  | Principal Bank for Development and Agriculture Credit                |
| PMU    | Project Management Unit  |
| PRIME  | Promotion of Rural Incomes through Market Enhancement Project        |
| PSC    | Project Steering Committee   |
| RPMU   | Regional Project Management Unit                                     |
| RIMS   | Results and Impact Management Systems                                |
| SAIL   | Sustainable Agriculture Investments and Livelihoods Programme        |
| SEDO   | Small Enterprise Development Organization                            |
| SFD    | Social Fund for Development  |
| UERDP  | Upper Egypt Rural Development Project                                |
| USD    | United States Dollar   |
| WNRDP  | West Nubaria Rural Development Programme                             |
| WUG    | Water User Groups  |
| YSG    | Youth Savings Groups   |

## Map of the Project Area





## Executive Summary<sup>1</sup>

Egypt has undergone a dramatic political upheaval over the last three years following long simmering grievances over the lack of economic opportunities and political inclusion that led to a revolutionary uprising in early 2011. The Egyptian economy which had seen a strong upward trend has borne the brunt of the continuing instability. Agricultural growth is not only important to growth in national income, but also vital to growth in employment, food and nutrition security and reduction of poverty in Egypt. Within the agriculture sector, Egypt enjoys a significant comparative advantage in the production and export of high value horticulture and livestock products, herbs and medicinal plants. The proposed project will assist farming households on new lands to increase agriculture profitability on new lands. This will create additional demand in the non-farm sector, absorb landless labour, create opportunities for women and youth and contribute to poverty reduction, food and nutrition security and gender equity.

Agriculture in Egypt faces some critical constraints. There is extreme shortage of land and water. The situation is not likely to improve as climate change and population growth combine to increase the pressure on the limited natural resource base. There is a critical need in Egypt to expand new areas of growth and settlement to attract people from the overcrowded old lands and provide them an opportunity for productive growth and diversification of livelihoods. To spur this growth, the Government has given access to new lands and rudimentary housing facilities to unemployed graduates and smallholders displaced from old lands. While the Government has invested considerable resources on infrastructure, the lack of farmer organizations to properly operate and maintain the investments has led to deterioration. These areas also lack access to a range of social sector and productive services essential for the growth and development of rural communities. There is lack of access to post harvest facilities and markets leading to lower profit of farmers from farming activities. The newly settled areas have been unable to attract the private sector and lack access to financial and marketing services.

Based on the success of the West Noubaria Rural Development Project (WNRDP), the GOE has requested IFAD for assistance in helping to design a new investment in some of the newly settled lands. This Project is being titled Sustainable Agriculture Investments and Livelihoods (SAIL). The Government has identified 97,971 feddans (41,147 hectares) spread over 30 settlements for selection in the proposed project. It is expected that the project will target around 40,000 rural households or 280,000 people in the new settlements as well as provide some support to the adjoining secondary areas engaged with them for the provision of social and economic services. The profile of the target group is one of poverty, food and nutrition insecurity and vulnerability. Women who have moved here have limited opportunities to engage in productive work beyond the farm. Experience of West Noubaria tells us that women graduates as well as women from small farmer households play a critical role in the development of the new lands. Women are keen to participate in community activities, opportunities for learning and engaging in rural enterprises. There are virtually no facilities for the young in these new communities for higher learning, entrepreneurship, employment or recreation. The youth will be another important target group for the new project.

The proposed Project will invest in institutional development as the starting point and rehabilitate the existing infrastructure as well as assist in facilitating access to a range of social sector and productive services through participation with the local communities. The proposed project will be designed to scale up the successful experience of the WNRDP project in establishing and strengthening rural institutions especially Community Development Associations (CDAs), Agriculture Cooperatives and

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<sup>1</sup> Mission composition: The mission was led under the overall guidance and support of Mr Abdelhaq Hanafi, the Country Programme Manager for Egypt, Mr Vrej Jijyan, CPM (NEN) and Mr Mohammed Shaker Habara, Country Programme Officer provided invaluable support. The mission was led by Ms Maliha H. Hussein, (Mission Leader and Agriculture Economist) Mr Magdy Moussa (Rural Finance Specialist), Ms Shazreh Hussain (Gender/Poverty and Training Specialist), Mr Aized Mir (Innovation and Rural Infrastructure Specialist), Ms Lisa Hubert (Economic and Financial Analyst). Mr Rami Abu Salman (Regional Climate and Environment Specialist), Ms Michelle Lockwood (Financial Management Specialist) and Mr Malek Haddad (Procurement Specialist) also joined the mission to strengthen the design and advice on implementation arrangements.

strengthen the arrangements for water management and establish FMA. The experience of West Noubaria with strengthening market associations and helping farmers with contract farming with the private sector will be used for scaling up. Investment in these rural institutions is of paramount importance given that the Government is planning to reform the agriculture cooperative law which will give them much greater flexibility to function as independent, farmer owned, profit- oriented organizations in the future.

The development goal of the project will be to contribute to the reduction of poverty and increase food and nutrition security for poor rural women and men in Egypt. The development objective of the project will be enabling smallholder farmers to enhance their incomes, increase profitability and diversify their livelihoods. The expected outcome of the project will be (i) strengthening smallholder institutions; (ii) improved agriculture production and marketing; (iii) improved capacity for employment and enterprise development.

The SAIL project will include three main components; (i) Community and Livelihood Development Component; (ii) Agriculture Production and Diversification Component; (iii) Financial Services Component and Project Management. These components are designed to work in an integrated manner to provide the essential inputs and services which a community needs for its proper rehabilitation, intensive agriculture production and diversifying livelihoods.

The implementation approach for SAIL will envisage a high degree of stakeholder participation and grassroots involvement in order to bring villagers, including women, youth and the less advantaged into a more coherent and effective force for change and self –reliance. The delivery mechanism envisaged in the SAIL Project will rely on a mix of public, private sector and community led institutions.

The total Project cost including price and physical contingencies is currently estimated at USD 86.85 million. This does not include the considerable investment which the GOE has already made on the new lands. IFAD will provide a loan of USD 63.2 million. The lending terms, based on the per capita income of Egypt, will be Ordinary terms. A grant of about USD 1.4 million will be provided with the IFAD loan. In addition, the Adaptation for Smallholder Agriculture Programme (ASAP) administered by IFAD has approved a grant of USD 5 million for use within the framework of the current project. The Government of Egypt (GOE) is expected to provide a contribution of USD 15.2 million. The participating farmers are expected to provide USD 2.4 million cost as part of their contribution in terms of labour and inputs for infrastructure, farming and enterprise development. The Saudi Fund for Development has indicated an interest in co-financing this project. In case its financing is forthcoming this will be used for additional investments in infrastructure on the new lands.

The net present value of the Project is positive (USD 51 million) and the economic internal rate of return is estimated at 20% over a 20 years period at a discount rate of 10%. A sensitivity analysis was conducted to assess the variation of the EIRR and the NPV based on various scenarios such as increase in Project costs, decrease in the Project benefits, variation in livestock prices and crop prices; and delay in Project benefits. The Project remains profitable in all scenarios tested. The net present value and IRR are more sensitive to the variation of overall Project benefits and livestock prices.

The Project will be designed with a clear strategy for sustainability and exit in all components. Many of the lessons learnt from the West Noubaria Project, in this regard, have been built into the design of the proposed Project. Some key underlying theme of the Project which add significantly to making the investments sustainable are (i) the strengthening of rural institutions, human skills and capacity building for improved agriculture productivity, enterprise development and employment; (ii) the clear distinction in the Project approach about public, community and private goods and services and how these will be managed; (iii) a clear plan for ownership, operation and management of all infrastructure schemes implemented within the Project; (iv) ensuring that project investments are socially, technically and environmentally sustainable through incorporating these elements into the selection criterion of all schemes and (v) a clear exit strategy for each sub-component from the outset.

## Logical Framework

| Narrative Summary   | Key Performance Indicators   | Means of Verification   | Assumptions /Risks   |
|---|--|---|--|
| <b>Goal:</b>  |  |   |  |
| Contribute to the reduction of poverty and increase food and nutrition security for poor rural women and men in Egypt.<br>(40,000 households or 280,000 people will be targeted)  | At least 60% of households experience reduction in child malnutrition.<br>(Baseline: 27% - 2010 est. in rural areas);<br>At least 40% of targeted households experience an improvement in their household assets;  | Bureau of Statistics<br>UNDP/World Bank poverty assessments<br>UNICEF/WFP food security surveys | Stable political and security situation.<br>Macro-economic conditions improve                    |
| <b>Project Development Objective:</b>   |  |   |  |
| Smallholder farmers enabled to increase their incomes, improve profitability and diversify their livelihoods.   | Increased incomes by at least 40% for at least 24,000 target households.   | Baseline & Impact surveys<br>Case Studies.  | Conducive government policies<br>Stability in agriculture prices.                                |
| <b>Outcome 1:</b> Strengthened smallholder institutions.  | At least 50% of the 30 CDAs established are operational;<br>At least 60% of the 42 targeted Agricultural Cooperatives and the 5 Marketing Associations are functional.   | Case Studies<br>Village Profiles.<br>Interviews/focus groups.<br>SAIL MIS System.               | Conducive government policies<br>Political stability.  |
| <b>Outputs:</b><br>30 Community Development Associations and 20 Youth CDAs established and trained<br>99 Social infrastructure facilities rehabilitated/constructed (drinking water, clinics, schools, nurseries, youth centers, solid waste management and solar lighting).<br>42 Agricultural Cooperatives and 5 Marketing Associations formed and trained. | Number of CDAs and youth CDAs established and trained with women in leadership positions.<br>Number and type of social infrastructure facilities established and functioning.<br>Number of Agricultural Cooperatives established and trained with membership disaggregated by gender.<br>Number of Marketing Associations established and trained with membership disaggregated by gender and women in leadership positions. | Interviews/focus groups<br>Case Studies.<br>SAIL MIS System.                                    | No major conflicts in the village to prevent the communities from collaborating with each other. |

| Narrative Summary  | Key Performance Indicators   | Means of Verification   | Assumptions /Risks   |
|--|--|---|--|
| <p><b>Outcome 2:</b><br/>Improved agriculture production and marketing reported by at least 24,000 smallholder farmers.</p>  | <p>Number of functioning infrastructure<br/>Number of farmers with secure access to water resources<br/>Number of farmers reporting production/yield increase (at least 40%).<br/>No of farmers adopting recommended technologies that reduce or sequester greenhouse gas (GHG) emissions.<br/>No of households covered by new or improved climate information services.<br/>Number of farmers adopting climate resilient good agriculture practices.<br/>Number of farmers adopting alternate energy solutions.<br/>Number of farmers engaged in contractual farming, with wholesalers, exporters and processors;</p> | <p>Baseline &amp; Impact survey<br/>Interviews/focus groups.<br/>Village Profiles.<br/>Studies and surveys<br/>SAIL MIS System.</p> | <p>Ministry of Irrigation releases the requisite quantity of water<br/>Farmers willingness to switch to new technologies.<br/>No extreme weather events.</p> |
| <p><b>Outputs:</b><br/>17 pumps on lifting stations rehabilitated reaching 11,067 households and benefiting 29,026 feddans (12,190 ha)<br/>50,000 meters of mesqas constructed and drainage systems improved covering 4,800 households and 6,185 feddans (2,598 ha)<br/>Mesqas improved and constructed benefiting 2,324 households and 6,000 feddans (2,520 ha)<br/>Drainage improved for 10,134 feddans (4,256 ha) benefitting 3,839 households<br/>350 Solar water pumps and efficient irrigation systems established benefiting 7000 feddans (2,940 ha) targeting 1400 households;<br/>180 old pumps replaced with new pumps and efficient irrigation systems benefiting 728 households, 3,640 feddans (1,529 ha)<br/>30 flex-biogas, 10 composting and 2 solar dryers units for demonstration purposes;<br/>7,400 people trained in the use of new technologies.<br/>40 lead farmers trained and 4800 men and women trained in Farms Field Schools.<br/>5 weather stations and early warning system installed for monitoring heat waves, wind and pest;</p> | <p>Number of people trained in infrastructure management.<br/>Land under irrigation schemes constructed or rehabilitated<br/>Length of canals constructed and rehabilitated.<br/>People trained in climate resilient crop production practices and new technologies.<br/>People trained in livestock production practices and technologies.<br/>People trained in post-production, processing and marketing.<br/>Market facilities constructed and/or rehabilitated</p>  | <p>Interviews/focus groups<br/>SAIL MIS System.<br/>Studies and reports</p>   | <p>Salinization risk well managed</p>  |

| Narrative Summary  | Key Performance Indicators  | Means of Verification   | Assumptions /Risks  |
|--|---|---|---|
| <p><b>Outcome 3:</b><br/>Improved employment and enterprise development.</p>   | <p>1,200 jobs generated as a result of vocational training and enterprise development.<br/>At least 30% of enterprises operating after 3 years.<br/>Number of people accessing financial services.</p>  | <p>Baseline &amp; Impact survey<br/>Interviews/focus groups<br/>Studies and surveys</p> | <p>Political stability.</p>   |
| <p><b>Outputs:</b><br/>2000 people provided vocational, income generation and enterprise training.<br/>A total of 12000 smallholders provided agricultural loans , of which 5000 women provided loans for livestock. 2000 smallholders provided loans for efficient irrigation systems.<br/>2500 microenterprises (MEs) given access to finance.</p> | <p>Number of people trained in Income Generating/vocational and business development.<br/>Enterprises accessing facilitated non-financial services.<br/>Enterprises accessing facilitated financial services<br/>Number of CDAs and Ag Cooperatives engaged in provision of credit.<br/>Number of Financial institutions participating in the project.<br/>Number of active borrowers (individuals/enterprises).<br/>Value of gross loan portfolio (individuals/enterprises).<br/>Number of people trained in financial literacy and financial services.<br/>Number of people trained in income generating activities disaggregated by type of activities and gender;</p> | <p>Interviews/focus groups<br/>Case Studies.<br/>SAIL MIS System.</p>                   | <p>Government regulation and policy supports the provision of financial services.</p> |



## I. Strategic context and rationale

### A. Country and rural development context

1. Egypt has undergone a dramatic political upheaval over the last three years following long simmering grievances over the lack of economic opportunities and political inclusion that led to a revolutionary uprising in early 2011. The Egyptian economy which had seen a strong upward trend in growth indicators in the mid-1990s, has borne the brunt of the continuing instability. The economy has contracted sharply and has seen a growth of less than 1 percent in the last few years. The Egyptian unemployment rate, which has hovered around 9.5 percent in the years preceding the revolution, has increased to 13.4 percent in the first quarter of 2014<sup>2</sup>. The balance of payments has deteriorated sharply, driven by capital outflows and a severe drop in tourism. The rising energy crisis in the country is a matter of grave concern and is also impacting growth and development. Egypt faces many challenges in maintaining sustainable economic growth, addressing economic, social and regional inequalities and growing unemployment. However, the newly elected Government has demonstrated strong resolve to deal with the issues of economic development, growth and poverty alleviation.

2. The population of Egypt was estimated to be 81 million with a current Gross National Income of USD 2,980 per capita in 2012.<sup>3</sup> Egypt's GNI per capita increased by about 141% between 1980 and 2012.<sup>4</sup> The agriculture sector is a key sector in the Egyptian economy, providing livelihoods for 55 percent of the population and directly employing about 30 percent of the labour force. Although contribution of the sector to GDP has fallen over time, it still accounts for about 13 percent of GDP and 20 percent of total exports and foreign exchange earnings. Industries related to agriculture, such as processing and marketing and input supplies account for a further 20 percent of GDP. In rural households in Egypt, 42 percent of total income comes from non-farm sources, while 25 percent is derived directly from agriculture and 9 percent from livestock. The remaining 24 percent comes from transfers, remittances and rental incomes. Thus any attempts to deal with poverty alleviation in Egypt must address both farm and off-farm sectors.

3. Despite the economic development between 2005 and 2008, when Egypt experienced high GDP growth with an overall drop in poverty from 40.5 percent in 2004 to 35.7 percent in 2008<sup>5</sup>, poverty remains a major challenge in Egypt. At that time, it was estimated that about 19.6 percent were living in absolute poverty, and 21 percent were near poor. Nearly half the population is vulnerable to external shocks, especially rising food prices. The Central Agency for Public Mobilization and Statistics (CAPMAS) maintains that Egypt's poverty rate increased over the year 2012/2013, reaching 26.3 percent compared with 25.2 percent in 2010/2011<sup>6</sup> and nearly 25 percent live just above the poverty line<sup>7</sup>. Some 11.9 percent of Egypt's population is in extreme Multi-Dimensional Poverty.<sup>8</sup> In addition, many of the households along the poverty line are highly vulnerable and susceptible to falling back into poverty as a result of a host of factors. Data also shows that there has been an increase in inequality, with the Gini-coefficient rising from 28.7 to 31 between 2005 and 2010.<sup>9</sup> While more recent data is not available, it is believed that inequality is still on the rise. Unemployment continues to be an overriding concern, especially for youth and women with many of the Egyptians working in the Middle East region returning home because of growing regional instability.

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<sup>2</sup> World Bank 2014.

<sup>3</sup> Atlas method. World Bank, Official website. January 2014. This is equivalent to USD 1,975 in 1992 prices.

<sup>4</sup> UNDP, Human Development Report, The Rise of the South: Human Progress in a Diverse World, Egypt, (2013) [www.undp.org/content/dam/rbas/img/docs/Egypt.docx](http://www.undp.org/content/dam/rbas/img/docs/Egypt.docx)

<sup>5</sup> World Bank, Economic growth, inequality and poverty: social mobility in Egypt between 2005 and 2008, 2009, p 4.

<sup>6</sup> Central Agency for Public Mobilization and Statistics (CAPMAS). Arab Republic of Egypt, 2012.

<sup>7</sup> The extreme poverty limit is an annual EGP 3,570 (US\$ 518) per person, which means approximately EGP 312 per month per person, or EGP 10 (approximately US\$ 1.5) per day per person).

<sup>8</sup> World Food Programme, The Status of Poverty and Food Security in Egypt: Analysis and Policy Recommendations (2013).

<sup>9</sup> Economic growth, inequality and poverty: social mobility in Egypt between 2005 and 2008, 2009, World Bank, 2010.

4. Despite the setbacks, Egypt is on track to achieve most of the MDGs and falls in the medium human development category<sup>10</sup>. Infant mortality rates have shown remarkable improvements in the past four decades, dropping from 141/1000 in the mid-1960s to 25/1000 in 2008. Child mortality dropped from 243/1000 live births to 28/1000 live births in the same period. Between 1980 and 2012, Egypt's life expectancy at birth increased by 17.3 years. Mean years of schooling increased by 4.3 years, and expected years of schooling increased by 4.8 years. Thus, positioning the country at 112 out of 187 countries. Between 1980 and 2012, Egypt's HDI value increased from 0.407 to 0.662, an increase of 63%, or an average annual increase of about 1.5%. While Egypt has successfully reduced infant mortality rates over the last decade, its young are faced with an alarming rate of malnutrition, especially chronic malnutrition and stunting among children under-five years of age has reached an alarming 29%. Malnutrition in children is typically caused by a combination of inadequate food intake and infection which impairs the body's ability to absorb or assimilate food. During the last few years, the Ministry of Health and Population in Egypt has placed nutrition as one of its main priorities and developed a 10-year Food and Nutrition Policy and Strategy (2007–2017).

5. Egypt ranks low on international indicators of gender equity. It has a Gender Inequality Index (GII) value of 0.59, ranking it 126 out of 148 countries in the 2012 index. In Egypt, 2.2 percent of parliamentary seats are held by women, and 43.4% of adult women have reached a secondary or higher level of education, compared to 59.3% of their male counterparts. Female participation in the labour market is 23.7% compared to 74.3 for men, marking a very large disparity<sup>11, 12</sup>. Although the Constitution of Egypt guarantees equal treatment of all citizens, this does not translate into equality of status or equal opportunities for women. Gender inequality persists, directly undermining the country's socio-economic progress. Cultural norms and customary practices are key determinants of social and familial attitudes that influence the position and condition of women. The fact that women in Egypt have lower access to education, health services and productive resources makes them more vulnerable to poverty than men. Other factors that contribute to women's poverty include lower earnings and wage rates, lower participation and employment and their marginalization and exclusion from social, economic and political life. Women are estimated to earn the equivalent of 26% of men's income<sup>13</sup>. According to the 2012 report of Egypt's Central Agency for Census and Statistics, women are officially registered as comprising only 23 per cent of the formal, registered workforce. But because much of their work is informal, it is estimated that in reality women account for more than 75 per cent of the agricultural labour force in some parts of the country such as Upper Egypt<sup>14</sup>.

6. In its efforts to address poverty alleviation, and protect vulnerable segments of society, the Government of Egypt has adopted a multi-pronged strategy. The (GOE) has been providing lands to unemployed agriculture graduates and households displaced from the old lands due to changes in land tenure arrangements. It has also taken proactive measures in other areas to deal with the problem of growing poverty and in-equality. The principal goal of the GOE is to attain higher GDP growth rates, maintain broad macroeconomic balance, and broaden the economy's capacity to absorb labour. This strategy gives priority to the creation of employment opportunities as the surest way to combat poverty. The GOE has been pursuing this poverty reduction strategy through five main avenues: (a) economic growth for increasing income and employment through investment in productive sectors; (b) increasing the efficiency of the agriculture sector, particularly water and land utilization to enhance yields, income and food security for the poor, (c) human development of the poor for raising their capability through education, health, and local level organizations; (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 the voice of the poor.

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<sup>10</sup> Egypt's Progress Towards Achieving the Millennium Development Goals (2010), p. 15.

<sup>11</sup> The Gender Inequality Index (GII) reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity.

<sup>12</sup> Egypt Human Development Report, 2013.

<sup>13</sup> UNDP, Egypt Human Development Report, 2008

<sup>14</sup> World Food Programme.



7. Agricultural policy in Egypt has gone through significant reforms since early 1990s. The Government has formulated a new Sustainable Agriculture Development Strategy towards 2030 for the agriculture sector in recognition of the fact that transformation of the agriculture sector is key for economic growth and development in Egypt. 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.

8. The climate in the country is arid with very low rainfall. The Nile River is the main and almost exclusive source of surface water for Egypt. Agriculture depends exclusively on the Nile and consumes 77 percent of its annual water supply. Water efficiency is low due to high water losses. Water conveyance efficiency is estimated at 70% and the mean efficiency of field irrigation systems is estimated at only 50%<sup>15</sup>. Water distribution and management systems have been partially and ineffectively decentralized. The country is already experiencing severe water poverty. The situation is not likely to improve as climate change and population growth combine to raise the risks of inadequate water supplies, conflict over the available supplies, and further pressure is expected from the exploration of Nile resources by other members of the Nile Basin Commission.

9. Limited access to finance remains a key binding constraint for the development of the rural economy. Only 10 percent of Egyptian adults have access to formal financial services and fewer than 4 percent of Egyptian adults took a loan from a financial institution in the past year<sup>16</sup>. The commercial banking sector has considerable liquidity but it does not have the risk appetite to provide services to the agriculture sector. The Central Bank of Egypt (CBE) reports that bank loans to MSEs remain limited to less than one percent of total loans and that the agriculture sector receives less than 5 percent of total commercial bank credit<sup>17</sup>. Egypt's market penetration rate is among the lowest in the region. It is estimated that a total of EGP 8.5 billion is needed to meet unsatisfied demand within the MSE sub sector alone<sup>18</sup>. The Principal Bank for Development and Agriculture Credit (PBDAC) has been the country's main bank for provision of agriculture credit. However, it has been undergoing a restructuring process for the past few years and its past record of agriculture lending shows poor outreach to the smallholder and virtually no lending to smallholders on new lands<sup>19</sup>.

10. The Government has established some alternative avenues for rural finance provision. With donor assistance, GOE has established the Social Fund for Development (SFD) and the Agriculture Development Programme (ADP)<sup>20</sup>. These provide financial services to rural areas and the agriculture sector through special directed credit lines. SFD is now a major player in the provision of micro-finance in the country and operates as a wholesaler of financial services through its Micro Finance and Small Enterprise windows. The Agriculture Development Programme (ADP) is a fund owned by the Ministry of Agriculture and Land Reclamation (MALR) and managed by the Commercial International Bank on their behalf. It was created to consolidate the revolving credit fund provided to the Ministry in several European Union (EU) funded projects targeted at the agriculture sector. ADP operates through 12 affiliated commercial banks, who in turn, provide both individual and collective loans directly or through Agriculture Cooperatives and selected Associations. ADP has provided credit mainly to the small and medium sized enterprises<sup>21</sup>. Its added strength is that through its investment

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<sup>15</sup> Sustainable Agricultural Development Strategy Towards 2030. Ministry of Agriculture and Land Reclamation. Arab Republic of Egypt, October 2009.

<sup>16</sup> Global *Findex* 2012.

<sup>17</sup> Central Bank of Egypt. 2010.

<sup>18</sup> World Bank, September 2010.

<sup>19</sup> The Bank has recently cleaned its books and written off between EGP 4 to 5 billion from its outstanding loan portfolio.

<sup>20</sup> Formerly the Agriculture and Research Development Fund (ARDF).

<sup>21</sup> About 80% of its financing is for SME financing.

income, the ADP also provides technical assistance for research and development for the agriculture sector.

11. Not only do financial services not reach the poor but the provision of services is hampered by the lack of appropriate loan products. The existing loan products are not designed to address the special characteristics of agricultural lending and are not able to remove some of the constraints along the value chain which require innovation in product development, flexibility in lending terms, collateral requirements and reduction in the cost of rural lending through the use of new technologies. There are no special loan products which have been developed for settlers on the new lands, entrepreneurs or the youth. Most loan products are of a uniform type and also fail to meet the varied needs of the actors along the value chain. Thus even where some services reach the clients, they are inappropriately designed, costly and do not help in enhancing productivity or employment in rural areas. There is need to continue the process of innovation and technology development which will help to expand the provision of financial services to rural areas on a cost-effective and sustainable basis. Promoting financial inclusion can help expand private sector activity, and address economic challenges in Egypt. At the microeconomic level, access to and use of appropriate financial services improve household welfare and spur household enterprise activity.

## **B. Rationale**

12. Agricultural growth is not only important to growth in national income, but is also vital to growth in employment, food and nutrition security and reduction of poverty in Egypt. Within the agriculture sector, Egypt enjoys a significant comparative advantage in the production and export of high value horticulture products including herbs and medicinal plants. This comparative advantage is based on its favourable agro-climatic conditions, off-seasonal production capabilities and physical proximity to important markets like the Gulf countries and EU countries. Horticulture accounts for 36 percent of the value of all crops produced and livestock contributes another 35 percent of the total value of agriculture GDP. Together these two sub-sectors account for 71 percent of the agriculture GDP in Egypt. There is a close statistical tie between growth in agriculture and poverty reduction in Egypt. Growth in the agriculture sector can reduce poverty as well as stimulate growth in the rural non-farm sector as farmers spend half of increments to income on this sector. Thus, rise in farm income can drive demand for the large, employment-intensive, non-tradable, rural non-farm sector. The extra job creation allows underemployed labour to be absorbed or real wages to rise with a concomitant and rapid decrease in poverty. The proposed project will assist farming households in the new lands increase agriculture profitability of their lands. This will create additional demand in the non-farm sector, absorb landless labour and youth, create opportunities for productive employment for women and contribute to poverty reduction, food security and gender equity.

13. Agriculture in Egypt faces some critical constraints. There is extreme shortage of land and increasing fragmentation of holdings. Egypt has one of the poorest land/man ratios in the world.<sup>22</sup> Total cultivated land measures around 8.9 million feddan<sup>23</sup> and is estimated to be only 3 percent of the total land area. While yields in the old lands are among the highest in the world for several key crops, yield improvements have slowed down markedly in recent years. For the non-traditional high value crops, yields are still much below the potential and the margin for improvement is quite high. In the new lands, yields are well below their potential. Egypt has to import about 40 percent of its food requirements. Scarcity of water is another key constraint to agricultural growth. The climate in the country is arid with very low rainfall. The Nile River is the main and almost exclusive source of surface water. Agriculture depends exclusively on the Nile and consumes 77 percent of its annual water supply. Water efficiency is low due to high water losses. Water conveyance efficiency is estimated at 70% and the mean efficiency of field irrigation systems is estimated at only 50%<sup>24</sup>. Water distribution and management systems have been partially and ineffectively decentralized. The country is already

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<sup>22</sup> Agriculture Census 1999/2000. Economic Affairs Sector. MALR. Government of Egypt.

<sup>23</sup> Agriculture Census 1999/2000. Economic Affairs Sector. MALR. Government of Egypt.

<sup>24</sup> Sustainable Agricultural Development Strategy Towards 2030. Ministry of Agriculture and Land Reclamation. Arab Republic of Egypt. October 2009.

experiencing severe water shortage. The situation is not likely to improve as climate change and population growth combine to raise the risks of inadequate water supplies, conflict over the available supplies, and further pressure is expected from the exploration of Nile resources by other members of the Nile Basin Commission.

14. There is a critical need in Egypt to expand new areas of growth and settlement to attract people from the overcrowded old lands and provide them an opportunity for productive growth and diversification of livelihoods. Land reclamation has been pursued as an important strategy for growth and development since the 1950s by successive governments and has been adopted to achieve four policy objectives: (1) enhance agricultural production – the historical motive for reclamation; (2) decrease population growth in the Nile Valley and the delta; (3) generate employment; and (4) alleviate poverty. In the new lands, the Government provides settlers with land at nominal cost (which they can pay over thirty years and obtain title) and rudimentary housing facilities. More recently the land has been given to unemployed graduates and smallholders displaced from old lands for various reasons. While the Government has invested considerable resources in building irrigation, drainage and road infrastructure on these lands, the lack of farmer organizations to properly operate and maintain the investments has led to deterioration of the infrastructure. These areas also lack access to a range of social sector and productive services essential for the growth and development of rural communities such as schools, health services, vocational and training services, nutritional advice to mothers, etc. The newly settled areas have also been unable to attract the private sector and lack access to financial and marketing services. Based on the success of the West Noubaria Rural Development Project (WNRDP), the GOE has requested IFAD for assistance in helping to invest in institutional development as the starting point of the new project and rehabilitate the existing infrastructure as well as assist in facilitating access to a range of social sector and productive services through participation with the local communities. This approach supports the GOE's policy of integrated community development on the new lands.

15. There is a high degree of variability in prices of agricultural commodities and limited market information. There is a lack of post-harvest and marketing facilities and low levels of agricultural industrialization. Estimates show that post-harvest losses exceed 30 percent for horticulture produce, 20 percent in legumes and tubers and 10 percent in cereals.<sup>25</sup> The high degree of perishability of horticulture and dairy produce leads to rapid quality deterioration and a consequent reduction in prices leading to reduced farmer incomes. An analysis of the differentials in the farm-gate and retail prices shows that the farmer gets between 10 to 35 percent of the retail price for perishable commodities. At the post-harvest level, marketing represents a significant bottleneck in Middle and Upper Egypt to rapid growth and higher incomes. Local markets are underdeveloped, and the marketing infrastructure (transport, cold storage, grading, processing and packing facilities) is poor. The small farmers are unable to meet market demand for high quality standards or adopt Good Agriculture practices (GAP) which will enable them to capture the niche GAP or Organic certified markets.

16. The Agriculture Co-operatives in the country are generally established by the Government and are not designed to assist the smallholder with marketing functions but have been traditionally used as the procurement arm of the Government through which it purchases essential commodities such as wheat and distributes fertiliser, seeds, etc. Lack of strong small farmer organization is another key constraint that the Government now acknowledges as a major constraint to rural development. Agriculture Cooperatives have not filled the critical need to organize farmers, operate and maintain the irrigation infrastructure or undertake collective marketing. Various donor funded programmes, including WNRDP, have proved that Agriculture Cooperatives can be organized and trained to better manage irrigation infrastructure, farm equipment and undertake collective marketing activities. Agriculture Cooperatives can group to form Marketing Associations (MAs) with the capacity to engage in accessing better price for their produce through collective marketing by meeting Global-GAP and

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<sup>25</sup> Sustainable Agricultural Development Strategy Towards 2030. Ministry of Agriculture and Land Reclamation. Arab Republic of Egypt. October 2009.

organic certification requirements. This will entail signing contract farming arrangements where appropriate.

17. The proposed project will be designed to scale up the successful experience of the WNRDP project in establishing and strengthening rural institutions especially Community Development Associations (CDAs), Agriculture Cooperatives and within them Water User Groups (WUGs) and FMAs. There is also need to improve the corporate governance of these rural institutions, strengthen their leadership, enhance transparency, and accountability. The project will put in place participatory and demand driven processes for establishing and strengthening these institutions. Investment in these rural institutions is instrumental given that the Government is planning to reform the agriculture cooperative law which will give them much greater flexibility to function as independent, farmer owned, profit-oriented organizations.

18. The CDAs will focus in particular on women who are virtually excluded from the Agriculture Cooperatives and youth who lack any type of institutional membership. The CDAs will be responsible for management of services such as literacy classes, basic health services, initiation of savings groups and provision of loans in areas where these services are missing and also engage the more enterprising youth in innovative opportunities for economic and social enterprise. The WUGs and MAs will be formed from within the Agriculture Cooperatives to assist in the operation and maintenance of irrigation infrastructure and engage in collective marketing in collaboration with the private sector. The experience of WNRDP with strengthening water users and market associations and helping farmers with contract farming with the private sector will be scaled up.

19. Many of the irrigation channels, drainage structures and pumping stations are functioning at low capacity due to poor maintenance. The proposed project will provide resources for rehabilitating the irrigation and drainage systems, fix the broken pumps in close collaboration and participation of water user groups, etc. Prior to these investments, the project will work with the Agriculture Cooperatives in establishing the WUGs, train their members in proper operation and maintenance arrangements including establishing of a mechanism for collection of funds for purchase of any materials and payment to guards, maintenance staff, etc. Given the acute water scarcity in the targeted areas, the project will also capitalise upon the opportunity of introducing innovative water and energy efficient technologies. The project will scale up the successful experience of WNRDP in which farmers were given access to credit for the introduction of efficient irrigation systems. This will help in increasing the efficiency of water use, increase area under irrigation and make the distribution of water more equitable. To help reduce energy costs, the project will introduce solar energy pumps, solar panels for lighting among groups of farmers and introduce bio-gas technology. Empirical studies of the agriculture sector confirm that the enhanced utilization of new agricultural technology can play a crucial role in increasing total factor productivity, increasing labour and agricultural wages.

20. The introduction of more efficient irrigation systems such as drip irrigation significantly reduces the quantities of water used by the farmers, e.g. increase the water productivity. Currently, most of the farmers of the visited target areas are using flood irrigation which is highly inefficient. Studies in West Noubaria have demonstrated a reduction by 38 to 50% of the water consumption from flood to drip irrigation depending of the crops. Substantial gain of water can thus be expected as drip irrigation spreads in the project area, associated with water users groups and improved infrastructure. In the WNRDP, an impact study estimated that the area under drip irrigation increased by 375% over 8 years.

21. There is need to assist the farmers in the new lands to increase their crop and livestock productivity. While some of the farmers are agriculture graduates, their knowledge about agriculture practices is somewhat theoretical and they need practical guidance in improving soil fertility, plant protection, crop diversification, increase in yields and meeting the rising quality standards. Livestock is also an important element for rural food security and livelihoods. However, milk production is low and virtually, all of Egypt's livestock herd, both cattle and buffalo, is maintained primarily for dairy production with meat production being of secondary importance due to the absence of beef breeds. However, frequent outbreaks of disease such as Foot and Mouth Disease (FMD) lead to livestock

owners sending animals to market at below ideal slaughter weight<sup>26</sup>. The calving interval is long, access to artificial insemination services is limited and feed costs are high thus further impacting the profitability of the livestock sector. The project will make important investments in enhancing farmer's capacity to improve crop and livestock productivity through a range of training and demonstration opportunities. The project will use the resources of the Artificial Insemination Centre of West Noubaria to improve breeds and reduce the calving interval. Many households do not have enough money to buy their own animals and thus resort to what is called *Musharaqa* a system based on sharing profits from the sale of animals belonging to others<sup>27</sup>.

22. Egypt is located in the arid region and is expected to be affected greatly by the adverse effects of climate change. The projected increase in temperature is expected to widen the gap between water resources and demands, decrease the overall agriculture productivity, and increase competition over natural resources. Analysts assess that the expected rise in temperature will lead to decreasing the productivity of some major crops (wheat, barley and maize) by close to 20%<sup>28</sup>. It will reduce the production of livestock and affect the productive potential of many agricultural zones in the country. The marginal agricultural areas will be negatively affected and desertification will increase.

23. Losses in crop productivity are mainly attributed to the projected temperature increase, crop-water stress, pests and disease, as well as the inundation and salinization of 12% to 15% of the most fertile arable land in the Nile Delta as a result of sea level rise and salt water intrusion. Projected future temperature rises are likely to increase crop-water requirements thereby directly decreasing crop water use efficiency and increase irrigation demands of the agriculture sector. Crop water requirements of the important strategic crops in Egypt are expected to increase by a range of 6% to 16% by 2100. The high vulnerability of on-farm irrigation systems in Egypt is attributed to low efficacy and irrigation management patterns.

24. Moreover, the high temperatures will increase water evaporation and water consumption and put a further strain on the acute water scarcity in the country. Vulnerability of crops to changes in pest infestation and plant diseases is another potential impact of climate variability in the Country<sup>29</sup>. Enhanced resilience to climate change will hence have close resonance with responding to water scarcity, increasing land productivity and livelihood diversification. Adaptation measures on the supply-side include ways to improve irrigation techniques and know-how, introduction of tolerant varieties, introduction of renewable energy alternatives, as well as improving post-harvest facilities. In addition, investments in improved long-term forecasting is essential to enhance Egypt's ability to cope with prolonged heat waves and other climate change related hazards<sup>30</sup>. The proposed project will make investments which address some of these issues to reduce the vulnerability of target communities to climate change, including a Dynamic Agriculture Information and Response System (DAIRS) (Appendix 4 and 5).

25. The vast majority of smallholders do not have access to finance as the financial institutions have not developed financial products which are appropriate for them or for rural entrepreneur. The loan size, repayment periods and collateral requirements do not match the profile of the farmer or his enterprise. Commercial banks do not have the risk appetite for lending to these areas and their liquid assets cannot be lent to these areas on terms which are appropriate. The graduate farmers who have use rights to the land are faced with the additional problem that their land cannot be used as collateral until they have paid off all the instalments and secured a title deed. This limits the amount of land a farmer can plant to high value crops and leads to considerable under-employment in the agriculture sector. This lack of capital, often, also leads to tied transactions as the farmer tries to secure finance from the trader who binds him in a contract in which he has limited bargaining power and for which the interest rates can be substantial (well above 50%). There are also financial constraints along the

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<sup>26</sup> USDA. Foreign Agriculture Service. Gain Report. Livestock and Products Annual, Egypt, 9/10/2012.

<sup>27</sup> This system is very common in Aswan.

<sup>28</sup> Sustainable Agricultural Development Strategy Towards 2030. Ministry of Agriculture and Land Reclamation, Arab Republic of Egypt, October 2009.

<sup>29</sup> Egyptian Environmental Affairs Agency, 2014.

<sup>30</sup> FAO, 2014.

value chain of specific commodities in the agriculture sector. Traders and processors are also limited by working capital constraints and can only procure, transport and process limited quantities of the available agriculture produce. The result is a high degree of loss for the farmer and limited volume of up-take along the value chain.

26. To deal with the commercial banking sector's low risk appetite to provide services to the agriculture and rural sector, several Credit Guarantee mechanisms were established in the past. However, these have not been effective because the loan applications which qualify for the use of this mechanism are scrutinized on the basis of the same standards as the original loan application. The proposed project will put in place a grass roots credit guarantee which will be operated in a manner which makes it an effective mechanism to access funds for those without land and asset collateral but a strong reputation within the community. Furthermore, there is need to continually attract the commercial banking sector to improve its links with rural households especially given that mobile technology and retail agent banking, which is currently underdeveloped in the country, could be on the threshold of a take-off. The project will design a rural financial services strategy which incorporates these options in providing a range of financial services to the smallholder in the newly settled lands. The project will provide institutional support for close interaction between the financial institutions and rural households.

27. The project will provide financial literacy training to women and youth to enable them to make use of local savings opportunities available through ROSCAs, village post offices and formal bank branches. This training could include aspects of mobile banking and remittance services using mobile technology. Women and youth will also receive non-financial services such as entrepreneurship and vocational training through the youth CDAs or through local resource persons contracted by the project. Plan Egypt's partnerships with local formal financial service providers (e.g. Alexandria Businessmen's Association) to encourage successful YSG members to graduate to formal services such as credit and formal savings accounts, and help ensure that these products meet the needs of rural youth by featuring smaller loan sizes low minimum deposit requirements, and higher flexibility.

28. The project will capitalise upon the experience of some on-going regional grants to provide additional technical assistance and services to the target group in the newly settled lands. The proposed project will disseminate the research results financed through some regional grants to ICARDA<sup>31</sup> to demonstrate the experience with changing crop rotations for enhanced agriculture productivity to increase farmers' income, decrease soil degradation, build soil fertility and sustain crop production. The project will also use the results from an IFAD grant to enhance the adaptive capacity of rural communities to climate change<sup>32</sup>. The project will also capitalize on the investments made by previous and on-going IFAD projects. The project will include, as an important resource, the farmer market associations established by the WNRDP and learn from the experience of the Upper Egypt Rural Development Project (UERDP) and the On-Farm Irrigation Development on Old Lands Projects (OFIDO) through country level workshops and exchange visits. The Promotion of Rural Incomes through Market Enhancement Project (PRIME) has only recently been initiated. Where opportunities exist for leveraging some of the financial resources from this project through SFD or ADP, this will be capitalised upon to provide additional financing resources to smallholders on the new lands.

29. IFAD's unique and incremental contribution to the agriculture and off-farm sector through this project will be a clear focus on its six principles of engagement. IFAD's focus on targeting will ensure that the poor rural people who have the capacity to take advantage of the economic opportunities provided by the new project include women, vulnerable households and unemployed youth. This focus is sometimes overlooked during implementation even if it is included in design. The project is especially designed to empower poor rural people in new lands, and will assist them in building their individual assets, knowledge, skills, collective organizations and assist women and youth as well as

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<sup>31</sup> Improving Livelihoods of Rural Communities in the Nile Valley and Sub-Saharan Africa Region: Sustainable Crop and Livestock Management".

<sup>32</sup> Improving smallholder farmer livelihoods in Sub-Saharan Africa Region through transforming research outcomes to create commercial opportunities. Options.

assist their organizations develop their skills and knowledge required to engage with markets. The project will be innovative in its strengthening of rural institutions, modern technologies, provision of marketing linkages and rural financial services. The project expects to catalyse effective partnerships between the smallholder farmers and the private sector and financial institutions.

30. The project has been proposed by Government and it is fully aligned with the COSOP's three strategic objectives, namely: (i) Improve the access of poor rural farmers to better quality services; (ii) Enhance the pro-poor sustainable use of natural resources, and; (iii) Strengthen the skills and organizational capacity of poor rural men and women to take advantage of rural on- and off-farm economic opportunities. The proposed project design was developed in close coordination with the Ministry of International Cooperation (MOIC) and the Ministry of Agriculture and Land Reclamation (MALR). The project is aligned with the Government's Poverty Reduction Action Plan, its Sustainable Agriculture Development Strategy towards 2030 and its Water Resources Management Strategy (2009-2017). There is strong ownership for the project, and Government has indicated its commitment to contribute to the project and is keen that this project should be processed as soon as possible.

## II. Project description

### A. Project area and target group

31. The proposed area of the project will be selected from the sites which the Government has allocated for settlement and rehabilitation over the last 15 to 20 years. These lands are located in Upper, Middle and Lower Egypt. The Government has identified 97,971 feddan (41,147 hectares) spread over 30 settlements for selection in the proposed project. The GOE has made considerable investment in terms of housing, road infrastructure, primary and secondary canals and drainage infrastructure estimated at USD 250-300 million. However, in some areas, Kafr El Sheikh in Lower Egypt where the land is suitable for agriculture, the progress of resettlement and land development has been slow due to the lack of the full range of social and economic services that are required for successful settlement. In other areas, the settlement is complete, but the productive potential has not been fully realised due to the limited capacity of the smallholder farmers to invest in the new lands, rural enterprises or diversify their livelihoods. The focus of this investment will be on the new lands which have been slow to develop but could provide an important source of livelihood to poor and vulnerable households. Table 1 below gives a brief overview of the location and land area in each of the three selected regions.

**Table 1: Project Area and Target Households**

| Area         | Settlements | Estimates of                        |                                 |                          |        |
|--------------|-------------|-------------------------------------|---------------------------------|--------------------------|--------|
|              |             | Registered Households <sup>33</sup> | Actual Households <sup>34</sup> | Population <sup>35</sup> | Feddan |
| Lower Egypt  | 3           | 2,271                               | 4,800                           | 33,600                   | 6,185  |
| Middle Egypt | 15          | 9,421                               | 19,600                          | 137,200                  | 50,601 |
| Upper Egypt  | 12          | 7,403                               | 15,600                          | 109,200                  | 41,185 |
| Total        | 30          | 19,095                              | 40,000                          | 280,000                  | 97,971 |

32. **Target Group and Gender Issues:** It is expected that the project will target around 40,000 rural households or 280,000 people in the new settlements as well as provide some support to the adjoining areas engaged with them for the provision of social and economic services. The number of households has grown considerably since the original land allocation as many of the settler families came with their extended families and other smallholders have settled in some of the adjoining lands. These are households who were displaced from their old lands due to the changing tenure arrangements in the country or young unemployed graduates who obtained agriculture and other

<sup>33</sup> Based on the official records of MALR.

<sup>34</sup> Based on the estimates of the socio-economic study and reports from the field visits of actual population.

<sup>35</sup> An average household size of 7 members per household has been estimated.

degrees, but did not have an employment. In addition, to these two categories, other poor households have been forced to move to the new settlements due to the pressure on old lands. The target group for the project will be small farmers, graduate farmers, women and youth<sup>36</sup> who have moved to the new lands. Detailed targeting and gender strategies have been developed (Appendix 2 and Appendix 12).

33. The profile of the target group is one of poverty, food and nutrition insecurity and vulnerability. While the men are mostly farmers, some are also engaged in various types of casual labour. Women who have moved here have limited opportunities to engage in productive work beyond the farm. There are some villages which are especially vulnerable and disadvantaged such as El-Samaha village comprising solely of widows and divorced women. The participation of women in agriculture depends upon the state of development of the new lands, the crops grown and the household's capacity to own livestock. Experience of West Noubaria tells us that women graduates, as well as women from small farmer households, play a critical role in the development of the new lands. Women are keen to participate in community activities, participate in opportunities for learning and engaging in enterprises such as baking, tailoring, fruit processing, kitchen gardening, livestock and poultry keeping and finding other employment opportunities, etc. There are virtually no facilities for the young in these new communities for higher learning, entrepreneurship, employment or recreation. Thus, the youth will be an important target group in the new project.

34. The proposed project target areas do not have large holdings and there is not much risk of elite capture in the area. However, large commercial farms exist in the vicinity of the project area, and there is a risk that the smallholders may sell out their land to other more profitable farmers. The best way to protect against this risk is to make the smallholders profitable and sustainable enterprises, which is the main purpose of the project.

## **B. Development objective and impact indicators**

35. The development goal of the project will be to contribute to the reduction of poverty and increase food and nutrition security for poor rural women and men in Egypt. The development objective of the project will be enabling smallholder farmers to enhance their incomes, increase profitability and diversify their livelihoods.

36. The impact indicators that will be used will be IFAD's two anchor indicators namely (i) improvement in the household asset index and (ii) reduction in prevalence of child malnutrition. The project log-frame provides information regarding the relevant indicators for each outcome and the specific outputs associated with each outcome. Specific RIMS indicators have also been included in the log-frame to enable aggregation of project results at IFAD.

## **C. Outcomes/Components**

### **Outcomes**

37. The expected outcome of the project will be (i) strengthening smallholder institutions; (ii) improved agriculture production and marketing; (iii) improved capacity for employment and enterprise development. The project will enhance smallholder's capacity for organization through strengthening community organizations, youth organizations, agriculture cooperatives, water user groups and market associations. The project will provide social and physical infrastructure support, access to skills, extension services, financial services and facilitation support for access to enterprise development and markets. The project expects to introduce and demonstrate some innovative technologies which can improve the efficiency of the irrigation systems and provide alternate sources of energy for the agriculture sector to defray its high costs and assist small holders in adapting to climate change.

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<sup>36</sup> Defined in Egypt as those between 18-35 years old.



## Components

38. The SAIL project will include four main components; (i) Community and Livelihood Development Component; (ii) Agriculture Production and Diversification Component; (iii) Financial Services Component and (iv) Project Management. These components are designed to work in an integrated manner to provide the essential inputs and services which a community needs for its proper rehabilitation, intensive agriculture production and diversifying livelihoods. These components will together provide the institutional strengthening, physical infrastructure, human capacity building, financial services, enterprise development and marketing services necessary for the growth and development of the target communities.

### ***Component 1: Community and Livelihood Development Component***

39. The focus of this component will be on those areas of the newly settled lands which contain the residential area for the new settlers and on vocational training and enterprise development. The Community Development Component will have three sub-components (i) strengthening of Community Development Associations; (ii) provision of social and physical infrastructure; (iii) vocational training and enterprise development.

#### ***Sub-component (i): Establishment and Strengthening of Community Development Associations***

40. The project will invest in strengthening Community Development Associations (CDA) and establish them where none exist or where the existing ones are not appropriate for the purposes of the project. Leadership, good governance, strategic planning, management and gender mainstreaming training will be provided to them through specialist service providers (A detailed list and capacity of some of the service providers is given in Appendix 5). These CDAs are designed to provide the institutional entry point for the inclusion of women and youth in project activities. The approach of the project will be to make membership of these organizations voluntary and their activities to be demand driven based on the needs of the communities. The CDAs will be designed in a manner which encourages the participation of women and where required separate CDAs will be established for women. Special CDAs will be established for youth for activities which are relevant for them. The activities for youth and women will be identified in participation with them during the initial diagnostic process. Some of the more well-developed CDAs from West Noubaria will be invited to share their experiences with the newly established ones in the target area.

41. Investments in infrastructure and services will be an entry point for institutional development. Through the CDAs, the project will articulate a careful plan for the priority infrastructure and services required. The project will provide support for these activities through grants and access to financial services. A strategy for sustainability will be built into each of the services provided by the CDA. This will entail hands on support in the initial years which will be gradually withdrawn as the CDAs develop their capacity and begin to levy user fee for its services. Building on WNRDP experience, these CDAs will be supported to assume the responsibility for the operation and maintenance of any facility established by the project in the target area such as literacy classes, basic health clinics, youth centres, bakeries, etc. In addition, the CDAs will also be used as the intermediary for the delivery of financial services to its members through linking with the Social Fund for Development (See component 3) and facilitate access to savings services through financial literacy training, links with the local post offices and other regulated deposit-taking MFIs and formal sector financial institutions and innovative savings mechanisms. The project will provide training and operational assistance to its members to manage the credit portfolio and other services. A credit guarantee mechanism will be made available to the CDAs for accessing funds from SFD.

#### ***Sub-component (ii): Social and physical infrastructure***

42. The Government has invested in some basic infrastructure including housing and other facilities such as schools and health centres in the new areas. However, these are not provided evenly And many areas lack the basic infrastructure and access to social services essential for any community. This component will finance schools, basic health clinics, community and youth centres, drinking

water supply, solid waste management systems, alternate energy solutions, etc. It will be a pre-requisite in all civil work contracts to engage un-skilled, and if available, skilled labour from within the communities for employment generation. Settlements which rank as the poorest and have the least access to services will be given priority in the allocation of resources.

43. The project will make a clear distinction between the category of public, community and private infrastructure. For each type of infrastructure provided, a clear plan for operation and maintenance will be specified and agreed upon prior to the initiation of any civil works. Government will take over all facilities which are within their domain to manage such as schools, etc. The CDAs will take over the management of all social and community infrastructure such as literacy classes, nurseries, health clinics, youth centres, solid waste management, etc. The CDA members will be given training in efficient operation and management including levying a user fee for long term sustainability of the services on a gradual basis. Infrastructure facilities which are best managed by private individuals such as collection and sale of garbage or setting up shops and markets will be left to enterprising individuals for which they will be provided access to training and loans from the other components. Those entailing risks and innovation will be supported through grants from ASAP funds.

*Sub-component (iii): Vocational Training and Enterprise Development:*

44. This component will finance the cost of providing community members, especially women and the youth, opportunities for productive employment and enterprise development. The project will arrange for vocational and enterprise development training through specialist service providers. The training opportunities will include providing young men and women appropriate skills and vocations to become plumbers, electricians, masons, bakers, tailors, barbers, butchers, etc. Special activities will be identified in discussion with women such as tricot, handicrafts, fruit processing, shops, etc. Prior to providing the training, a market review will be conducted to ensure that these skills and vocations can generate employment. New employment opportunities will also be investigated for the youth which could include recycling of waste, information technology, franchise and retail agents for private companies, maintenance of drip irrigation, solar panels and pumps, bio-gas units, etc. The private sector suppliers of irrigation systems and solar energy will be invited to participate in training the youth in the new techniques.

45. The project will provide grants on a competitive basis to groups and individuals for starting small businesses that promote diversification and help in enhancing their adaptive capacities. At least 100 grants in kind will specifically target poor women, women headed households, landless women and youth, and in particular, the most vulnerable who do not qualify for loans. The aim of these grants will be to encourage innovation and adoption of new technologies which have higher risks or unpredictable profits and encourage entrepreneurship.

***Component 2: Agriculture Development and Diversification Component***

46. The Agriculture Development Component will have four sub-components (i) strengthening of Agricultural Cooperatives (ACs), Water User Groups and Farmers' Marketing Associations (FMAs); (ii) water and energy infrastructure; (iii) crop and livestock extension services and (iv) Marketing services.

*Sub-component (i): Strengthening of Farmer Cooperatives & Associations*

47. Under this sub-component, the project will strengthen the existing farmer cooperatives and help with the formation of water user groups within the cooperatives. The project will also group several agriculture cooperatives to form marketing associations. The successful experience of the WNRDP provides considerable experience on how to organise these institutions and some of the more well-developed FMAs from West Noubaria will be invited to share their experiences with the newly established ones in the target area. The governance, leadership and capacity for strategic planning of the cooperatives will be improved to strengthen them and their members trained to better manage their organizations. The project will assist Agriculture Cooperatives to enable them to serve their members through access to improved inputs, finances and marketing services. Opportunities for

policy reform and dialogue will be explored to make the co-operatives more member-controlled and initiate policy dialogue to strengthen the regulatory framework on the operations of the cooperatives.

**Sub-component (ii): Water and Renewable Energy Infrastructure**

48. This sub-component will focus on the agriculture lands reclaimed in the past 15 to 20 years in the project area. While Government has provided roads, the branch and main canals and drainage infrastructure in most new lands at a considerable cost, some of this infrastructure is in need of rehabilitation. The project will assist in the rehabilitation and improvement of tertiary level irrigation channels, rehabilitate pumping stations, improve the efficiency of water conveyance systems and initiate the rehabilitation and cleaning of drainage channels with the help of Water User Groups (WUGs). The formation and strengthening of WUGs will be a pre-requisite for any investment in the irrigation infrastructure to ensure farmer ownership and proper operations and maintenance. The component will also provide investments in new innovative technologies such as solar water pumps, bio-gas units, etc. The project will provide technical assistance in the selection and installation of appropriate solar pumping systems which will vary with the geographical location and specific site. Collective systems will be provided to groups of farmers for about 20 feddans. The formation of clusters and shared solar systems will be expected to lower the initial capital costs. The project will ensure that the private sector suppliers of the new technologies provide appropriate technical training to people from within the community to ensure proper operation and maintenance of the systems. Moreover, no investments will be made until further detailed and technical assessments to potential infrastructure projects are undertaken.

**Table 2: Preliminary list of Productive infrastructure**

| Productive Infrastructure                                 | Unit    | Quantity | Lower | Middle | Upper | Households | Beneficiaries |
|---|---------|----------|-------|--------|-------|------------|---------------|
| Rehabilitation of lifting stations pumps /1               | numbers | 17       | 0     | 5      | 12    | 11,067     | 77,467        |
| Reconstruction of Mesqas /2                               | meters  | 50000    | 50000 | 0      | 0     | 4,800      | 33,600        |
| Construction of irrigation outlets (bawabas) on mesqas /3 | numbers | 1000     | 1000  |        |       | 4,800      | 33,600        |
| Equipment for Drainage /4                                 | Set     | 1        | 1     |        |       | 4,800      | 33,600        |
| Mesqa Canal construction and improvement /5               | feddans | 6000     | 0     | 6000   | 0     | 2,324      | 16,268        |
| Drainage Improvement /6                                   | feddans | 10134    |       |        | 10134 | 3,839      | 26,870        |
| Agriculture equipment for Al-Samaha village /7            | Set     | 1        |       |        | 1     | 303        | 2,121         |

**Sub-component (iii): Agricultural Production Services**

49. This component will provide extension services and training to farmers through various extension methodologies. While the project will hire specialist staff for this purpose, it will build a cadre of extension workers within the community to provide on-going extension advise, animal health services and Artificial Insemination services for crop and livestock improvement. Young men and women will be provided training to become community livestock extension workers and provide services on a small fee especially for provision of livestock services. Farmer field school methodology will be pilot tested to improve the content of the training and enhance adoption of improved practices. Training will be provided to men and women for techniques relevant for them such as in animal husbandry practices, poultry production, silage preparation, high value crops, etc. Farmers will entail the need to intensify and diversify production through use of inter-cropping techniques, introduction of new crop and varieties which can adapt to the local environment and increase farmer profitability. The experience of WNRDP demonstrates the considerable value for the smallholder of these services. Special arrangements will be made for farmers to experiment with the models on their own farms as well as visit other farms in Egypt or in countries with similar conditions, which have successfully introduced them. Successful farmers from West Noubaria will be used as important resource for disseminating lessons in the project area.

50. The project will support investments that ensure the resilience of the smallholders to challenges such as water scarcity, salinity, increasing temperature, decreased rainfall and other climate change impacts that are predicted to affect the agriculture sector. In addition, tailored-made solutions will be delivered to make sure that the vulnerability of on-farm irrigation in the Egyptian agricultural regions and the acceptable adaptation measures are adapted according to the local conditions of each region. The project will also make use of current research and tested yield improvements through the IFAD-funded investment and grants projects in Egypt. Technologies tested by MALR and International organizations like ICARDA for field crops such as crop rotation, high yielding and heat and saline tolerant cultivars, changing planting dates, seed rates, fertilizers rates, irrigation regimes, pest management, and Good Agricultural Practices including planting on raised beds. Crop intensification technologies developed by the national agricultural research centre will be introduced and applied at farm level. In addition, efforts will be made to promote the preferential adoption of high-return and water conserving crops, such as the prickly pear (*Opuntia* sp.), or sugar beet which are saline tolerant. New technologies such as soilless culture or use of efficient irrigation including drip or bubble irrigation, using locally available material and alternative energy will be promoted through field demonstrations and targeted training and will be scaled-up if shown to be effective, cost efficient and acceptable to farmers.

51. Access to finance and small grants will be provided to farmers for installation of efficient irrigation facilities, innovative agriculture techniques, post-harvest and value-addition facilities and renewable energy solutions, etc. The project will use the ASAP grant for installation of weather stations and the development of a Dynamic Agriculture Information and Response System (DAIRS). This will help improve long-term forecasting to enhance the capacity to cope with climate change related hazards. DAIRS will be implemented with technical assistance by the Central Laboratory for Agriculture Climate (CLAC) which will also design a system for transmitting the information generated to extension agents, cooperatives and farmers. This system will deliver early warning to extreme events (heat waves, frost, cold waves, storms, epidemic outbreaks of pests and diseases) as well as provide advice on: Response relevant to extreme events; accurate irrigation scheduling that reduces the cost of irrigation and minimizes water use; early pest and disease forecast and; proper prediction of sowing and harvest dates to maximise production.

#### Sub-component (iv): Marketing Services

52. Where the farmer cooperatives demonstrate potential and interest in collective marketing activities for their members, the experience of the West Noubaria in establishing Marketing Associations (Mas) will be scaled up. The farmers from WNRDP had achieved significant increase in marketing of horticulture crops through direct sales to wholesalers, retailers and exporters as well as through contract farming arrangements. The project opened up the possibility of more formal marketing arrangements after it had improved the quality and quantity of produce through organizing farmers in the MAs. While the arrangements through formal contracts were few, the most important achievement of the project was improved market facilitation for the smallholder farmers.

53. The increase in marketing will be undertaken by providing hands on technical support to the collaborating farmers, facilitating market access, training in quality standards, access to certification, etc. In order to ensure a minimum volume of produce to attract the private sector, several agriculture cooperatives will be grouped into one Marketing Association. These associations will be facilitated in accessing markets and contract farming arrangements with traders, processors and exporters. Contract farming arrangements will only be facilitated where they offer a particular advantage to the smallholder. Experience with the WNRDP demonstrated that in some cases it is better to simply provide the MAs better access to markets without formal contracts. The Marketing Associations and their agriculture cooperative members will be provided with training and awareness to prevent post-harvest losses, orient farmers to produce required quality standards, organic produce and the standards required by different markets. Farmers will be provided training about Good Agriculture Practices certification, Global GAP, HACCP, fair trade practices and the process of obtaining and retaining certification for export to remunerating markets.

54. The farmers of Middle and Upper Egypt will be enabled to capitalise on their comparative advantage in producing high quality Herbal and Medicinal Plants (HMAPs) and off season fruit and vegetables for which there is acute shortage of pricing and demand information. The project will provide access to finance as well as capital grants for establishing collection centres, sorting and packing stations, solar dehydration units, cold storage facilities, warehouses, basic processing facilities and other productive infrastructure which might be identified during implementation to meet the specific needs of each area. The selection of the type, size and specifications of such facilities will be based on production capacity and market assessments. The farmers will also be provided training in the management, as well as operation and maintenance of the facilities which will be designed as self-sustaining facilities from the outset. The FMAs from West Noubaria will be used as a training resource for the SAIL beneficiaries.

### **Component 3: Rural Financial Services Component**

55. This component will provide access to financial services to the target households, rural enterprises and rural institutions with special emphasis on enhancing the access of rural households, women and youth to a range of financial services and institutional options. This component will have three sub-components; (i) Credit funds for leveraging financial services; (ii) Grass-roots credit guarantee mechanism and (iii) institutional support for provision of innovative financial services.

#### **Sub-component (i): Credit funds for leveraging financial services**

56. This sub-component will provide funds to participating financial institutions for on-lending to the target groups in the project area. The need for additional resources is required because of the huge unmet demand for financial services in rural areas and the reluctance of the formal sector to lend to the rural and agriculture sector. IFAD funds will leverage the provision of financial services to its target group in the new lands. The delivery channels chosen are based on the institutional capacity to reach a specific target group; capacity for financial inclusion through provision of a range of financial services to the target group and introduction of innovative financial products and services over the medium-term. The mechanisms will include the following; (a) The Social Fund for Development will be used for loans to rural enterprises, women and youth through the Community Development Associations in the project area and develop products especially suited for crop and livestock farmers; (b) The Agriculture Development Programme will be used to provide funds through its agent bank, the Commercial International Bank to the GCS for providing direct access to member agriculture cooperatives in the target area as well as the 12 participating banks including PBDAC which will be selected through competitive bidding for services to smallholder farmers and the private sector players along the value chain. The project will stimulate the development and delivery of a range of innovative financial services through inviting competitive proposals from the participating banks for greater financial inclusion of the target households and institutions in the newly settled lands. Those submitting good proposals will be provided access to the credit funds of the project. The selection criteria will assign additional weight to proposals which develop an approach or product especially relevant for smallholders, agriculture cooperatives, market associations, CDAs, rural women and youth.

57. The volume of funds provided to each whole sale institution will be based on an assessment of the credit needs of its clients and its capacity to deliver funds efficiently. While an initial estimate has been made of the amount that will flow through each mechanism, the actual volume disbursed through each mechanism will be based on performance and will be periodically reviewed. It is expected that the provision of these credit funds will help in strengthening some of these mechanisms of direct outreach to the rural areas and where the formal sector is being used it will help in leveraging a range of financial services for the target group such as savings services, remittance and transfer payments, insurance and mobile accounts. The financial institutions will be encouraged to engage local men and women as retail agents and franchise holders for financial services. The credit funds will be especially leveraged to capitalise upon these opportunities.

*Sub-component (ii): Grass-roots credit guarantee mechanism*

58. The project will provide a credit guarantee facility to the CDAs, Agricultural Cooperatives and loans through the ADP/CIB participating banks to ensure their access to funds. SFD will be able to claim up to 10% of the loans disbursed to CDAs, while ADP will be able to claim up to 5% of the loans disbursed to GCS/ACS and through the ADP/CIB participating banks, in case of default. The CDAs and ACs will bear part of the risk beyond this percentage, whereas, the lending institution will cover the rest. The higher rate for SFD is being given in view of their agreement to provide appropriate loan products designed especially for the smallholder farmers and dealing with newly established CDAs. To minimize the amount of funds kept idle, any valid claims on the GCM, will be offset from the repayment installments that the project has to make to the participating institutions against the lines of credit extended. The Credit guarantee Mechanism for all partners will be managed by the CIB which will hire a technical advisor to assess the eligibility of claims and make recommendation to the PMU. A more elaborate description of the expected implementation steps are included in the project documents. Clear illustrative procedures have been drawn up to indicate the extent of cover, the conditions for invocation of claims, the liability of the different partners, etc. The experience with the credit guarantee will be examined after the first three years to assess its functioning and make amendments where required.

*Sub-component (iii): Institutional support for provision of innovative financial services*

59. The project will provide direct facilitation and support services to the CDAs and Agriculture Cooperatives for managing their credit portfolios. The project will provide assistance and training in contacting the target group, providing business services, screening loan applications, delinquency management and monitoring and evaluation. Under this sub-component, the project staff will be responsible for ensuring that business development services and access to finance are coordinated properly and integrated as a key element of the project approach. This sub-component will also support the recruitment and training of local loan officers from the CDAs and Agriculture Cooperatives (ACs) for a specified period until the volume of credit allows them to be supported from salaries paid directly by the CDAs and ACs. Loan tracking systems and training in its use will be provided to these institutions and the project will support this investment until these institutions become operationally sustainable which is expected when they reach an active clientele of around 120 per CDA or so depending upon their interest rates and loan size. In the first few years the project will also support the external audit of these institutions.

**Component 4: Project Management**

60. This component will pay for all incremental costs of project management including operational costs, technical assistance, monitoring and evaluation, financial management, gender audit and mainstreaming, and knowledge management. The project will engage technical assistance of the soil testing and artificial insemination facilities established under West Noubaria and obtaining from them good quality livestock breeds. The project will also use the agriculture cooperatives and progressive farmers from West Noubaria and capitalise on their contacts with technical service providers and the private sector. The project will provide support for the establishment of a Project Management Unit (PMU) to implement the project activities at the national level which will be based in the International Centre for Development and Training (ICDT) in Lower Egypt. The housing of the PMU in the ICDT will help to capitalise on the use of the experienced staff, resources and facilities established under the West Noubaria project and be in very close proximity to the National Office of the Graduates on new lands which is also based in Noubaria. The PMU will have regional units based in Lower, Upper and Middle Egypt to support the project which will be called Regional Project Management Units (RPMU). The RPMU in Lower Egypt will be located in the PMU due to its geographic proximity.

## **D. Lessons learned and adherence to IFAD policies**

### ***IFAD Performance***

61. Egypt has been one of the member countries to which IFAD has given the highest priority, and it is one of the largest recipients of the Fund's assistance in the NEN region. Eleven projects have been approved for IFAD financing in the country with loans totalling over USD 666 million. While most projects have closed, four projects are on-going. Egypt has also benefited from a number of regional and multi-country grants. While earlier grants were mostly technical in nature and predominantly concerned with soil and water issues, more recently, the scope of the grants programme has been broadened to include gender mainstreaming, the development of knowledge-sharing networks, promotion of microfinance for the rural poor and institutional capacity-building. Despite these investments, IFAD is a small donor in Egypt in terms of the volume of financial assistance it provides compared to others. However, its assistance is highly valued by the GOE and has been targeted very strategically to the agriculture sector and the smallholder farmer in particular.

62. 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. IFAD prides itself for being the first donor to recognise the plight of the smallholder settlers on the new lands in Egypt. IFAD is the sole donor implementing projects in the new Lands. IFAD interventions have already covered some 65% of the new lands and with SAIL this ratio will be improved to 87%.

63. While the small farmers, including both men and women, have been the central focus of IFAD's projects, the off-farm rural sector has also been gradually added to its ambit in recognition of the growing diversity of rural livelihoods. At a time when the importance of agricultural growth has been acknowledged as being critical for growth in national income, food security, employment and reduction of poverty in Egypt, the role of the small farmer is recognised as instrumental in contributing to this growth. IFAD believes that its comparative advantage lies in continuing to work closely with the small holder farmer, the small rural entrepreneur, women and youth in rural areas. IFAD investments are focused on those aspects which cater to the needs of the small holder such as organizing smallholders, on-farm water management, access to micro-finance and linkages to markets in a manner which addresses the need of the small producer.

64. IFAD projects have benefited 1.3 million households or 7 million people and covered 447,000 feddan (188,000 ha). The impact of IFAD investments on the new land is immediately evident and was very well captured in the completion report of the very first IFAD project in Egypt. The Completion Report of the West Beheira Settlement Project (WBSP) assessed that the project had succeeded in establishing a viable farming community complete with needed infrastructure, potable water, electricity, roads, sewage disposal system and housing for the settlers. The provision of good quality irrigation water, rehabilitation of the irrigation network and provision of drainage, transformed the productive potential of the project area. The 2004 Country Programme Evaluation, the completion reports of projects completed in 2008 and the impact evaluation from West Noubaria (2013) report unprecedented increases in yields on the new lands and substantial increases even on the old lands for wheat, maize, rice, alfalfa and vegetables. In most cases, the increase in yields has surpassed the Staff Appraisal Report estimates indicating much higher rates of return than projected at appraisal. Cropping intensity and crop diversification was also reported to have increased for most projects with agricultural components. Of course, not all of this increase can be attributed to project interventions alone. A survey of adoption rates of new technologies by farmers for a few major field crops implemented by the Agricultural Production Intensification Project (APIP) showed adoption rates of above 80% for important practices for cotton, maize and wheat in Fayoum.

65. More recent analysis of its on-going projects shows that IFAD has broadened its partnerships in the country to include the private sector and has made good progress in organizing FMAs, and connecting them to markets through contractual arrangements with the private sector. This has had an immediate impact on farmer profitability and incomes. In addition, the availability of financial

services for on-farm investments in modern irrigation technologies has helped to substantially increase yields while reducing production costs. The impact study of the West Noubaria Rural Development Project (WNRDP) showed that, as a result of IFAD's intervention, (i) settlement rate increased from the initial 25% to 100% by the end of the project period; (ii) average annual household income had increased fourfold reaching US\$8,300; (iii) an increase in farm-gate prices of up to 33 per cent; (iv) decreases in irrigation costs by 25 per cent, through enhanced managerial capacity of water groups and conversion from diesel to electric pumping, and promotion of modern irrigation systems; (v) 50-per-cent decreases in fertilizer use through drip irrigation – and 75 per cent when combining organic manure and chemical fertilizers with drip irrigation; (vi) registering and supporting 6 Farmer Associations with a total membership of 30,570 members, and covering a total of 94,958 ha; (vii) ) the establishment of collection centres and (viii) promoting contract farming, through implementation of 63 different contracts, covering an area of 5,884 ha with Global Gap certification.

### **Lessons Learnt**

66. The lessons from the experience of IFAD's on-going and completed projects as well as its experience from its grant funded projects was reflected upon during the design process. The lessons from the CPE of 2004 and the COSOP of 2006 were also reviewed to strengthen the design of the current project. Some of the important lessons that emerge from this analysis include the following; (i) investment in rural institutions should be the key starting point for all project activities and should provide the anchor for all investments; (ii) clear delineation between public, community and private goods for long-term sustainability; (iii) recognition of the strengths and limitations of small holder farmer groups; (iii) the importance of including the non-farm rural sector as key for employment generation and poverty alleviation in rural areas (iv) greater focus on linking farmers with markets through the use of specialist expertise as Government and NGO staff generally do not have the orientation or training for this purpose (v) maximising synergies between the marketing support activities and provision of rural financial services by ensuring joint field visits, team meetings and closely coordinating the work plan and targets (vi) the importance of providing financial services along the value chain including farmers, market intermediaries, small and medium sized entrepreneurs dealing with agriculture produce (vii) use of a plurality of institutional arrangements to ensure the delivery of financial services to the different value chain actors (viii) Use of existing institutions and implementation arrangements enhances the sustainability of project interventions (ix) dedicated resources and staff for women's participation ensures the likelihood of their inclusion in project activities and (x) special strategy is required to include youth in a participatory manner in project activities.

67. The current design also draws upon some negative experiences of previous projects which point to the need for making a clear delineation between the tasks that the Government should assume and those which should be left up to the private sector. The project will learn from the experience of both OFIDO and WNRDP in this regard. The OFIDO PMU turned itself into an implementation and supervision unit excluding the private sector involvement which resulted in poor project implementation. Under WNRDP, the project management took on many tasks such as establishing a milk processing centre, extension centre, animal fattening farm which should have been best left to the private sector. The project did not properly elaborate the sustainability strategy for all the facilities it established. Unless this is done from the outset, through a careful analysis of costs and benefits and community capacity to manage the facilities, it is unlikely that the investment will be sustainable over the long-term.

68. The experience of West Noubaria was very instructive in helping SAIL fashion the design of the water user groups. It was found that water user groups function most effectively at the lower levels of the systems such as Marwa and Mesqa which involves between 4 to 10 farmers. These groups are able to effectively operate the pumps, undertake routine maintenance, pay for the operation of pumps, establish a system of water rotations and equitable water distribution. Their link with the parent Agriculture Cooperative is critical for resolving issues of supply of water from the branch canals to the Mesqas and Marwa as well as community cleaning of branch canals. There are also lessons with



regard to the rural finance component. While West Noubaria took on the disbursement of a part of the micro-finance funds to the agriculture cooperatives and women directly and this proved to be an effective strategy, it is not a sustainable one, and the project is now struggling with available options regarding the transfer of the responsibility of this component. A detailed description of the lessons learnt as well as the elements which will be adopted in the current design is provided in Appendix 3.

### **Adherence to IFAD Policies**

69. IFAD's Strategic Framework (2011-2015) reiterates its unique mandate of improving rural food security and nutrition and enabling rural women and men to overcome poverty. The framework identified eight principles of engagement and the proposed Project will adhere to those relevant for the current investment. The design of the current project benefitted from the guidance tools relevant for the current project such as targeting, gender, natural resource management, private sector, enterprise development, rural finance, climate change and the environment. Given that Egypt is a likely country for selection for corporate learning on approaches to scaling up, the current design also used the guidance provided by IFAD's scaling up framework to clearly delineate the models that were being scaled up under various components. IFAD's poverty targeting and gender sensitive design and implementation guidelines which were updated in January 2013 were also completed for the SAIL Project and are provided in Appendix 12. Furthermore, IFAD coordinates its country programme work with the government agencies and the development donor community.

70. The current design is in full accord with IFAD's Private Sector Development and Partnership Strategy which places strong emphasis on further developing and strengthening the linkages of smallholder farmers with the private sector. Under the SAIL project, a special effort will be made to link the suppliers of improved technology such as drip and sprinkler irrigation, solar and bio-gas technologies, improved agriculture inputs, certified seed to smallholders on new lands. The private sector will be required to train a cadre of young men and women in the target settlements as technicians in the repair and maintenance of the improved technologies. In addition, the Agriculture Cooperatives will be linked with markets through creation of FMAs. To encourage the private sector participation in the project, it will also be given access to financial services under the project. This relationship will be further strengthened where speciality products such as certified produce, organic products and high quality products can guarantee a premium. The project will follow an approach which works from the market backwards to ensure that there is a demand for the products of the smallholder and that market links are established with private firms prior to initiation of any activities.

71. The design of the SAIL Project reviewed the *IFAD Rural Finance Policy* and the *IFAD Decision Tools for Rural Finance including its six guiding principles* namely: (i) support access to a variety of financial services; (ii) promote a wide range of financial institutions, models and delivery channels; (iii) support demand-driven and innovative approaches; (iv) encourage – in collaboration with private sector partners – market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources; (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and (vi) participate in policy dialogues that promote an enabling environment for rural finance. In its design, the SAIL project adheres closely to these principles. The current project promotes a range of financial institutions including an innovative and direct channel of delivery to the Agriculture Cooperatives (AC) which has not been tried before. To improve access to finance, the project has made provision for credit guarantees for CDAs and AC to support pro-poor financial transactions by offering partial coverage of lending risks. In providing for these, the project adheres to IFAD policy which guides that these should be managed by finance professionals, a significant part of the default risk will stay with the retail institution to avoid moral hazard and adverse selection and incentives for correct claim and settlement will be followed. While there may not be any direct opportunities for participation in policy for promoting an enabling environment for rural finance in the context of the current project, it is believed that the project's initiation of credit to Agriculture Cooperatives and the institution of a local level credit guarantee mechanism provide good opportunities for learning and innovation in the sector.

72. IFAD recognizes that poor rural people face a series of interconnected natural resource management challenges. They are in the front line of climate change impacts; the ecosystems and biodiversity on which they rely are increasingly degraded. IFAD's climate change strategy<sup>37</sup> recognizes that the speed and intensity of climate change are outpacing the ability of poor rural people and societies to cope. IFAD recognizes that climate-related risks, and potential opportunities, can be addressed more systematically within its Projects and policy advice. The current project has made use of the ASAP grant to integrate climate change and environmental concerns within the project design. Weather stations are being planned for the project area to assist vulnerable farmers with timely information on changes in weather, rainfall, temperatures and their use in shaping decisions regarding watering, use of adapted crop varieties, animal breeds and other adaptation measures.

73. An Environmental and Social Review Note was prepared to assess the environmental and social impact of the project and determine its environmental classification. Due to the fact that the newly settled lands have people from different parts of the country with a mix of educational and social backgrounds, the selected villages are not always the most well-knit socially. The Project will contribute to greater social harmony through promoting rural institutions which give opportunities to the target households for greater interaction and collaboration. The proposed Project will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally friendly approach to using the natural resource base in the country. The project's emphasis on water and energy conservation, reducing post-harvest losses, disseminating principles of good agricultural practices, organic production, crop rotation, enhancing soil fertility, plant protection and animal health, etc. all contribute to a much more sustainable system of natural resource management. SAIL is classified in **Category "B"** according to IFAD's Administrative Procedures for Environmental Assessment (Appendix 12).

### III. Project implementation

#### A. Approach

74. **Phased Approach:** A phased approach will be adopted to implement the project over 9 years. The phased approach will assist in a gradual start of the programme in one area prior to expanding it to other parts of the country. The project will first begin its work in Kafr-El-Sheikh and then move to Upper Egypt and thereafter Middle Egypt. The milestones that will signal the readiness to move from one location to another have been identified as follows; (i) Establishment of a fully staffed RPMU unit; (ii) Community Dialogues initiated; (iii) CDAs formed and registered; (iv) CDAs and Agriculture Cooperatives training needs identified; (iv) Baseline survey initiated and village profiles prepared; (iv) Social and productive infrastructure schemes identified.

75. **Sequential Approach:** A sequential approach will be adopted to ensure that proper ground work, diagnosis and institutional strengthening are completed before investment, production and marketing activities are initiated. In each location the project will have four stages: Stage 1: Preparatory and Diagnostic Phase: This will entail recruitment and training of project staff, holding participatory dialogues with local communities to assess constraints, needs and market opportunities; Stage 2: Institutional Development: The investments in infrastructure and skills will be used as an entry point around which institutions will be strengthened and management capacity of local people will be built; Stage 3: Production and Livelihood Intensification: This stage will begin when farmers can benefit from improved access to finances and marketing services and will entail focusing on provision of financial services and links to markets. Stage 4: Sustainability and Exit: This phase will be expected to be reached when the institutions and rural enterprises need less and less support from the project and start becoming sustainable through profits that accrue or the user fees that are generated. There is no set time-frame for the transition from one stage to the next which could be partially overlapping and will depend upon community readiness and maturity in transitioning from one stage to the next.

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<sup>37</sup> Climate Change Strategy. IFAD, May 2010.

Milestone indicators which are associated in the transition from one stage to the next have been identified and provided in Appendix 5 on Implementation Arrangements.

76. **Participatory Approach:** The implementation approach for SAIL will envisage a high degree of stakeholder participation and grassroots involvement in order to bring villagers, including women, youth and the less advantaged into a more coherent and effective force for change and self-reliance. A diagnostic process will be adopted to work in close collaboration with rural households through their institutions such as the Community Development Associations, Agriculture Cooperatives, Water User Groups and Market Associations. The Project approach will tailor project activities and services to the needs of the target beneficiaries and ensure their capacity to operate and manage the services for long-term sustainability. The Project will ensure close partnership with rural institutions in a manner which clearly identifies the roles and responsibilities of each implementing partner from the outset including any contributions of local materials.

77. The current project will build into its strategy, the pathways which will enable it to avoid the mistakes of some of IFAD's earlier projects. The project will develop a very careful strategy which distinguishes between public goods, community goods and private goods when identifying infrastructure investments. Public goods will be those facilities and services which will be taken over by the Government for operation and maintenance (schools and health centres). The community goods will be those which the community will take over and manage after completion (literacy classes, basic health centres, bakeries, irrigation and drainage channels and equipment, solar pumps, collection and sorting facilities, packing units, ) etc., and private goods which are designed for individuals who will take over their operation and maintenance (enterprises, processing facilities, transport, shops). In each case, the project will carefully assess the capacity of the implementing partner to take over the facility, build management capacity, where required, and develop agreed terms of partnership prior to any investment.

78. **Poverty Targeting Strategy:** SAIL's focus on the selected new lands is a key element in its poverty targeting strategy as only the poor, vulnerable and unemployed households with few other opportunities have moved into these areas. Thus the Project's focus on these 30 settlements will ensure that it is reaching directly the target group that is IFAD's mandate to assist. The allocation of project resources among the different project areas has been undertaken in a manner which considers the infrastructure needs of each area, principles of equity and the special disadvantaged nature of some settlements. Thus within the project area certain settlements which are far more disadvantaged than the others like village Talha in Lower Egypt, El-Fash in Middle Egypt and Samaha in Upper Egypt, will be specially targeted. The institutions of the poor such as the CDAs and the Agricultural cooperatives will be strengthened with a focus on ensuring voice for the poor, women and youth. To further refine its targeting strategy for the provision of matching grants, technical assistance or access to finance, use will be made of the CDAs and Agriculture Cooperatives to identify the most appropriate households for each type of activity. This strategy will be pursued because people from among the community are best placed to identify either the poorest households, the most entrepreneurial, those with leadership skills or most appropriate for different types of opportunities.

79. **Gender Targeting Strategy:** The SAIL Project has developed a very proactive strategy for the participation of women in Project activities especially recognizing that women play a key role in agriculture and domestic activities but are the faceless and voiceless farmers of Egypt. The Project will have specific gender dis-aggregated targets and budget allocations, appropriate gender balanced staffing, gender action plans and conduct periodic gender audits and integrate gender aspects in all reports. Each of the components will have an approach to encourage the inclusion of women and specific targets have been identified for women (Appendix 2). Most of the activities to be undertaken by the CDAs will be designed keeping in mind women's priorities and needs. The identification of enterprises and employment opportunities will be required to address opportunities of relevance for women. In the Agriculture Development and Diversification Component greater participation for women will be facilitated by their participation in Agricultural Cooperative or special groups within these forums. Women farmers will be provided training in crop and livestock management relevant for

them. The farmer field schools for livestock will primarily be attended by women. Women's inclusion in the Market Associations will be encouraged. The impact of climate change on women and their role in developing resilience to climate change will be highlighted. Special access to credit and savings facilities will be facilitated for women by ensuring their representation on the CDAs, hiring women loan officers, sex-disaggregated targets and loan tenures appropriate for them.

80. **Youth Targeting Strategy:** SAIL will put in place special arrangements to target youth. Separate CDAs will be formed for the young men and women in the target settlements and a process will be established to hold dialogues with them regarding their future plans and aspirations. Youth Development centres with a range of facilities will be established for them. Special loan products will be established for them keeping in mind their special risk and life-cycle profile. Given the high unemployment rate among youth, opportunities for vocational and enterprise training, apprenticeship and job placement will be identified with the private sector. The youth will be given preference during the construction of infrastructure schemes financed by the Project. Priority for recruitment of local staff for the RPMU and NPM will be given to local young men and women. The private sector suppliers of irrigation and alternate energy technologies will be required to train local youth in maintenance and operation of these systems as a potential source of employment. Those from among the young men and women who demonstrate their willingness and commitment to participate in innovative enterprise development will be provided technical assistance and access to matching grants and loans. Exchange visits and learning tours will be identified for them. The PMU and RPMU staff will be given special responsibilities for outreach and targeting to them with special targets specified in the job description of each.

81. The approach of the new project will build on the lessons learnt from WNRDP as well as incorporate the improved understanding about how best to organize rural communities, farmer organizations and structure the provision of social sector, agriculture extension, financial and marketing services for smallholder farmers and rural households. Some of the key principles and lessons which are very specific for the proposed project are outlined below;

- Development of new lands requires an integrated package of investment and services that meets the basic needs of the rehabilitated families in both the residential areas and the farming lands allocated to the settlers.
- The project will not follow a blue print approach but tailor its support in keeping with the specific needs of each village and the level of maturity of its institutions.
- Building community institutions and strengthening the capacity of farmer organizations is a pre-requisite to providing support and helps to identify community needs, determine capacity for management of infrastructure and services, builds ownership and long-term sustainability.
- Participation of women and youth in local forums greatly contributes to further refining the investment decisions to ensure critical needs are met. Establishing specific targets for women and youth help to establish the commitment to serving these groups.
- There is a need to make a clear distinction between public, private and community goods and services and make a clear plan for operation, management and ownership which is appropriate to this categorization to ensure long-term sustainability.
- The provision of crop and livestock extension services is best undertaken through the development of private extension agents trained from among the community members who can also earn a source of livelihood. However, until such capacity is developed, the project will provide this service through hiring of technical experts in the field.
- Resource persons from the farming communities of West Noubaria which have transformed into progressive and commercial farmers will be used to share their experience with smallholders in the target areas.
- As far as possible, the project will develop the capacity of young women and men from the target areas to be involved in project implementation, supervision and monitoring.
- The project will attract the engagement of the private sector through formation of market associations in which agricultural cooperatives undertake collecting, sorting and storage of

agriculture produce and provide large volumes of different commodities to attract the private sector, reduce transaction costs, enhance quality and ensure a stable price.

- The provision of financial services will be designed in a manner which balances the need to be responsive to the needs of the smallholder and rural entrepreneur in terms of timely provision of credit, pricing, collateral arrangement, loan tenure, amounts and repayment periods as well as the need to properly assess financial risk, financial viability and sustainability of the proposed mechanisms.

## **B. Organizational framework**

82. The delivery mechanism envisaged in the SAIL Project will rely on a mix of community, public, private sector and technical service providers. The beneficiary households will play a lead role in the project through the CDAs, Agriculture Cooperatives, Water User Groups and Market Associations. Community organizations will operate small private health and veterinary services where public sector facilities are in-sufficient. Water user groups and Agriculture cooperatives will manage on-farm irrigation systems, collection, storage and packing stations, etc.

83. The public sector will be responsible for the management of the main and branch irrigation and drainage canals, management of the formal schools. At the settlement level, the project will use the local rural institutions as the anchor for all project activities. While the project will use the Agriculture Cooperatives which exist in every village, it will form the CDAs in a very participatory and demand driven manner with a majority of the households of the settlement present in the initial dialogues with the community. The membership of these organizations will be voluntary and the governing or managing positions will be filled, based on selection by the general body members. Mechanisms of accountability and transparency will be built into their structure and they will be provided Governance training for this purpose. These organizations will be registered under the relevant Ministry or law. All project activities such as the social and productive infrastructure, the types of training, services, grants, financial services, etc., will be based on demand by the community. Once an activity is selected its technical and financial viability will be determined jointly by representatives of the community and the technical team in the PMU and clear terms of partnership developed to outline the contribution and responsibility of the community members and that of the Project. Monitoring, supervision and evaluation aspects will be built into the partnership arrangements with the community.

84. The private sector will be involved in several ways in the project implementation. Technical service providers will be used for organizing specialist training, private contractors will be used for designing and implementing all infrastructure schemes. The private sector will be expected to provide access to agriculture inputs, irrigation and solar energy technologies, output marketing services. Small scale private sector entrepreneurs will be especially encouraged to provide a range of services such as trade, food processing, tailoring, plumbing, electricians, veterinary care, health care, etc. The private sector will also have a key role in the introduction of new technologies and training people in the project area in the use and maintenance of these technologies and recruiting agents for promotion of these technologies within the project area. Technical Assistance and training on tested and adapted technologies will be provided through technical specialists and national research system.

85. The lead agency for the project will be the MALR. A *Project Steering Committee (PSC)* will be established and will have the primary responsibility for guiding project activities, approving Annual Work Plans and budgets. The PSC will be headed by the Minister of Agriculture or his representative. The Project will provide support for the establishment of a Project Management Unit (PMU) and three Regional Project Management Units (RPMU), to coordinate Project activities both at the national and regional levels.

86. The PMU will be responsible for implementation and coordinating with partners, overall project programming, financial management (disbursement, procurement, preparation for audit etc.), contracting implementing partners to execute project activities, monitoring and evaluation, knowledge management, progress reporting and liaison with relevant Government agencies, participating financial institutions, the private sector and IFAD. All project staff will be recruited through open

competition. However, Government will capitalise upon the experience of WNRDP by seconding qualified key staff from the project to the SAIL Project provided they qualify on merit. The project will recruit additional staff on a competitive remuneration package including incentive system emulating the successful management experience of previous projects, where required.

87. The project will provide grants on a competitive basis to groups and individuals for starting small businesses that promote diversification and help in enhancing their adaptive capacities. These grants will target poor women, women headed households, landless women and youth, and in particular, the most vulnerable who do not qualify for loans. The beneficiaries will contribute in the form of land, local materials and labour etc. The eligible individual or groups will be selected from among those who successfully complete their training through the project or submit viable and innovative proposals. The grants will be managed by the PMU based on a careful selection process. In addition, the project will also facilitate access to credit funds for those trained under this component. The details for the access to financial services are provided under the financial services component.

88. The Rural Financial Services Component will be implemented through SFD and the ADP of the MALR. The project will use the existing fund management modality of the ADP to manage the fund through its agent bank the CIB. The CIB will use an innovative element for provision of credit directly to Agriculture Cooperatives through the General Cooperative Society for Reclaimed Lands (GCSRL). The CIB will also encourage its 12 participating banks including PBDAC to submit competitive proposals for participation in the programme. A key reason for maintaining the presence of formal sector banks in the Project is the expectation that in the future these could be encouraged to provide a range of financial services to the target group. The CDA and Agriculture Cooperatives will be expected to play a key role in providing their members credit which is wholesaled to them through SFD and the ADP.

## **C. Planning, M&E, learning and knowledge management**

### ***Planning***

89. The Project will conduct, at its onset, a Start-up Workshop, with the aim of sensitizing and training the MOIC, MALR, the Project Management Unit (PMU) and the Regional Project Management Units (RPMU) and other potential implementing partners to the Project objectives and scope. At this workshop, time will be allocated to familiarize all participating partners with the planning and annual work plan process as well as the monitoring and evaluation system. The staff of the project will also be provided an opportunity for sensitizing them to gender and poverty targeting.

90. Annual Work Plan and Budget (AWPB) and corresponding procurement plans will be the Project's principal planning instruments. The AWPB will be used as tool for underlining and specifying implementation priorities, predicting inputs needed and procurement requirements, and most importantly establishing staff work plan both within the PMU/RPMU and with implementing agencies. Financial allocations in the AWPB will constitute the basis for release of funds and for financial management. The overall responsibility for the preparation of the AWP/B will be assumed by the Project Director in the PMU who will coordinate with SFD and ADP. The AWP/B will be submitted to IFAD for its no-objection no later than 60 days before the beginning of the relevant project year. Appendix 6 gives some more details of the planning, monitoring and evaluation aspects of the project.

### ***Monitoring and evaluation***

91. The Project's Logical Framework provides indicators for Project implementation along with their corresponding means of verification. The M&E system will generate quantitative and qualitative information on the Project's performance in a form that will compare physical progress against the planned targets and allow timely remedial action. The monitoring and evaluation indicators will be sex-disaggregated and include qualitative and quantitative indicators to measure women's inclusion and empowerment. The Project team will fine-tune the progress and performance/impact indicators of the

Project at the Inception Workshop with support from IFAD. Targets and indicators for subsequent years will be defined annually as part of the internal evaluation and planning processes undertaken by the Project team.

92. The overall responsibility for the M&E activities will lie with the Project Director at the National and regional levels. However, they will be assisted by the M&E officers at the National and regional level in preparing all progress and monitoring reports.

93. To assist in the M&E functions, a Management Information System for the SAIL Project will be established at both the national and regional levels. The system will be designed based on the requirements identified in the Project Logical Framework and in keeping with IFAD RIMS requirements and the guidance provided by the technical divisions of IFAD on M&E. The system will have the capacity to provide gender disaggregated data on all key indicators.

94. The Impact of SAIL Project, which includes also RIMS Third Level indicators, will be measured through two sets of surveys, namely a Baseline Survey that will be conducted during the first year of the Project and; a final Impact Assessment Survey that will precede the Project Completion Mission and will be able to measure the impact of the SAIL Project throughout the course of its implementation.

95. **Mid-Term Review:** A mid-term review will be carried out towards the end of the Project's fourth year. The review will cover, among other things: (i) physical and financial progress as measured against AWPBs; (ii) performance and financial management of contracted implementing partners; (iii) an assessment of the efficacy of the institutional development and capacity building activities; (iv) progress in infrastructure investments and (v) establishing and delivering of extension services and (vi) delivering of financial services and (vii) access to markets.

96. **Final Evaluation:** An independent Final Evaluation will take place three months prior to the Project completion date, and will focus on the same issues as the mid-term evaluation. The final evaluation will also look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental goals. The Final Evaluation should also provide recommendations that will be taken into consideration while designing similar Projects in Egypt. Accordingly, an Impact Assessment, as an input into the Project Completion Report that should be undertaken by a neutral agency with no previous involvement in Project implementation.

### ***Learning and knowledge management***

97. Given the scaling up and knowledge generation purpose of SAIL, the compilation and dissemination of Project information, experiences and results on an on-going basis for the country and for IFAD headquarters are important. The Project will package and disseminate information to the respective stakeholders in the appropriate formats (e.g. brochures, studies, articles, newsletter, and web). This knowledge-sharing process will be supported by a well-focused series of workshops and joint learning events.

98. The explicit assignment of Knowledge Management and communication responsibilities will be a shared responsibility. The overall responsibility will belong to the Executive Director and the M&E Officers. Service Providers will have a key responsibility for sharing lessons learnt during the Project through preparation of special case studies and Learning Notes.

## **D. Financial management, procurement and governance**

99. To determine project specific control risks, a financial management risk assessment of the proposed project and its fiduciary arrangements has been completed. This assessment included MALR, SFD and ADP. The assessment found that the financial management arrangements of these institutions were in accordance with principles of good management and all were subject to internal and external audits. However, MALR was not using a computerized system for recording its accounts but was willing to install such a system for the proposed project. This system will need to be customized to provide the requisite information to IFAD.

100. The SAIL project will have a single designated account and will present audited consolidated financial statements on all the activities of the project within 6 months of the financial year end. Disbursements to the implementing partners of the Social Fund for Development and the ADP will be made by the PMU. A Flow of Funds chart has been developed and provided in Appendix 7. The authorized allocation to the designated account will be sufficient to allow 6 months of eligible projected expenditures. The first disbursement which will be made before disbursement conditions have been met will be limited to USD100,000 in order to allow the start-up of the project. The second disbursement to complete the authorized allocation will be conditional upon the purchase and implementation of a fully-fledged financial management system and the preparation of a Project Implementation Manual with a section on Financial Management. Furthermore, implementation agreements will be concluded with SFD and ADP before any advances is paid to them.

101. The Public Procurement law (PPL) regulates Egyptian public procurement and is based on the principles of fair competition and non-discrimination but allows for domestic preferences or tenders offering domestic goods and services. Egypt has been identified by the World Bank & IFC's Doing Business 2014 as a top reformer in the area of public procurement. However, the report notes that the government has been modest in implementing the needed changes effectively. Egypt's overall procurement capacity, assessments by IFAD indicate that the procurement capacity is moderate in the areas of managing the bidding process, procurement planning and contract management.

102. In accordance with IFAD's procurement guidelines approved by the IFAD Executive Board in September 2010 and the provisions of the General Conditions, procurement of goods, works and services conducted by PMU/RPMU, ADP, SFD and participating banks under CIB and financed by IFAD loan/grant will be carried out in accordance with the provisions of the borrower's procurement regulations, to the extent consistent with the provisions of IFAD procurement guidelines. For each contract to be financed by IFAD proceeds, the types of procurement methods, estimated cost, prior review requirements and time-frame will be agreed between the Project and IFAD respectively in the Procurement Plan (Appendix 8 Procurement).

## **E. Supervision**

103. The project will be directly supervised by IFAD. The approach to supervision will be one of implementation support and assistance. Given that the project is dispersed in different regions of the country and it might not be feasible to visit each area every time, several special features are proposed in the supervision arrangements. The first of these is to have, on ground, a local rural finance specialist who will provide guidance to the project on an on-going basis and assist in removing any implementation bottlenecks in discussions with the various implementing partners under this component. This is all the more important given that rural finance is a major component of the project and that in the past rural finance components have been slow to disburse because of lack of on-ground support and discussions with the implementing agencies in a timely manner to identify the constraints and propose solutions.

104. The second approach, used cost-effectively, in some countries, is to adopt a country programme approach to supervision and field technical specialists to the country who will supervise certain elements common to all on-going projects such as gender and poverty targeting, participation of youth, monitoring and evaluation, financial management and strengthening of rural institutions, etc. In addition, a supervision mission will be fielded after every six months in the initial period and thereafter every year. The supervision mission will comprise technical specialists as required. The participation of Government representatives such as from the MALR, MOIC and other implementing partners will be encouraged in the supervision process. There is also a strong case for SAIL to have increased budgetary resources for supervision given its importance in Egypt's country programme and the NEN portfolio.



## **F. Risk identification and mitigation**

105. There are several risks associated with achieving the objectives of the current investment. While some of the risks are external to the project and beyond the control of those implementing the programme, such as the prices of agricultural commodities, uncertain political environment and the security situation in the country, there are other risks which can be mitigated by the various stakeholders involved in the project. Each of the key risks have been identified below together with a proposed strategy for mitigation. These risks include the slow start-up of projects in Egypt. This risk will be mitigated by using the capacity of the core project management team built during the WNRDP which has extensive experience of the implementation strategy to be used in SAIL. Given that most of these technical specialists will be retained by the Government in the ICDT even at the end of the Project, arrangements will be made to use this technical capacity for the initial start-up of the project.

106. A second risk is the weak institutional capacity of the institutions of the rural poor in the newly settled lands. This risk is being mitigated by adopting a sequential approach to project implementation and developing the institutional capacity of rural institutions such as the CDAs and ACs, WUGs and FMAs as the fundamental anchor for project activities. A third risk is the slow disbursement rate of funds under the rural finance component due to the limited institutional options of previous Projects for the delivery of services and the low risk appetite of selected partners. This risk is being mitigated by proposing several institutional options which will encourage competition among the proposed options, provision of a grass roots level credit guarantee mechanism to ensure risk mitigation and adopting a proactive approach for facilitation between target group and financial institutions to provide close support and monitoring from the PMU.

107. Due to the extreme scarcity of water in the country, there is some water theft in the villages in the project area from illegal settlers and people in the vicinity who do not have water use rights over the irrigation water. In many areas, Project investments will lead to greater protection of the water resources through strengthening WUGs and laying of under-ground pipes to protect the water resources. Special attention will be paid throughout the project to salinity monitoring, which can also be exacerbated by unapproved, unregulated irrigation application. This will limit the access of those illegal settlers in the periphery of the new lands. While this could lead to potential conflicts, the Project will be designed to promote efficient use of water through greater access to modern irrigation methods which will reduce the waste of water. In order to increase social harmony in the selected villages, the Project will make its agriculture extension, financial and marketing services available to this group of settlers. This is likely to promote social cohesion and greater harmony in the settled lands.

108. The project will also face a number of risks typically inherent in donor-supported rural finance and microfinance projects. These risks include fund underutilization by the credit service providers: due to insufficient interest margins, low risk appetite, a shortage of bankable projects, a lack of staff incentives and motivation and other factors. While these risks are beyond the direct control of the project, it will employ several indirect risk mitigating strategies: (i) the inclusion of non-bank providers which are not bound by the Central Bank's collateral requirements; (ii) proposing a range of financial institutions; (iii) putting in place a credit guarantee mechanism which shares risk; (iv) a flexible approach permitting the shifting of credit line funds from low-performing to better performing implementing institutions and (v) the recruitment of a Rural Finance consultant who will help in the close follow up of the rural finance component in a timely manner.

109. It is worth mentioning that the project will build on the new changes that the GoE is envisaged to do on the new Law of Cooperatives, giving them more autonomy and enlarge their scope of activity. The perception of the Farmer Cooperatives as the procurement arm of the Government has changed markedly ever since the Government stopped its procurement through them recently. The experience of IFAD and other donors shows that the Government in Egypt has given autonomy and complete support to the Farmer Cooperatives established under WNRDP. The GoE will support the project approach to build certain project's interventions in the target area on the new functions that Agricultural Cooperatives have gained recently.

## IV. Project costs, financing, benefits and sustainability

### A. Project Costs

110. The total Project cost including price and physical contingencies is currently estimated at USD 86.85 million. The Project cost is divided as follows: (i) Component 1: Community and Livelihood Development has an allocation of USD 13.9 million (16.1%); (ii) Component 2: Agriculture Development and Diversification has been allocated USD 35.8 million (41.3%); (iii) Component 3: Rural Financial Services with USD 27.1 million (31.3%); (iv) Component 4: Project Management with USD 8.4 million (9.8%).

111. The categories of civil works and credit constitute major cost categories for the Project at 26% and 28.7% of the total cost, respectively; followed by equipment and materials (18.3%), salaries and allowances (9%), operating costs (5%) and training (4.6%). Appendix 9 provides details of the project costs over the project life including physical and price contingencies.

**Table 3: Projects Costs and Financing plan (USD'000)**

|   | IFAD loan       |              | IFAD grant     |            | IFAD ASAP      |             | The Government  |             | Beneficiaries  |            | Total           |              |
|---|-----------------|--------------|----------------|------------|----------------|-------------|-----------------|-------------|----------------|------------|-----------------|--------------|
|   | Amount          | %            | Amount         | %          | Amount         | %           | Amount          | %           | Amount         | %          | Amount          | %            |
| <b>A. Community and Livelihood Development</b>        |                 |              |                |            |                |             |                 |             |                |            |                 |              |
| Strengthening of Community Development Associations   | 421,3           | 34,8         | 616,0          | 50,8       | -              | -           | 174,8           | 14,4        | -              | -          | 1 212,0         | 1,4          |
| Social and physical infrastructure                    | 5 016,5         | 41,2         | 165,7          | 1,4        | -              | -           | 5 663,8         | 46,5        | 1 341,0        | 11,0       | 12 187,1        | 14,0         |
| Vocational training and enterprise development        | -               | -            | 29,6           | 5,1        | 540,4          | 93,1        | 10,7            | 1,8         | -              | -          | 580,7           | 0,7          |
| <b>Subtotal</b>                                       | <b>5 437,8</b>  | <b>38,9</b>  | <b>811,4</b>   | <b>5,8</b> | <b>540,4</b>   | <b>3,9</b>  | <b>5 849,3</b>  | <b>41,8</b> | <b>1 341,0</b> | <b>9,6</b> | <b>13 979,9</b> | <b>16,1</b>  |
| <b>B. Agriculture Development and Diversification</b> |                 |              |                |            |                |             |                 |             |                |            |                 |              |
| Strengthening of Farmer-Based Organizations           | 1 157,4         | 63,2         | 261,2          | 14,3       | 270,4          | 14,8        | 140,9           | 7,7         | -              | -          | 1 829,9         | 2,1          |
| Water and Energy Infrastructure                       | 23 586,6        | 92,1         | -              | -          | 813,2          | 3,2         | 1 208,0         | 4,7         | -              | -          | 25 607,9        | 29,5         |
| Crop and Livestock Extension Services                 | 1 143,0         | 21,1         | -              | -          | 2 799,7        | 51,8        | 1 462,2         | 27,1        | -              | -          | 5 405,0         | 6,2          |
| Marketing Services                                    | 1 622,4         | 53,4         | -              | -          | 576,3          | 19,0        | 137,2           | 4,5         | 704,3          | 23,2       | 3 040,2         | 3,5          |
| <b>Subtotal</b>                                       | <b>27 509,5</b> | <b>76,7</b>  | <b>261,2</b>   | <b>0,7</b> | <b>4 459,6</b> | <b>12,4</b> | <b>2 948,3</b>  | <b>8,2</b>  | <b>704,3</b>   | <b>2,0</b> | <b>35 883,0</b> | <b>41,3</b>  |
| <b>C. Rural Financial Services</b>                    |                 |              |                |            |                |             |                 |             |                |            |                 |              |
| Institutional Support                                 | 2 072,6         | 80,9         | 327,5          | 12,8       | -              | -           | 162,2           | 6,3         | -              | -          | 2 562,2         | 3,0          |
| Credit Line   | 24 600,0        | 100,0        | -              | -          | -              | -           | -               | -           | -              | -          | 24 600,0        | 28,3         |
| <b>Subtotal</b>                                       | <b>26 672,6</b> | <b>98,2</b>  | <b>327,5</b>   | <b>1,2</b> | <b>-</b>       | <b>-</b>    | <b>162,2</b>    | <b>0,6</b>  | <b>-</b>       | <b>-</b>   | <b>27 162,2</b> | <b>31,3</b>  |
| <b>D. Project Management</b>                          |                 |              |                |            |                |             |                 |             |                |            |                 |              |
| Project management                                    | 1 980,4         | 24,1         | -              | -          | -              | -           | 6 249,4         | 75,9        | -              | -          | 8 229,8         | 9,5          |
| M&E and knowledge management                          | 270,0           | 100,0        | -              | -          | -              | -           | -               | -           | -              | -          | 270,0           | 0,3          |
| <b>Subtotal</b>                                       | <b>2 250,4</b>  | <b>26,5</b>  | <b>-</b>       | <b>-</b>   | <b>-</b>       | <b>-</b>    | <b>6 249,4</b>  | <b>73,5</b> | <b>-</b>       | <b>-</b>   | <b>8 499,8</b>  | <b>9,8</b>   |
| <b>E. Unallocated</b>                                 | <b>1 329,7</b>  | <b>100,0</b> | <b>-</b>       | <b>-</b>   | <b>-</b>       | <b>-</b>    | <b>-</b>        | <b>-</b>    | <b>-</b>       | <b>-</b>   | <b>1 329,7</b>  | <b>1,5</b>   |
| <b>Total PROJECT COSTS</b>                            | <b>63 200,0</b> | <b>72,8</b>  | <b>1 400,0</b> | <b>1,6</b> | <b>5 000,0</b> | <b>5,8</b>  | <b>15 209,2</b> | <b>17,5</b> | <b>2 045,3</b> | <b>2,4</b> | <b>86 854,6</b> | <b>100,0</b> |

### B. Project financing

112. IFAD will provide a loan of USD 63.2 million. The lending terms, based on the per capita income of Egypt, will be Ordinary terms which entail an interest rate equivalent to 100% of the variable reference interest rate and a maturity period of 15 to 18 years, including a grace period of 3 years. A grant of about USD 1.4 million will be provided with the IFAD loan to contribute to technical assistance and capacity building of smallholder farmers. The Saudi Fund for Development has indicated an interest in co-financing this project. In case its financing is forthcoming this will be used for infrastructure investments.

113. The Adaptation for Smallholder Agriculture Programme (ASAP) administered by IFAD has approved a grant of USD 5 million for use within the framework of the current project to enable smallholders to access the information tools and technologies that can help build their resilience to climate change.

114. The Government of Egypt (GOE) is expected to provide a contribution of USD 15.2 million for operating costs, some of the costs of civil works, equipment, vehicles and salaries of Government employees working on the project and all applicable taxes and duties.

115. The participating farmers are expected to provide USD 2.4 million as part of their contribution in terms of labour and inputs for infrastructure, farming and enterprise development. The operation and management costs of the various schemes over the life of the scheme will be additional costs borne by the community which have not been calculated.

### C. Summary benefits and economic analysis

116. **Beneficiaries:** The Project will be expected to benefit a total of about 40,000 households directly. The beneficiaries will include both men and women from graduate and displaced smallholder household's allocated land in the newly settled areas. The Project will develop special strategies for the inclusion and empowerment of women and giving them a voice in community and household level decision-making. The Project will develop a strategy for the inclusion of youth in project activities given their energy and capacity for contribution to innovative enterprises. Entrepreneurial young women and men will be especially assisted through a strategy for outreach to them by a dedicated team of Project staff. The Project will also indirectly assist people who have settled in and around these areas by enhancing their access to social sector, financial and marketing services facilitated by the project. Small entrepreneurs or businesses which intend to source their products from the project area or provide them access to inputs and services will be provided access to financial services through commercial banks. Their access to smallholders will be improved by linking them with market associations. The specific number of indirect beneficiaries has not been estimated.

117. **Benefits:** The Project will include both quantitative and qualitative benefits. The Project will generate local employment by recruiting local staff and using local labour in proposed infrastructure development activities. The Project will demonstrate how participation and membership in grass-roots institutions will be to their mutual advantage by undertaking collective management of their common resources and reducing their transactions cost as well as those of the private sector through collective mechanisms for the delivery of agricultural inputs, innovative technologies, financial services and marketing. The Project will provide social and physical infrastructure support, access to skill development, extension services, financial services and facilitation support for access to employment opportunities, enterprise development and markets.

118. The Project will improve food security and nutrition in the newly settled areas and reduce poverty through increase in farm and off-farm incomes. The Project will achieve its objective by creating and strengthening strong rural institutions which provide a range of services and opportunities to its members and empowering them. Important health benefits are expected, in particular for women and children. The provision of potable drinking water will reduce illness and water-borne diseases especially for the under-5 (economic benefits of USD 551,536 over 20 years). Nutrition would be enhanced through the diversification of the agricultural crops and the development of livestock. The construction of schools and the literacy classes would enable education benefits in terms of improved literacy and increase the job opportunities.

119. The Project will improve agriculture production and profitability and make farmers more resilient to climate change. The strengthening of marketing associations and the promotion of organic / quality certification for key products would lead to higher farm gate prices. The 6 farm models analysed in the EFA are profitable with positive net present values before and after financing.

120. The Project will improve the capacity for self-employment and enterprise development. Last but not least, the Project would generate rural employment both on-farm and off-farm, especially for unemployed youth (424 permanent jobs and 806,462 labour-days over 20 years corresponding to USD 5.7 million).

121. The Project will also yield positive social and environmental impacts. The social benefits will accrue mainly as a result of greater social cohesion among smallholders due to greater interaction among a diverse mix of households in the newly settled lands. The Project will enable rural households to use scarce water and energy resources much more efficiently by demonstrating some innovative technologies which can provide alternate sources of energy for the agriculture sector and defray the high cost of fuel and electricity.

122. **NPV and ERR.** The economic analysis includes benefits related: (i) crop production and livestock production; (ii) MSME and processing units; (iii) environmental benefits (CO<sub>2</sub> emissions); and (iv) health benefits (under-5 mortality). The net present value of the Project is positive (USD 51

million) and the economic internal rate of return is estimated at 20% over a 20 years period at a discount rate of 10%.

123. **Sensitivity analysis:** A sensitivity analysis was conducted to assess the variation of the EIRR and the NPV according to various scenarios such as increase in the Project costs or chemical inputs for crop production; decrease in the Project benefits, livestock outputs prices and cash crop prices; and one or two-year delay in Project benefits. The Project remains profitable in all scenarios. The net present value and IRR are more sensitive to the variation of overall Project benefits and livestock prices. Details are presented in Appendix 10.

## **D. Sustainability**

124. The Project will be designed with a clear strategy for sustainability and exit in all components. Many of the lessons learnt from the WNRDP in this regard have been built into the design of the proposed Project. Some key underlying theme of the Project which add significantly to making the investments sustainable are (i) the strengthening of rural institutions, human skills and capacity building for improved agriculture productivity, enterprise development and employment; (ii) the clear distinction in the Project approach about public, community and private goods and services and how these will be managed; (iii) a clear plan for ownership, operation and management of all infrastructure schemes implemented within the Project; (iv) ensuring that project investments are socially, technically and environmentally sustainable through incorporating these elements into the selection criterion of all schemes and (v) a clear exit strategy for each sub-component from the outset.

125. The Community Livelihood Development Component will be designed to strengthen Community Development Associations while the Agriculture Development and Diversification Component will strengthen ACs and establish WUGs and FMAs. The sustainability of these institutions will be enhanced by ensuring that the activities it undertakes are meaningful for its members and can be sustained beyond the support provided by the Project. The Project's focus on making these institutions participatory, transparent and accountable to its members and training its leadership will add to their longevity. While the Project will provide initial capital support to establish some of the facilities, the concept of a user fee will be introduced from the start and Project support will be gradually withdrawn. The Project staff will assist in preparing feasibility studies for each facility or scheme to ensure that it can be sustained through user fees, community contributions in cash or kind or local philanthropic support.

126. The use of the CDAs and ACs as a mechanism for providing credit services to their members through establishing links with the Social Fund for Development and the ADP through banks and the GCSRL will provide an additional element of sustainability to these institutions as a vehicle which deliver important services for development of newly settled lands. The institution of a credit guarantee mechanism which is associated with specific CDAs and ACs will ensure continued interest by lending institutions to provide them with on-going credit funds. An analysis shows that these institutions can become operationally sustainable if they provide around 120 loans of an average loan of LE 13,000 and an interest rate of 14%.

127. All investments in social and physical infrastructure schemes will be undertaken based on a clear plan for their ownership, operation and management. In terms of environmental sustainability, water users will have been empowered to monitor and manage the risk of soil salinization. The schools established under the project will be handed over to the Ministry of Education. These will be constructed only after an agreement with the Government on their management and staffing by the Government. All infrastructure which is expected to be managed by the community will be implemented after ensuring its technical, economic and social feasibility. Any scheme which is beyond the community capacity to operate or which does not yield sufficient benefits to persuade the communities to maintain it will not qualify for support. The investment in irrigation and drainage infrastructure will be handed over to Water User Groups. All investments in marketing infrastructure will be those which can be managed by the Marketing Associations such as collection centres, sorting, grading and packing houses or basic processing and storage facilities. The Project will in each case

assist the farmer organizations develop a plan which shows the management requirements and the types of user fees to be levied to run the operation on a sustainable basis. Those operations which are complex and beyond the capacity of community organizations to undertake will be left to entrepreneurial individuals or the private sector.

128. The design of the various vocational and extension training programmes will be tailored in a manner which will be relevant for the women, youth and smallholders for employment generation, self-employment and enhancing agriculture production. The relevance of the training will ensure the use of the skills and adoption of the crop and livestock production practices imparted. The Project will also ensure that the delivery mechanisms used to impart different types of trainings are appropriate for the target group. Thus the timing and location of the training will be carefully planned for women to ensure their participation. The training content for the youth will have to be discussed with them as well as review the potential for employment and self-employment opportunities available for them. The introduction of different training methodologies including the introduction of the farmer field school will be introduced to ensure that the training content is properly understood and builds in smallholders the capacity to reflect on problems and identify appropriate solutions. The Project's emphasis on building local capacity for services which the community will be willing to pay for such as artificial insemination services, animal vaccinations, through Community Livestock Extension Workers and technicians for drip irrigation and solar technologies and pumps, flexi-bio gas will be made sustainable through giving the community confidence in their ability to provide good services, establish their links with the private sector to enable them to replenish their stocks and strongly institute the principal of user fees.

129. The Project's approach to provision of financial services is firmly grounded on the principles embodied in IFAD's rural finance policy which stress institutional and financial sustainability. In the provision of financial services, the Project will rely on diversified institutional options all of which are strong institutions and provide credit on a sustainable basis in the country. The Project will not in any way subsidize interest rate but it will assist in reducing the transactions cost of the microfinance institutions by enabling them to deliver through rural institutions. Further, the provision of a local level credit guarantee mechanism which reduces their risk of lending will give them a strong incentive to provide services to these neglected areas on a continuing basis. The Project expects that the facilitation of links between the CDAs and ACs and financial institutions providing services on a commercial basis will increase their confidence in farmer organizations and increase their chances of accessing these services beyond the Project period. This will not happen in all cases but those CDAs and ACs which are strong and can demonstrate their credibility will have a source of financing not currently available to them.



## Appendix 1: Country and rural context background

### A. Country Economic Background

1. Egypt has undergone a dramatic political upheaval over the last few years following long simmering grievances over the lack of economic opportunities and political inclusion that led to a revolutionary uprising in early 2011. The Egyptian economy has borne the brunt of the continuing instability. From the mid-2000s to 2011, the economy had been growing at a strong pace. In 2004, the Government of Egypt embarked on a structural reform programme of liberalization and privatization, which, combined with the booming Gulf economies and strong global economic growth, led to real GDP growth of over 7 percent per year between FY06 and FY08. The failure of this growth to trickle down was one of the reasons of the growing unrest in the country. The subsequent global financial, food, and fuel crises dampened economic growth in Egypt to an average 5 percent in Financial Year (FY) FY09-FY10. This was regarded strong performance by international standards. However, since the 2011 revolution, the macroeconomic picture has deteriorated due to unresolved political tensions, unrest and instability. The economy contracted sharply and averaged only 1.8 percent growth for FY11. Since then, it has grown at yearly rates of 0.3 percent only. The balance of payments has deteriorated sharply, driven by capital outflows and a severe drop in tourism. The rising energy crisis in the country is a matter of grave concern and is also impacting growth and development. The economic outlook is uncertain and depends on the Government's ability to control the fiscal deficit, manage the exchange rate, and buffer shocks arising from the domestic political situation, rising energy costs and rising population pressure.

2. The population of Egypt was estimated to be 81 million with a current Gross National Income of USD 2,980 per capita in 2012.<sup>38</sup> Around 40 percent of Egyptians; or about 33 million were estimated to be poor according to the poverty assessment undertaken in 2007.<sup>39</sup> At that time, it was estimated that about 19.6 percent were estimated to live in absolute poverty and 21 percent were near poor. Since then, the poverty rate has considerably increased, and is reported to have reached an average of 25.5 per cent in 2010/2011.<sup>40</sup> In addition, many of the households along the poverty line are highly vulnerable and susceptible to falling back into poverty as a result of a host of factors. Data also shows that there has been an increase in inequality, with the Gini-coefficient rising from 28.7 to 30.5 between 2005 and 2009.<sup>41</sup> While more recent data is not available, it is believed that inequality is still on the rise. Employment growth was expected to fall to 2.3 percent, and the unemployment rate was expected to increase to about 10 percent by FY 2010.<sup>42</sup> Unemployment continues to be an overriding concern, especially for youth and women with many of the Egyptians working in the region returning home because of the growing regional instability.

3. Egypt faces many challenges in maintaining sustainable economic growth, and addressing economic, social and regional inequalities. National development statistics suggest that while overall progress is being made, there are clear divisions between a moderately well-off urban sector and a poor rural sector. Growth in the agriculture sector has also stalled. Egypt is ranked behind states at similar levels of economic development on most global governance indices. Government has been pursuing, since the last two decades, a policy of dealing with the problems that a growing population presents, especially youth unemployment, overcrowding in urban areas, land fragmentation and low agriculture productivity. The Government has been providing lands to unemployed agriculture graduates and households displaced from the old lands due to changes in land tenure arrangements. It has also taken proactive measures in other areas to deal with the problem of growing poverty and in-equality.

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<sup>38</sup> Atlas method. World Bank, Official website. January 2014. his is worth USD 1,975 in 1992prices.

<sup>39</sup> Poverty Assessment Update (2007) - World Bank and Government of Egypt's Ministry of Economic Development.

<sup>40</sup> Central Agency for Public Mobilization and Statistics (CAPMAS). Arab Republic of Egypt, 2012.

<sup>41</sup> Economic growth, inequality and poverty: social mobility in Egypt between 2005 and 2008, 2009, World Bank, 2010

<sup>42</sup> World Bank, Macro Policy Notes (2009).

4. The Agriculture Sector is a key sector in the Egyptian economy, providing livelihoods for 55 percent of the population and directly employing about 30 percent of the labour force. Although contribution of the sector to GDP has fallen over time, it still accounts for about 13 percent of GDP and 20 percent of total exports and foreign exchange earnings. Industries related to agriculture, such as processing and marketing and input supplies, account for a further 20 percent of GDP. Despite its importance, any attempts to deal with poverty alleviation in Egypt must address both farm and off-farm sectors. In rural households in Egypt, 42 percent of total income comes from non-farm sources, while 25 percent is derived directly from agriculture and 9 percent from livestock. The remaining 24 percent comes from transfers, remittances and rental incomes.

5. The major crops in Egypt include wheat (used as a staple food crop), maize (used primarily as coarse grain for animal feed), clover, cotton, rice (grown only in the Delta and the Fayoum Governorate in Middle Egypt), sugarcane (grown in Upper and Middle Egypt), fava beans, sorghum and soybeans. The national wheat and maize production do not meet the current local demand and each year additional amounts have to be imported – up to 50 percent of total consumption in the case of wheat. Horticulture production covers a wide range of products due to favorable climate conditions and the potential for irrigation which allows the production of a large range of products virtually all year round. The share of horticultural crops is 13 percent of the total land under cultivation, but represents 36 percent of the value of all crops produced. Horticultural crops are produced in sufficient quantities to meet domestic demand and to provide some surplus for export. Vegetables are grown in about 1.3 million feddans. Medicinal, aromatic and ornamental crops represent a rapidly growing farm business of importance for both domestic and external markets. Smallholder farmers are responsible for producing approximately 90 percent of all vegetables for the domestic market. Egypt has a large potential in milk production, however the levels of efficiency and productivity in the sub-sector are low. Egypt's dairy sector is still largely traditional with a majority of the population consuming unpasteurized milk.

## **B. Government Policy and Strategy**

6. In its efforts to address poverty alleviation, and protect vulnerable segments of society, the Government of Egypt has adopted a multi-pronged strategy. The principal goal of the GOE is to attain higher GDP growth rates, maintain broad macroeconomic balance, and broaden the economy's capacity to absorb labour. This strategy gives priority to the creation of employment opportunities as the surest way to combat poverty. The GOE has been pursuing this poverty reduction strategy through five main avenues: (a) economic growth for increasing income and employment through investment in productive sectors; (b) increasing the efficiency of the agriculture sector, particularly water and land utilization to enhance yields, income and food security for the poor, (c) human development of the poor for raising their capability through education, health, and local level organizations; (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 the voice of the poor.

7. Agricultural policy in Egypt has gone through significant reforms since the early 1990s. The compulsory purchase of all crops has been eliminated and input subsidies phased out. The Government has formulated a new Sustainable Agriculture Development Strategy Towards 2030 for the agriculture sector in recognition of the fact that transformation of the agriculture sector is key for economic growth and development in Egypt. 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.



8. The Government of Egypt acknowledges the importance and the potential of the horticultural sector. In this regard its agriculture strategy is focused on the enhancement of agriculture productivity in order to support competitiveness of agricultural products in the local and export markets. This will be achieved through a number of initiatives with focus on horticulture, particularly for crops requiring low water usage and/or with high potential for export. The Government is putting great emphasis on increasing the per capita consumption and modernizing its milk sector. The GOE also recognizes the main reasons why farm income in rural Upper Egypt is lower than it is in rural Lower Egypt. These 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. In addition, rural poverty is exacerbated by the lack of sufficient alternative employment opportunities.

9. 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 or cooperatives. This limits their bargaining power and their ability to capture the benefits of economies of scale and 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. 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.

10. Lack of small farmer organization is another key constraint that the Government now acknowledges as a major constraint to rural development. Agriculture Cooperatives have not filled the critical need to organize farmers and special farmer associations are required to undertake the host of activities required for the purpose of production and marketing in the agriculture and livestock sectors. Various donor funded programmes have proved that farmer's Marketing Associations (MAs) are an appropriate institutional platform for small farmers to organize themselves in order to access agribusiness support services. Besides they can become service providers for their members. In the export sector, the organization of farmers into farmer associations will provide the following advantages: (i) contracts could be signed with the entire group reducing administrative and logistical costs (ii) Global-GAP auditing and organic certification will be easier and cheaper; (iii) farmer association members can exercise peer pressure among members to foster compliance with agreements, production practices and delivery schedules; and (iv) specific training packages can be easily delivered. In recognition of this fact, the Government has given considerable importance to establishing small producer organizations in its new Agriculture Strategy.

### **C. Donor Investments in Egypt**

11. The United States and the European Union are the largest providers of development assistance to Egypt with other major donors being the African Development Bank and the World Bank. The EU and US have both been active in the agriculture sector. USAID targeted economic reform, notably under the umbrella of its Agricultural Export and Rural Income (AERI) project. It has financed a range of agriculture sector activities including the establishment and development of Farmer Associations in Upper Egypt. As far as the EU is concerned, the Country Strategy Paper (CSP) drafted under the European Neighbourhood Partnership Instrument (ENPI) provided a strategic framework for cooperation between the European Union (EU) and Egypt for the period 2007-2013. EU's main priority objectives included political reform and good governance; competitiveness and productivity of the economy. Combining the revolving funds made available under several EU projects to the agriculture sector, the MALR established the Agriculture Development Programme for providing financial assistance to the agriculture sector.

12. The World Bank, International Monetary Fund (IMF) and other multilateral donors have been pursuing an ambitious economic reform agenda in Egypt rooted in the privatization and restructuring of national institutions and services. For three decades, the Bank has been Egypt's principal development partner in irrigation and water management. The largely renewed irrigation system has contributed to increases in agriculture productivity and exports. Bank has also provided support to micro-enterprise development through support and access to rural finance<sup>43</sup>. The World Bank has recently provided a USD 300 million loan to SFD for enhancing access to finance for the micro and small enterprise sector in Egypt. The IFIs have encouraged the government to introduce private sector participation into a number of sectors such as the railways, ports, and the water, sanitation, and irrigation sector. While Egypt has consistently received the highest proportion of IFI lending in the region, the past few years have seen a sharp increase in borrowing following Egypt's reclassification by the World Bank as a "middle income" country. Combined with its willingness to implement business-friendly reforms this has heralded a major influx of IFI lending to private companies investing in Egypt. The European Investment Bank in particular has significantly increased its involvement, becoming the largest multilateral lender in the country. Saudi Arabia's Islamic Development Bank Group (IDB) has also been providing resources to the country for investments in various fields.

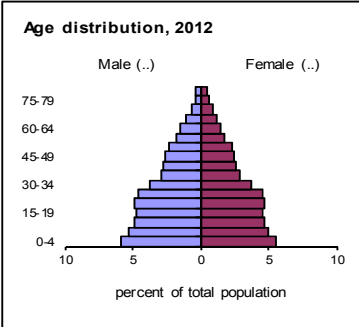
13. Several bilateral donors are also operating in Egypt including the French, the Netherlands, CIDA, GTZ, etc., for the small and medium enterprise sector. While most have been working in the social sector, the environment and climate change, some are more closely involved with the agriculture sector. IFAD has been collaborating with several donors in the country. IFAD co-financed the West Noubaria Rural Development Project with the Italian Debt Swap funds and has in the past worked closely with the World Bank in Upper Egypt on rural development projects. IFAD, World Bank and the European Union are currently providing parallel financing to several partners such as the ADP and SFD.

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<sup>43</sup> Egypt: Positive Results from Knowledge Sharing and Modest Lending. An IEG Country Assistance Evaluation. Independent Evaluation Group Knowledge Programs and Evaluation Capacity Development (IEGKE). 2009.

**Table 3: Egypt Arabic Republic at a glance**

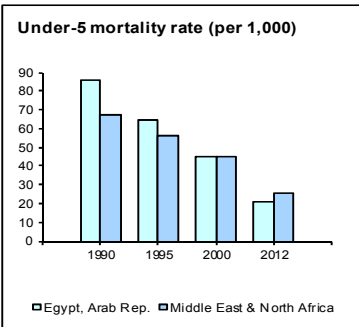
| Key Development Indicators                                 | Egypt | M. East & North Africa | Lower middle income |
|--|-------|------------------------|---------------------|
| <b>2012</b>  |       |                        |                     |
| Population, mid-year (millions)                            | 80.7  | 340                    | 2,507               |
| Surface area (thousand sq. km)                             | 1001  | 8,775                  | 20,742              |
| Population growth (%)                                      | 1.7   | 1.7                    | 1.5                 |
| Urban population (% of total population)                   | 44    | 60                     | 39                  |
| GNI (Atlas method, US\$ billions)                          | 240.3 | 1,113                  | 4,745               |
| GNI per capita (Atlas method, US\$)                        | 2,980 | 3,450                  | 1,893               |
| GNI per capita (PPP, international \$)                     | 6,450 | 7,062                  | 3,877               |
| GDP growth (%)   | 2.2   | 1.9                    | 4.7                 |
| GDP per capita growth (%)                                  | 0.5   | 0.2                    | 3.2                 |
| <b>(most recent estimate, 2005–2012)</b>                   |       |                        |                     |
| Poverty headcount ratio at \$ 125 a day (PPP, %)           | <2    | 2                      | 27.1                |
| Poverty headcount ratio at \$ 2.00 a day (PPP, %)          | 15    | 12                     | 56.3                |
| Life expectancy at birth (years)                           | 71    | 71                     | 66                  |
| Infant mortality (per 1,000 live births)                   | 18    | 21                     | 46                  |
| Child malnutrition (% of children under 5)                 | 7     | 6                      | 24                  |
| Adult literacy, male (% of ages 15 and older)              | 82    | 85                     | 80                  |
| Adult literacy, female (% of ages 15 and older)            | 66    | 70                     | 62                  |
| Gross primary enrollment, male (% of age group)            | 112   | 109                    | 107                 |
| Gross primary enrollment, female (% of age group)          | 105   | 101                    | 104                 |
| Access to an improved water source (% of population)       | 99    | 90                     | 88                  |
| Access to improved sanitation facilities (% of population) | 95    | 87                     | 47                  |



**Age distribution, 2012**

Male (..) Female (..)

percent of total population



**Under-5 mortality rate (per 1,000)**

1990 1995 2000 2012

■ Egypt, Arab Rep. ■ Middle East & North Africa

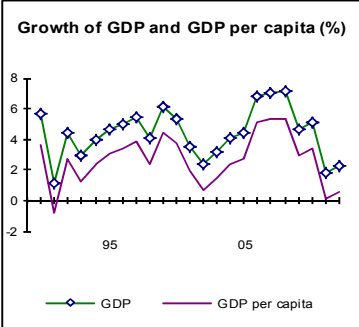
| Net Aid Flows                  | 1980  | 1990  | 2000  | 2012  |
|--------------------------------|-------|-------|-------|-------|
| <i>(US\$ millions)</i>         |       |       |       |       |
| Net ODA and official aid       | 1,386 | 6,057 | 1,371 | 1,807 |
| <i>Top 3 donors (in 2012):</i> |       |       |       |       |
| European Union Institutions    | 32    | 48    | 73    | 769   |
| France                         | 33    | 140   | 242   | 140   |
| Germany                        | 107   | 347   | 65    | 103   |
| Aid (% of GNI)                 | 6.5   | 14.4  | 1.4   | 0.7   |
| Aid per capita (US\$)          | 31    | 108   | 21    | 22    |

**Long-Term Economic Trends**

|  | 1980 | 1990 | 2000 | 2012 |
|--|------|------|------|------|
| Consumer prices (annual % change)              | ..   | 21.2 | 2.8  | 9.8  |
| GDP implicit deflator (annual % change)        | 18.0 | 18.4 | 4.9  | 12.4 |
| Exchange rate (annual average, local per US\$) | 0.7  | 2.2  | 3.4  | 6.0  |
| Terms of trade index (2000 = 100)              | ..   | 108  | 100  | 92   |

|   | 1980–90 | 1990–2000 | 2000–12 |
|---|---------|-----------|---------|
| Population, mid-year (millions)             | 44.9    | 56.3      | 66.1    |
| GDP (US\$ millions)                         | 22,912  | 43,130    | 99,839  |
| <i>(% of GDP)</i>                           |         |           |         |
| Agriculture                                 | 18.3    | 19.4      | 16.7    |
| Industry                                    | 36.8    | 28.7      | 33.1    |
| Manufacturing                               | 12.2    | 17.8      | 19.4    |
| Services                                    | 45.0    | 52.0      | 50.1    |
| Household final consumption expenditure     | 69.2    | 72.6      | 75.9    |
| General gov't final consumption expenditure | 15.7    | 11.3      | 11.2    |
| Gross capital formation                     | 27.5    | 28.8      | 19.6    |
| Exports of goods and services               | 30.5    | 20.0      | 16.2    |
| Imports of goods and services               | 42.9    | 32.7      | 22.8    |
| Gross savings                               | ..      | ..        | ..      |



**Growth of GDP and GDP per capita (%)**

95 05

— GDP — GDP per capita

**1980–90 1990–2000 2000–12**  
*(average annual growth %)*

|   | 1980–90 | 1990–2000 | 2000–12 |
|---|---------|-----------|---------|
| Population, mid-year (millions)             | 2.3     | 1.6       | 1.7     |
| GDP (US\$ millions)                         | 5.4     | 4.4       | 4.9     |
| <i>(% of GDP)</i>                           |         |           |         |
| Agriculture                                 | 2.7     | 3.1       | 3.3     |
| Industry                                    | 3.3     | 5.1       | 5.3     |
| Manufacturing                               | ..      | 6.3       | 4.7     |
| Services                                    | 7.8     | 4.1       | 5.4     |
| Household final consumption expenditure     | 3.6     | 3.8       | 3.3     |
| General gov't final consumption expenditure | 3.1     | 4.4       | 2.6     |
| Gross capital formation                     | 0.0     | 5.8       | 7.3     |
| Exports of goods and services               | 5.2     | 3.5       | 16.8    |
| Imports of goods and services               | -2.0    | 3.0       | 14.4    |
| Gross savings                               | ..      | ..        | ..      |

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

Development Economics, Development Data Group (DECDG).



## Appendix 2: Poverty, targeting and gender

1. Despite the economic development between 2005 and 2008 when Egypt experienced a high GDP growth with an overall drop in poverty from 40.5 percent in 2004 to 35.7 percent in 2008<sup>44</sup>, **poverty remains a major challenge in Egypt**. Due to the steep price rises in 2008 and 2010 the momentum in poverty reduction was lost. When food, fuel and financial crises hit in late spring of 2008 and in 2008-09, it was estimated that about 19.6 percent were estimated to live in absolute poverty and 21 percent were near poor<sup>45</sup>. Subsequently, Egypt has suffered significant economic setbacks after the revolution. Compared to the average rate of seven percent between 2006 and 2008, the low growth rates of 2011 and 2012 have exacerbated disparities and unemployment<sup>46</sup>. The unemployment rate is 13.4 percent in 2014. Nearly half the population is vulnerable to external shocks, especially the rising food prices. The Central Agency for Public Mobilization and Statistics (CAPMAS) show that Egypt's poverty rate increased over the year 2012/2013, reaching 26.3 percent compared with 25.2 percent in 2010/2011 with nearly 25 percent living just above the poverty line<sup>47</sup>. Some 11.9 percent of Egypt's population is in extreme Multi-Dimensional Poverty<sup>48</sup>. There are also high levels of inequality with the poorest 40 percent of the population accessing a mere 22.3 percent of the country's income. The Gini coefficient was reported to be 31 overall in 2010 with 22 in rural areas<sup>49</sup>.

2. Rising poverty has adversely affected poorer households' ability to cope and pushed twice as many people into **food insecurity** as those moving out of it in 2011. Data shows that between 2009 and 2011, 15.2 percent of the population moved into poverty compared to 7.7 percent of the population moving out and 12.6 percent of the population constituted the chronic poor. While the highest poverty rates remain in rural Upper Egypt (51.5 percent of the population against a national average of 25.2 percent), significant pockets of poverty and food insecurity are emerging in urban areas, where poverty increased by nearly 40 percent between 2009 and 2011. In population terms, Greater Cairo (Cairo, Qualoubia and Giza) has an even larger number of poor people (approximately 3.8 million) than the poorest governorates in Upper Egypt<sup>50</sup>.

3. In recognition of its **nutritional challenges**, Egypt has developed a 10-year Food and Nutrition Policy and Strategy (2007 – 2017). Egypt is confronted by the double challenge of malnutrition and malnutrition-obesity. The prevalence of stunting in Egypt is 29 percent making it one of the 36 high-burden countries of the world. Egypt's nutritional challenges can be classified into two broad categories: maternal, infants and young children, youth and young adults. The causes of nutrition problems in Egypt are a function of many factors: most households are food insecure because of low income, high food prices and low local agricultural production, in addition to poor dietary practices due to lack of awareness, inadequate health advice, adoption of Western diets high in refined carbohydrates, saturated fats and sugars, as well as a more sedentary lifestyle. These are commonly cited as the major contributors to the increase in overweight and chronic diseases. There are also the problems of environmental pollution and food safety challenges due to lack of enforcement of existing laws. There is an overarching health system challenge that derives from uncoordinated and disjointed planning of nutrition activities; often leading to sub-optimal use of resources and impact on nutrition status<sup>51</sup>.

4. Policies aimed at helping households withstand the effects of the financial crisis were not sufficient to prevent an increase in poverty. The crisis revealed that **Egypt does not have a scalable**

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<sup>44</sup> World Bank, *Economic growth, inequality and poverty: social mobility in Egypt between 2005 and 2008*, 2009, p 4.

<sup>45</sup> Kheir-El-Din, Hanaa and Heba El-Laithy. "Agricultural productivity growth, employment and poverty in Egypt", Working Paper No. 129 (2008).

<sup>46</sup> UNDP, Country Programme Document for Egypt, (2013).

<sup>47</sup> The extreme poverty limit is an annual EGP 3,570 (US\$ 518) per person, which means approximately EGP 312 per month per person, or EGP 10 (approximately US\$ 1.5) per day per person).

<sup>48</sup> World Food Programme, *The Status of Poverty and Food Security in Egypt: Analysis and Policy Recommendations* (2013).

<sup>49</sup> EDHR, 2010.

<sup>50</sup> Ibid.

<sup>51</sup> UNICEF, *Egypt Nutrition Landscape Analysis Report* 2012.

**targeted social protection system that could adequately protect the poor and those in danger of falling into poverty**<sup>52</sup>. During the crisis, Egypt dramatically expanded its subsidized food programme, and increased budget support to subsidized bread. The data show that without this expansion, the poverty incidence will have been at least 3 percent higher. However, the increased support was not well targeted and was costly (at least 1 percent of GDP). Cash social assistance programmes were also expanded and helped some of the poor to avoid extreme poverty, but they remained too small to have a visible effect on national averages.

5. Despite the setbacks, **Egypt is on track to achieve most of the MDGs and falls in the medium human development category**<sup>53</sup>. Between 1980 and 2012, Egypt's life expectancy at birth increased by 17.3 years. Mean years of schooling increased by 4.3 years, and expected years of schooling increased by 4.8 years. Infant mortality rates have shown remarkable improvements in the past four decades, dropping from 25 to 17.9 in 2012 and child mortality dropped from 28 to 21 in the same period. Between 1980 and 2012, Egypt's HDI value increased from 0.407 to 0.662, an increase of 63 percent. This is above the average of 0.64 for countries in the medium human development group, and above the average of 0.652 for the countries classified as the Arab States. Egypt's GNI per capita increased by about 141% between 1980 and 2012<sup>54</sup>.

6. **Egypt's population of 81 million has a high proportion of young people.** As much as 31 percent of Egypt's population in 2013 was dependent with 26 million children under the age of 15 years and another 29 percent between the ages of 15 and 30 years (24.4 million youth). Youth constitute 70.8% of the total unemployed. The majority of the unemployed youths were found in the 20 to 24 year-old age category, of which 39.3 percent were jobless<sup>55</sup>. If the increase in the number of working-age youth contributes to productive activities in their societies, the youth bulge can be used to yield a demographic dividend. However, if a large group of youth cannot find good jobs and obtain a satisfactory income, then the youth bulge could become a potential source of social and political unrest<sup>56</sup>.

7. **Poverty remains a rural phenomenon with more than 78 percent of the poor and 80 percent of the extreme poor found in rural areas.** Even in rural areas there are regional variations: Upper Egypt is significantly poorer than Lower Egypt with the highest rates of poverty, food insecurity and malnutrition. With only 25 percent of the total population, it has 66% of the extremely poor, 51% of the poor and 31% of the 'near poor'. Households living in Upper Egypt Governorates (Minya, Fayoum, Asyut and Sohag) had the highest percentages of households vulnerable to food insecurity (32 to 39 percent). Upper Egypt Governorates also have the highest percentages of households that remained vulnerable between 2005 and 2008 (33 to 43 percent)<sup>57</sup>.

8. Inflation has been one of the key **drivers of rural poverty** in the recent past but there are other structural drivers of poverty which include lack of adequate public infrastructure, private capital accumulation, and low investment in human capital, the absence of pro-poor programme-based fiscal policy and small size of land-holdings. The vast majority of landowners in rural Egypt (81%) own less than 3 feddan<sup>58</sup> which, on its own, with current levels of productivity is insufficient to maintain an average family of 5 members. The lack of access to credit, agricultural extension services and post-harvest facilities, coupled with exploitative marketing mechanisms further contributes to poverty.

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<sup>52</sup> World Bank, Social and Economic Development Group Middle East and North Africa Region, Report No. 60249-EG, "Arab Republic of Egypt Poverty in Egypt 2008-09: Withstanding the Global Economic Crisis" (June 17, 2011). <https://openknowledge.worldbank.org/bitstream/handle/10986/12551/602490ESW0P1180osed0May0230201200EG.pdf?sequence=1>

<sup>53</sup> Egypt's Progress Towards Achieving the Millennium Development Goals (2010), p. 15.

<sup>54</sup> UNDP, Human Development Report, The Rise of the South: Human Progress in a Diverse World, Egypt, (2013) [www.undp.org/content/dam/rbas/img/docs/Egypt.docx](http://www.undp.org/content/dam/rbas/img/docs/Egypt.docx)

<sup>55</sup> A Profile of Poverty Across Egypt and Recommendations. Egypt Network for Integrated Development (ENID) Policy Brief, 015.

<sup>56</sup> World Bank (2011). World Development Report 2011: Conflict, Security, and Development. Washington, DC.

<sup>57</sup> WFP, October 2008, Draft Vulnerability Analysis and Food Subsidy Study, A Panel Survey.

<sup>58</sup> Ministry of Agriculture and Land Reclamation, Arab Republic of Egypt, General Agricultural Census, 1981/1982.

9. Although the Constitution of Egypt guarantees equal treatment of all citizens, this does not translate into equality of status, opportunities and access and control over resources for women. **Gender inequality persists, directly undermining the country's socio-economic progress.** Egypt ranks low on international indicators of gender equity. It has a Gender Inequality Index (GII) value of 0.59, ranking it 126 out of 148 countries in the 2012 index. In Egypt, 2.2 percent of parliamentary seats are held by women, and 43.4 percent of adult women have reached a secondary or higher level of education, compared to 59.3 percent men. For every 100,000 live births, 66 women die from pregnancy related causes; and the adolescent fertility rate is 40.6 births per 1000 live births. Women's participation in the labour market is 23.7 percent compared to 74.3 for men, marking a very large disparity<sup>59</sup> (EHDR, 2013). Cultural norms and customary practices are compelling determinants of social and familial attitudes that influence the position and condition of women resulting in their marginalization and exclusion from social, economic and political life. Women's lower access to education, health, employment, income, and productive resources makes them more vulnerable to poverty than men. Labour statistics commonly under-estimate women labour force participation as they do not take into account their high engagement in the informal sector or in home based activities. A defining characteristic of women's employment is the gender-based differential in remuneration: male wages are higher both in rural and urban areas with women estimated to earn the equivalent of 26% of men's income<sup>60</sup>.

10. **Women in rural Egypt face greater deprivation along several axes compared to their urban counterparts.** Rural women do most of the agricultural work. Of the 53% of the working population engaged in the agricultural sector, 79.78% are comprised of female workers, compared to 39.62% for males. 42% of employed women are unpaid workers in agriculture, 35% are self-employed, and only 3% are agricultural wage earners. Gender disparities are also more pronounced in rural areas. For example, larger differences exist between poor girls and boys compared to non-poor girls and boys, where 19% of poor girls in rural areas are not enrolled, as opposed to 13% for poor boys (for the non-poor, the corresponding figures are 7% and 6%, respectively)<sup>61</sup>.

11. **Geographical Targeting:** The proposed project area will be in selected new lands in the governorates of Kafir-al-Sheikh in Lower Egypt, Minia and Beni Sueif in Middle Egypt and Aswan in Upper Egypt. The poverty ranking of these governorates differs depending on the source reflecting differences in methodology and data used. However, Minia and Beni Suef are ranked among the poorest governorates and although Aswan has lower rates of poverty, the gini-coefficient is high. Kafr el Sheikh is among the poorest governorates in Lower Egypt. The proposed area of the project will be selected from the sites in these governorates which the Government has allocated for settlement and rehabilitation over the last 15 to 20 years. A poverty ranking of the villages in each region will be undertaken to prioritize the poorest, most vulnerable villages based on the baseline and village profile. These villages will be prioritized for initiation of project activities and allocation of grants.

**Table 4: Incidence of Poverty and Poverty Ranking of Proposed Project Governorates**

| Governorate    | EHDR 2010 |                  | Poverty Ranking |           |         |      |
|----------------|-----------|------------------|-----------------|-----------|---------|------|
|                | % of poor | Gini Coefficient | EHDR 2010       | EHDR 2008 | WB 2007 | SFD* |
| Aswan          | 18.4      | 27.0             | 12              | 8         | 16      | 16   |
| Beni Suef      | 41.5      | 21.0             | 17              | 18        | 21      | 24   |
| Kafr el Sheikh | 11.2      | 21.0             | 16              | 16        | 13      | 12   |
| Minya          | 30.9      | 24.0             | 21              | 20        | 19      | 20   |

12. **Target group:** It is expected that the project will target around 40,000 rural households or 280,000 people in 30 new settlements as well as provide some support to the adjoining areas for the provision of social and economic services. The number of households has grown considerably beyond the original settlements records of these villages as many of the settler families came with

<sup>59</sup> The Gender Inequality Index (GII) reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity.

<sup>60</sup> UNDP, Egypt Human Development Report, 2008.

<sup>61</sup> UNDP, Arab Development Challenges Report 2011.

their extended families and there has been an influx of other groups. Those inhabiting these settlements now include the following: graduates who were awarded land by the Government of Egypt in waves over the last three decades, civil servants who were made redundant and given land, small holder farmers from the 'dark lands' who were seeking to increase land-holdings by selling their own lands and buying cheaper lands, farmers displaced due to changes in land tenure arrangements, the urban poor who could only afford to buy housing in the new settlements. The target group for the project will be poor and vulnerable households: women and men farmers, women interested in participation in skills and different trades and enterprise development and youth<sup>62</sup> living in the new lands.

13. **Men and women small-holder farmers:** The small-holder farmers in the new settlements typically own between two and a half to five feddan though some may own up to 30 feddan. In Lower Egypt and Upper Egypt, the landholdings are on average between two and a half to five feddan, while in Middle Egypt there is a greater variation with more farmers having larger land holdings as the old graduates had received larger parcels of land from the government. Most farmers own some livestock with the majority of households keeping poultry. The diversity and number of small and large ruminants increases with size of land holdings. The productivity of land and animals is low, thus even those households with larger parcels of land are still in the category of the poor. The availability of water for irrigation is a challenge due to several factors including shortage of water, poor condition of irrigation infrastructure, high cost of gasoline to run pumps, limited capital to invest in drip irrigation which costs about EGP 4000 to EGP 5000 per feddan. Poor knowledge about modern production practices, limited access to agriculture and livestock extension services and lack of capital translates into low agriculture productivity and high rates of animal morbidity and mortality. Farmers do not have access to credit through formal institutions and live in a continuous state of debt to middle-men and traders of inputs. Returns from agriculture are low with considerable variation in price of farm produce and high post-harvest losses. As a result of the multiple challenges they face, farmers said they feel like 'fighters' not farmers. Men and women are predominantly involved in farming but often have to supplement their incomes through off-farm jobs or daily wage labour. Since the typical household is large, one or two of the young men tend to work off-farm.

14. **Women:** Women in the new settlements often lack the social networks of support which provide the critical coping mechanism for poor households. Women's literacy levels tend to be low with high levels of illiteracy in some villages. However, there are villages with women who have secondary education. In many settlements women suffer because of low levels of education, early marriages, multiple pregnancies, limited or no access to skilled birth attendants, limited mobility, and highly limited opportunities for off-farm employment. Women have virtually no opportunities for employment both due to cultural constraints as well as unavailability of employment options. Even when women have high school or graduate degrees they are unable to find any productive employment. The majority of women, but not all, are actively involved in agriculture in most villages. However, there are some villages where women are only minimally involved. All women are heavily burdened with domestic tasks and involved with most of the tasks on the farm including both crop and animal husbandry. Farm activities include planting, weeding and harvesting of crops. Women perform eighty to ninety per cent of the tasks related to animal husbandry such as fetching and chopping fodder, feeding and watering the animals, milking, looking after the young animals at birth, grazing and cleaning. Milking, making butter, cheese, are also considered women's tasks. Some women are also involved in selling milk and at times animals at the farm gate but men predominantly make decisions about buying and selling animals. Care of rural poultry is almost exclusively the responsibility of women and they are able to keep the income from the sale of eggs and birds. Children, in the villages visited, were also seen to be suffering from malnutrition. Women are keen to participate in community activities, engage in enterprises such as bakery, tailoring, fruit processing, kitchen gardening, livestock and poultry keeping, improved agricultural practices and to find other employment opportunities.

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<sup>62</sup> Defined in Egypt as those between 18-35 age range.



15. **Young women and men:** Young women and men face challenges in accessing education, vocational training and opportunities for recreation. Unemployment among young men is high in most of the villages and they do not have many skills. They work as farm labour during peak seasons and seek work elsewhere in the country. Those who have intermediate school certificates work in restaurants, in cafes, in shops and those who are illiterate mainly work in construction and as casual labour in Cairo and other major cities. There are services required in the villages that could provide employment opportunities for them such as tailoring, barber shops, engine repairing, car mechanics, plumbers, electricians and carpenters and woodworks. However, no vocational training is available to them as the cost of accessing training in cities is prohibitive for most and they lack the capital required to start-up a business. In addition, the villages lack any sort of recreational facilities for youth. Substance abuse among young men was reported during field visits. Opportunities for young women are even more limited due to lower levels of education, early marriage, household responsibilities, and cultural barriers such as restrictions on their mobility. Spaces for young women to socialize together are even more limited than for young men. There are some opportunities for village-based enterprises such as tailoring, small shops for women's clothes, raising livestock, food processing, post-harvest activities, etc.

16. **Women-headed households:** Women-headed households are present in every village, with one of the target villages in Upper Egypt, Samaha, comprising exclusively women-headed households. Among women-headed households, the poorest are those with no male earning member. These households rely on charity, the bread subsidy from the government and earning from casual labour in agricultural fields. Some rely on child labour. Other households are temporarily women-headed as the male members work in other cities and these rely on remittances.

17. **Poverty Targeting Strategy:** SAIL's focus on the selected new lands is a key element in its poverty targeting strategy as only the poor, vulnerable and unemployed households with few other opportunities have moved into these areas. Thus the Project's focus on these 30 settlements will ensure that it is reaching directly the target group that is IFAD's mandate to assist. Within these areas, the project will also target certain settlements which are far more disadvantaged than the others like village Talha in Lower Egypt, El-Fash in Middle Egypt and Samaha in Upper Egypt, etc. This will be done by using the baseline survey and village profiles to do a poverty ranking of villages in each region and prioritizing these villages for initiation of activities and allocation of grants. SAIL components will address the needs of the poor small holder men and women farmers, women and youth. The project will be implemented in a manner which is sensitive to their constraints and encourages their participation. The project will be engaging both the vulnerable and those with higher productive potential within this group. The institutions of the poor such as the CDAs and the Agricultural cooperatives will be strengthened with a focus on ensuring voice for the poor, women and youth. To further refine its targeting strategy for the provision of grants, technical assistance or access to finance, use will be made of the CDAs and Agriculture Cooperatives to identify the most appropriate households for each type of activity. People from among the community are best placed to identify either the poorest households, the most entrepreneurial, those with leadership skills or most appropriate for different types of training opportunities. The Project will put in place a mechanism through which it will identify individuals or households for selection in different activities through consultation with CDAs, ACs, WUGs or MAs.

18. **Gender Targeting Strategy:** The SAIL Project has developed a very proactive strategy for the participation of women in Project activities especially recognizing that women play a key role in agriculture and domestic activities but are the faceless and voiceless farmers of Egypt. The Project will have specific gender disaggregated targets and budget allocations, appropriate gender balanced staffing, gender action plans and conduct periodic gender audits and reporting. Each of the components will have an approach to encourage the active participation of women.

19. The **Community and Livelihoods Development Component** will be primarily targeting village women. The representation of women in the General Body and the Executive body of CDAs will be ensured. Most of the activities to be undertaken by the CDAs have been designed keeping in mind

women's priorities and needs. Women will be provided access to literacy, nutrition and health classes. The basic health units will be equipped for ante and post-natal checkups with access to women doctors. The study undertaken for identifying enterprises and employment opportunities will be sex-disaggregated with special targets and arrangements for women. The entrepreneurship component will have a focus on women (30 percent) and youth (30 percent). Vulnerable and poor women who develop a feasible plan after completing entrepreneurship and vocational training will be given a grant to startup their business. Youth centers will be built in a culturally sensitive manner to ensure access to girls.

20. In the **Agriculture Development and Diversification Component** greater participation and voice for women will be facilitated by the project. A women's committee will be formed in the Agricultural Cooperative to discuss issues specific to women farmers. One or two representatives of this committee will be included in the board of the cooperative. As WUGs comprise a small number of farmers who jointly manage the pump that irrigates their land, women land-owners will automatically be members of the WUGs where they own land. Women's role in irrigation and water conservation will be identified and an appropriate mechanism designed for their participation in. A market study will be conducted to identify agri-related business for women's groups such as hatcheries, processing of medicinal plants etc., and where this will become possible women will have their own marketing association. Women farmers will receive training in animal husbandry and 150 women will receive village-based para-vet training out of which the 30 best performers will be deployed as para-vets. As women are the primary caretakers of livestock, 15 out of the twenty women trained as FFS facilitators for livestock will be women. The farmer field schools for livestock will primarily be attended by women. There will be a provision to train four women facilitators out of 20 for vegetable FFS. Women farmers will be eligible to attend these schools as well. In research and investments on climate change, the impact of climate change on women and their role in developing resilience to climate change will be highlighted. The project will hold dialogues on climate change with both women and men to develop strategies for resilience.

21. In the **Rural Finance Component**, an organization that has a track record of lending to women and youth, the Social Fund for Development, will be engaged to provide credit through CDAs. Women's access to credit will be facilitated by ensuring the representation of women and youth on the CDAs, hiring women loan officers and sex-disaggregated research to design loan products that will take into account the needs, priorities and payback capacities of women.

22. **Youth Targeting Strategy:** SAIL will put in place special arrangements to target youth. Separate CDAs will be formed for the young men and women in the target settlements and a process will be established to hold dialogues with them regarding their future plans and aspirations. Youth Development centres with a range of facilities will be established for them and they will be supported to develop plans to engage the energies of young women and men in the project areas. Given the high unemployment rate among youth, opportunities for vocational and enterprise training, apprenticeship and job placement will be identified with the private sector with the active involvement of the youth CDAs. The youth will be given preference during the construction of infrastructure schemes financed by the Project. Priority for recruitment of local staff for the RPMU and PMU will be given to local young men and women. Special opportunities will be developed in collaboration with the private sector to train youth in the operation and maintenance of some of the new technologies which will be introduced under the Project such as high efficiency irrigation systems, energy efficient technologies and flexi-bio-gas digesters. These youth will then act as apprentices, local technicians or agents who will help local communities to maintain the new systems. Those accessing vocational training will be provided with basic toolkits related to their profession. Those from among the young men and women who demonstrate their willingness and commitment to participate in innovative enterprise development will be provided technical assistance and access to loans. Exchange visits and learning tours will be identified for them. The PMU and RPMU staff will be given special responsibilities for outreach and targeting to them with special targets specified in the job description of each. Gender and Youth Specialists will be hired to ensure that the project retains a strong focus on the youth.

23. **Self-selection:** Project activities are such that they will be directly relevant for households in the newly settled lands and smallholder farmers in the target area. As such the target group will self-select themselves for participation in project activities. Furthermore, some of the activities are designed for those who are more entrepreneurial and have the appetite for undertaking innovative activities and undertaking risk. For these entrepreneurial men and women, as well as enterprising groups and local institutions from the target area, training opportunities for business development and establishing both on-farm and off-farm enterprises will be provided. Special loan products will be made available and where appropriate these individuals and groups could also qualify for grants from the Project. Those which demonstrate their capacity and maturity to transition into well managed enterprises which create employment opportunities for others, introduce innovative technologies and provide valuable services to the target group will be given opportunities for further development through exposure visits, training, technical assistance and capital support.

24. **Direct Targeting:** Vocational training is predominantly for youth and in entrepreneurship training quotas for minimum participation have been specified for women (30 percent ) and youth (30 percent). Seed capital for enterprise development will be given to poor vulnerable women and youth who develop viable proposals after the entrepreneurship training. Women will be trained as Community Based Livestock Extension Workers. Based on poverty-ranking of villages, greater resources will be allocated to the most vulnerable villages. Villages which are particularly vulnerable due to high levels of water-logging and salinity in Lower and Upper Egypt will receive a higher allocation of resources to resolve the issues and a highly marginalized village, Samaha, comprising entirely of women-headed households will receive grants for agricultural machinery.

25. **Empowering measures:** The project will have a strong communication and social mobilization strategy. All the households in the village will be informed about the project objectives and implementation strategy so a broad-based Community Development Association accountable to the women and men in the village could be formed. Youth CDAs will also be formed to address the specific needs of young women and men and create space for an active role in decision-making. Women's representation will be ensured in the CDAs, ACs and FMAs. Where women are hesitant to join the main forums due to cultural reasons, separate groups will be formed to encourage women's participation. This approach has worked well in many parts of Egypt. Governance, strategic planning, management and gender-sensitization training will be provided to CDAs and Agricultural Cooperatives and awareness-raising sessions to inform members of the roles and responsibilities of the members and board members will be held. Local capacity will be built for micro-finance, enterprise development, job placement and livestock management. The farmer field school methodology will be used to develop farmer's capacity for analyzing and solving problems. Exposure visits will be organized for women, men and youth to different villages so they will be able to directly observe good practice and learn from each other especially the FMAs of WNRDP, etc.

26. **Enabling measures:** The project will hold seminars on a periodic basis to share challenges, successes and lessons learnt in empowering women, men and youth in the new settlements with a range of private and public sector stakeholders. Women, men and youth will be represented at these events. These events will be structured so that women and men from the village will have a voice and highlight issues and achievements themselves. Commercial banks will be facilitated by the project in establishing a financial relationship with the poor and women and developing appropriate services for them on a sustainable basis. Women and men will also be provided opportunities to establish their own savings groups and link with opportunities for savings with the post office and formal savings institutions.

27. **Attention to procedural measures:** A strong community mobilization strategy will be put in place to prevent elite capture of CDAs, ACs, WUGs and FMAs. CDAs will be required to have a minimum of 50 per cent women as board members<sup>63</sup>. Youth CDAs will be created to ensure that young women and men's needs and priorities are not marginalized. Where women are interested in

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<sup>63</sup> The representation of women on the Board has been kept at 50 per cent based on past experience that the percentage specified is often interpreted as a cap rather than a minimum.

undertaking agricultural activities on a collective basis such as post-harvest activities, sorting, grading, marketing especially of products such as herbal and medicinal plants, they will be assisted through establishment of separate cooperatives and market associations. Collateral requirements which will prevent poor women and men from accessing credit will be removed and credit made available through credit guarantees. Women will be recruited as community specialists, gender and youth officers, community resource persons and loan officers to ensure women have access to the range of services offered by the Project. Youth centers will be built in a culturally sensitive manner to ensure access to girls. As cultural norms in most villages do not allow the intermingling of young girls and boys, separate spaces will be created to ensure access for girls and young women to youth centres. The walls of the spaces for women will be higher to ensure that they have the privacy required for recreation.

28. **Gender Strategy:** The strategy for each component has been specified below. The strategy will be supported by appropriate staffing, development of gender action plans and gender audits. In the **Community and Livelihood Development Component**, there will be a focus on ensuring the representation of women in the General Body and the Executive body of CDAs. SAIL will encourage women-led CDAs and where necessary allow for women only CDAs. Separate literacy and nutrition classes will be made available to women and men. The health units established will be equipped for ante and post-natal checkups and women will have access to a woman doctor. Training in nutrition, health and hygiene will be provided to women and men. The study undertaken for identifying enterprises and employment opportunities will be sex-disaggregated and women will be trained in marketable skills as well. The entrepreneurship component will have a women (30 percent) and youth (30 percent) focus. Business incubation and support services will be provided on an on-going basis. Vulnerable and very poor women who develop a feasible plan after completing entrepreneurship and/or vocational training will be given a grant to startup their business. Others will be able to access loans provided by the project.

29. In the **Agriculture Development and Diversification Component** greater participation and voice for women will be facilitated by the Project. A women's committee will be formed in the Agricultural Cooperative to discuss issues specific to women farmers. One or two representatives of this committee will be included in the board of the cooperative. Women landowners will be part of the Water User Groups. A market study will be conducted to identify agri-related business for women's groups such as hatcheries, processing of medicinal and aromatic herbs and plants, etc. Where required women will have their own marketing associations. Women farmers will receive training in animal husbandry. 150 women will be trained as Community Based Livestock Extension Workers and 30 deployed as Community Based Livestock Extension Workers by the project. As women are the primary caretakers of livestock, 15 out of the twenty women trained as FFS facilitators for livestock will be women. The farmer field schools for livestock will primarily be attended by women. There will be a provision to train four women facilitators out of 20 for vegetable FFS. Women farmers will be eligible to attend these schools as well. In research and investments on climate change, the impact of climate change on women and their role in developing resilience to climate change will be highlighted. The project will hold dialogues on climate change with both women and men to develop strategies for resilience.

30. In the **Rural Finance Component**, an organization that has a track record of lending to women and youth, the Social Fund for Development, will be engaged to provide credit through CDAs. Women's access to credit will be facilitated by ensuring the representation of women and youth on the CDAs, hiring women loan officers and sex-disaggregated research to design loan products that will take into account the needs, priorities and payback capacities of women. Commercial banks, GCS and PBDAC competing for Project funds through the ADP will be given additional weight if they design a package of financial services for women and youth for livestock and other agricultural activities without collateral.

31. The **PMU** and the **RPMU** will be staffed with Gender and Youth Specialists, women Community Mobilizers and Women Vets. The terms of reference of staff will include responsibilities for

mainstreaming gender. Two gender audits (year 3 and year 6) will be conducted to ensure that the project is on track to achieve its objectives. At the outset of the project, the staff of the project will participate in a workshop on mainstreaming gender and poverty targeting to sensitize them to gender and social exclusion issues, familiarize them with the project's strategies and refine them further. Two workshops with staff will be conducted as part of the gender audits. Lessons learnt on women's empowerment and inclusion will be a critical element of knowledge management. Thematic papers and learning notes will also highlight the relevant gender aspects. The monitoring and evaluation indicators will be sex-disaggregated and include qualitative and quantitative indicators to measure women's inclusion and empowerment. The project will elicit and include indicators for the achievement of project objectives from youth, women and men beneficiaries.



## Appendix 3: Country performance and lessons learned

### A. Overview

1. Egypt is one of IFAD's largest recipient of assistance in the Near East and North Africa Region. The fund has committed almost US\$323 million in 11 agricultural development programmes to Egypt since 1981 to support agricultural development and reduce rural poverty. While most projects have closed, four are on-going. Egypt has also benefited from a number of regional and multi-country grants which deal with technical issues related to crop rotations, soil fertility, gender mainstreaming, the development of knowledge-sharing networks, the promotion of microfinance for the rural poor and institutional capacity-building. In 2004, the experiences of GOE/IFAD cooperation over the past 25 years were subject to a Country Programme Evaluation (CPE) which analysed and documented the performance of IFAD financed projects and the lessons emerging from the experience. These lessons have been considered in the current design. Most significantly, the proposed Project design builds on the successful experience from the West Nubaria Rural Development Project and tries to avoid some its mistakes. In addition, a number of relevant development projects funded by other donors also provide useful insights and recommendations which have been incorporated in the design.
2. IFAD is a small donor in Egypt in terms of the volume of financial assistance it provides compared to others. However, its assistance has been targeted very strategically to the agriculture sector and the smallholder farmer in particular. 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. IFAD prides itself for being the first donor to recognise the plight of the smallholder settlers in the new lands in Egypt. While the small farmers, including both men and women, have been the central focus of IFAD's projects, the off-farm rural sector has also been gradually added to its ambit in recognition of the growing diversity of rural livelihoods. At a time when the importance of agricultural growth has been acknowledged as being critical for growth in national income, food and nutrition security, employment and reduction of poverty in Egypt and the role of the small farmer is recognised as pivotal in contributing to this growth. IFAD believes that its comparative advantage lies in continuing to work closely with the small holder farmer, the small rural entrepreneur, women and youth in rural areas.
3. The impact of IFAD investments on the new land is immediately evident and was very well captured in the completion report of the very first IFAD project in Egypt. The Completion Report of the West Beheira Settlement Project (WBSP) assessed that the project had succeeded in establishing a viable farming community, complete with needed infrastructure, potable water, electricity, roads, sewage disposal system and housing for the settlers. The provision of good quality irrigation water and the rehabilitation of the irrigation network and provision of drainage completely transformed the productive potential of the project area. The 2004 CPE, the project completion reports of projects completed in 2008 and the impact evaluation from WNRDP (2013) report an unprecedented increases in yields on the new lands and substantial increases even on the old lands for wheat, maize, rice, alfalfa and vegetables. In most cases, the increase in yields has surpassed the Staff Appraisal Report estimates indicating much higher rate of return than projected at appraisal. Cropping intensity was also reported to have increased for most projects with agricultural components. Of course, not all of this increase can be attributed to project interventions alone. A survey of adoption rates of new technologies by farmers for a few major field crops implemented by the Agricultural Production Intensification Project (APIP) showed adoption rates of above 80% for important practices for cotton, maize and wheat in Fayoum. For Fava beans, the adoption rate was 50%. Often the difference of adoption rates between contact farmers and others was very small indicating that the farmer to farmer channels of communication are very strong in disseminating information about new technologies.
4. More recent analysis of its on-going projects shows that IFAD has broadened its partnerships in the country to include the private sector and has made good progress in organizing Farmer Market

Associations and connecting them to markets through contractual arrangements with the private sector. This has had an immediate impact on farmer incomes. In addition, the availability of financial services for on-farm investments in modern irrigation technologies has helped to substantially reduce the cost of production. The impact study of the WNRDP showed that, as a result of IFAD's intervention, (i) settlement rate increased from the initial 25% to 100% by the end of the project period; (ii) average annual household income had increased fourfold reaching US\$8,300 in the project area; (iii) an increase in farm-gate prices of up to 33 per cent; (iv) decreases in irrigation costs by 25 per cent, through enhanced managerial capacity of WUAs, conversion from diesel to electric pumping, and promotion of modern irrigation systems; (v) 50-per-cent decrease in fertilizer use through drip irrigation – and 75 per cent when combining organic manure and chemical fertilizers with drip irrigation. (vi) Effective Marketing Associations established with a total membership of 30,570 through which contract farming was undertaken through 63 different contracts, (vii) establishment of collection centres for agriculture produce and (viii) introduction of Global Gap certification of an area covering 5,884 ha for 26 commodities.

## B. Lessons Learned

5. The current review reflects upon the lessons from the experience of IFAD's on-going experience in the country and the region, donor projects and international best practice. The lessons from the CPE of 2004 and the COSOP of 2006 were also reviewed to strengthen the design of the current project. In addition a number of relevant development projects funded by other donors are being implemented all over Egypt and these projects also provide useful insights for the current operation. Some of the important lessons that emerge from this analysis include the following;

- *Rural Institutions (CDAs, As, WUGs and FMAs) whether formal or informal are only sustainable as long as there is a strong reason for their existence thus rather than artificially trying to sustain these institutions it is best to strengthen their motivations for continuation:* Too many projects rush to organize smallholders without properly putting in place mechanisms which will ensure that farmers benefit from these institutional artifacts. The result is that there is emphasis on achieving the targets specified in the project document in terms of number of organizations to be created without examining how the members are benefitting and what measures could be taken to ensure that they receive benefits from their collective organization. The result is a rapid attrition in the organizations established even during the project period with little trace of these institutions at the end of the project period. The current project will first identify the benefits that will accrue from such organizations and then, in a participatory manner, identify with the small holders the type of organizational structure that best suits those functions.
- *Balance between production and marketing:* A major focus of development projects has been on enhancing smallholder production without sufficient attention to how the existing and additional production will be marketed resulting in considerable post-harvest losses, lack of market access and consequent decrease in price. There is a need to balance investment on both aspects of production and marketing and assist the small-holder farmer understand farming as a business. The SAIL project will begin from an analysis of markets and market demand and then work backwards to assist the small-holder in understanding how to analyze the market information, use it for production decisions and meeting the volumes and quality standards required to link them with markets.
- *FMAs and CDAs have generally not succeeded at managing grants which are given in isolation without giving due consideration to other factors key for a successful enterprise.* Projects which have tried to provide grants to these associations to build their equity without adequately examining the management model, strengthening their capacity or providing them working capital have not fared well. Besides not every Farmer Association created has the requisite capacity or motivation to work as a body corporate. The USAID El Shams project which provided considerable grant financing to the Farmer Associations failed in examining some of these underlying factors as a result of which much of the equipment provided by them is lying un-used. The SAIL approach recognises that providing capital grants alone does not enable farmers to capitalise on business development opportunities. In addition, successful enterprises require working capital, business acumen and a strong willingness to work together with clear identification of how responsibilities and revenues will be shared.



- *The non-farm rural sector is key in employment generation, income enhancement and poverty alleviation in rural areas and is inextricably linked to growth in the agriculture sector.* A sizable proportion of the incomes of small holder farmers, unemployed youth and landless households come from the non-farm sector. Growth in the agriculture sector fuels demand for its products and any project designed to increase rural incomes should also be poised to support growth in this sector. Policy makers have not always understood the nature and importance of the non-farm rural sector to poverty alleviation and it is only recently that this link is being acknowledged. While the SAIL project will be focused on growth and development of the agriculture sector on the new lands, it will provide for investments in off-farm employment opportunities and enterprises.
- *A plurality of institutional arrangements is required to ensure the delivery of financial services to the rural areas* The formal banking sector has a low risk appetite for provision of financial services to the agriculture sector and its limited capacity, orientation for outreach to small holder farmers, women and unemployed youth. In Egypt, the commercial sector has provided funds to the agriculture sector to small and medium enterprises only in the presence of either directed lines of credit or through risk sharing arrangements. The microfinance sector is small but financial intermediaries such as MFIs, NGOs, CDAs, ACs and Market Associations have provided outreach to un-served populations but at a cost which is perceived to be high but is in keeping with best practice microfinance in which the MFI tries to cover its operational costs and provide the services on a sustainable basis. There are low levels of technology deployment in the microfinance sector and as such the cost of delivery has been much higher than those provided by the formal sector banks. A diverse range of institutional arrangements is required to ensure that all available avenues are used. Learning from this experience, the proposed project will address these constraints through several innovative arrangements such as a local credit guarantee mechanism and use of a plurality of institutions.
- *There is limited availability of appropriately designed loan products and loan terms* for the graduate farmer who has only use rights to the new lands, small-holder farmer with limited collateral, women and youth in rural areas. There is need for participating financial institutions to develop tailored products to meet the special needs of smallholders in the new lands. The proposed Project will support the development of these products.
- **Dedicated Resources for Women and Youth Participation:** Dedicated resources are required to be allocated in the budget to ensure the participation of women and youth. In addition, it is important to specify the responsibility of each team member regarding the participation of special target groups and appointment of dedicated human resources to oversee that the targets are achieved.



## Appendix 4: Detailed project description

1. The SAIL project will include three main components; (i) Community and Livelihood Development Component; (ii) Agriculture Production and Diversification Component; (iii) Financial Services Component. In addition, special arrangements will be made for effective Project Management.

### ***Component 1: Community and Livelihood Development Component***

2. The focus of this component will be on those areas of the newly settled lands, which contain the residential area for the new settlers, and on enterprise development. The Community and Livelihood Development Component will have three sub-components (i) strengthening of Community Development Associations; (ii) Provision of social and physical infrastructure; (iii) vocational training and enterprise development.

3. *Establishment and Strengthening of Community Development Associations:* The project will invest in strengthening appropriate CDA and establish them where none exist or where the existing ones are not appropriate for the purposes of the project. The approach of the project will be to make membership of these organizations inclusive and voluntary and their activities to be demand driven based on needs of the communities. The CDAs will be designed in a manner which encourages the participation of women and where required separate CDAs will be established for women. Separate CDAs will be established for youth for activities which are relevant for them. The activities for youth and women will be identified in participation with them during the initial diagnostic process. The PMU and RPMUs will have specialist staff to organize the CDAs. Some of the more well-developed CDAs from WNRDP will be invited to share their experiences with the newly established ones in the target area. It is expected that the Project will invest in 30 CDAs primarily focused on women and 15 CDAs for youth. Good governance, leadership and strategic planning and management training will be provided to the CDAs through procurement of local technical specialists (see list in Appendix 5).

4. Investments in infrastructure and services will be an entry point for institutional development. Through the CDAs, the project will articulate a careful plan for the priority infrastructure and services required. Building on WNRDP experience, these CDAs will be supported to assume the responsibility for the operation and maintenance of any facility established by the project in the target area identified by the members. The project will provide support for these activities through grants and access to financial services. A strategy for sustainability will be in-built into each of the services provided by the CDA. This will entail hands on support in the initial years which will be gradually withdrawn as the CDAs develop their capacity and begin to levy user fee for its services. In addition, the CDAs will also be used as the mechanism for the delivery of financial services to its members through the Social Fund for Development. The project will provide training and operational assistance to its members to manage the credit portfolio and other services. A credit guarantee mechanism will be made available to the CDAs for accessing funds from SFD. The project will facilitate savings by women and youth by establishing their links with the local post offices and other formal sector financial institutions and other innovative savings mechanisms.

5. *Social and physical infrastructure:* The Government has invested in some basic infrastructure including housing and other facilities such as schools and health centres in the new areas. However, these are not provided evenly. Many areas lack the basic infrastructure and access to social services which is essential for any community. This component will finance schools, basic health clinics, community and youth centres, water supply, solid waste management systems, alternate energy solutions, etc. For each type of infrastructure provided, a clear plan for community contribution, operation and maintenance will be specified and agreed upon prior to the initiation of any civil works. It will be a pre-requisite in all civil work contracts to engage un-skilled and if available, skilled labour from within the communities for employment generation. The project will make a clear distinction of the operations and management responsibility and arrangements depending upon whether the

infrastructure comes within the category of public, private or community. Government will take over all facilities which are within their domain to manage such as schools, etc., and the CDAs will take over the management of all social and community infrastructure such as literacy classes, nurseries, health clinics, youth centres, solid waste management, etc. The CDA members will be given training in efficient operation and management including levying a user fee for long term sustainability of the services on a gradual basis. Table 5 below provides a summary of the investment that will be made under SAIL for social infrastructure and the beneficiaries from specific interventions.

**Table 5: SAIL Investments in Social Infrastructure**

| <b>Social Infrastructure</b>              | <b>Numbers</b> | <b>Households</b> | <b>Beneficiaries</b> |
|---|----------------|-------------------|----------------------|
| Repair of Drinking Water Supply           | 6              | 7,820             | 54,740               |
| Solar Tube wells for Drinking Water       | 9              | 11,727            | 82,087               |
| Clinics                                   | 20             | 40,000            | 280,000              |
| Nurseries                                 | 20             | 40,000            | 280,000              |
| Schools                                   | 10             | 40,000            | 280,000              |
| Youth Community Centers                   | 8              | 10,727            | 75,087               |
| Solid Waste Management                    | 10             | 13,333            | 280,000              |
| Solar lighting in Youth Community Centers | 16             | 10,727            | 75,087               |

Note: Beneficiaries for each infrastructure are indicated separately and cannot be aggregated, total households in the project area is 40,000.

6. Under SAIL, it will be a pre-condition to have local skilled and unskilled labour employed to the maximum extent. Generally the labour component in civil works can be as high as 20% of the cost. These projects will generate about 70,000 labour days of employment in the communities. The Project technical staff will provide quality assurance jointly with the CDAs; nominated members of the CDA will be provided training in monitoring quality of civil works. More details are provided under institutional arrangements.

7. *Vocational Training and Enterprise Development:* This component will finance the cost of providing community members, especially women and the youth, opportunities for productive employment and enterprise development. The project will arrange for vocational and enterprise development training through specialist service providers in an arrangement with relevant specialists whose services will be competitively procured. The identification of vocational and enterprise training will be based on mapping opportunities through a market survey, and, matching opportunities with aspirations and capacities of SAIL's target population. The training opportunities could include training for young women and men to become plumbers, electricians, masons, bakers, tailors, barbers, butchers, etc. Special activities will be identified in discussion with women such as tricot, handicrafts, fruit processing, shops, hatcheries etc. New employment opportunities will also be investigated for the youth which could include recycling of waste, information technology, franchise and retail agents for private companies, maintenance of drip irrigation, solar panels and pumps, bio-gas units, etc. The private sector suppliers will be expected to participate in training the youth in the new techniques.

8. The project will provide grants on a competitive basis to groups and individuals for starting small businesses that promote diversification and help in enhancing their adaptive capacities. At least 100 grants in kind will specifically target poor women, women headed households, landless women and youth, and in particular, the most vulnerable who do not qualify for loans. The size of the grant will depend upon the type of enterprise and initiative that is sponsored. The beneficiaries will contribute in the form of land, local materials and labour etc. The eligible individual or groups will be selected from among those who successfully complete their training through the project or submit viable and innovative proposals. The aim of these grants will be to encourage innovation and adoption of new technologies which have higher risks or unpredictable profits and encourage entrepreneurship. The grants will be offered under selected windows, such as: income diversification, adoption of new technologies, building climate resilience, entrepreneurship development, etc. The grants will be managed by the PMU based on a careful selection process. In addition, the project will also facilitate

access to credit funds for those trained under this component. The details for the access to financial services are provided under the financial services component.

## **Component 2: Agriculture Development and Diversification Component**

9. The Agriculture Development and Diversification Component will have four sub-components (i) strengthening of ACs, WUGs and FMAs; (ii) Water and energy infrastructure; (iii) crop and livestock extension services and (iv) Marketing services.

10. *Subcomponent 1: Strengthening of Farmer Cooperatives & Associations:* Under this sub-component, the project will strengthen the existing farmer cooperatives and help with the formation of WUGs (including men and women landowners) and marketing associations (See sub-component 4). WNRDP experience in this regard will be strengthened. The governance of the cooperatives will be improved to strengthen them and their members trained to better manage their organizations. The project will assist Agriculture Cooperatives to enable them to serve their members by enhancing their negotiating power when purchasing fertilizers and other supplies, providing capital to acquire necessary machinery, resources to process their crops and add-value and enhance their bargaining power when selling their crops to obtain higher prices. Greater participation and voice for women in Agricultural Cooperatives and farmer associations will be facilitated by the project (see Appendix 2: Gender, Poverty and targeting for details). Opportunities for policy reform and dialogue will be explored to make the co-operatives more member-controlled and initiate policy dialogue to strengthen the regulatory framework on the operations of the cooperatives which currently limits their participation in profit oriented activities. The project will also provide training to the Agriculture cooperatives to strengthen their capacity to manage credit portfolios (See Component 3).

11. The project will help establish Water User Groups and train them in the proper operation and maintenance of the irrigation and drainage infrastructure. Training and capacity building of WUGs will be provided through a participatory approach for good pump and mesqa operation, maintenance planning, and water management. The farmers will be required to put in place a system for cleaning and maintaining all irrigation and investment systems. They will be required to establish and levy a system for payment of user charges. The WUGs will also be provided with tools and equipment to clean and maintain the irrigation and drainage infrastructure. They will be made aware of ground water quality, yield impact of over-watering of crops and the measures to adopt in case of soil salinity, etc.

12. *Subcomponent 2: Water and Renewable Energy Infrastructure:* The productive infrastructure to be provided under the Project will be tailored to the needs of each target settlement in the three geographical zones. The needs assessment will be documented through a participatory community demand driven process. Under the Project, it is envisaged that the following investments will be made after a detailed review of needs in the project area.

**Table 6: Preliminary List of Proposed Irrigation Infrastructure**

| <b>Productive Infrastructure</b>                      | <b>Unit</b> | <b>Quantity</b> | <b>Households</b> | <b>Beneficiaries</b> |
|---|-------------|-----------------|-------------------|----------------------|
| Rehabilitation of lifting pumps, Middle & Upper Egypt | Nos.        | 17              | 11,067            | 77,467               |
| Reconstruction of Mesqas, Kafr el Sheikh              | meters      | 50000           | 4,800             | 33,600               |
| Construction of irrigation outlets (bawabas)          | Nos.        | 1000            | 4,800             | 33,600               |
| Equipment for Drainage in Kafr el Sheikh              | Set         | 1               | 4,800             | 33,600               |
| Mesqa construction & improvement, Middle Egypt        | feddan      | 6000            | 2,324             | 16,268               |
| Drainage Improvement in Upper Egypt                   | feddan      | 10134           | 3,839             | 26,870               |
| Agriculture equipment for Al-Samaha, Upper Egypt      | Set         | 1               | 303               | 2,121                |

13. A preliminary survey indicates that new Mesqas (tertiary canals) need to be established along with drainage improvements in Kafr el Sheikh. Drainage channels will be kept earthen in order to allow ease of maintenance and flexibility to the farmers for diversion. In addition, with the improvements in drainage, adequate disposal to the main drainage channels from the lateral and collector channels will be ensured. Mesqas will be improved along with provision of buried pipe mesqas in some areas of Middle Egypt benefiting 6,000 feddans. Studies for assessment of salinity, drainage and underground water will be conducted under the project prior to finalization of technical designs.

14. Repair and maintenance works on about 17 pumping units on branch canals will be carried out in order to make them operational in Middle and Upper Egypt. This investment will be essential to restore the irrigation supply systems, which were installed more than 20 years ago. In Middle Egypt, currently water for irrigation is being provided from both irrigation canals and groundwater sources. However the quality of ground water resources is variable. In Middle Egypt, the farmers have generally adopted water efficient technologies, and through extension services under the project, the farmers will be assisted in maximising the use of scarce water resources.

15. To control the effect of waterlogging in Lower Egypt, which are expected to exacerbate soil salinization and lead to deterioration of crop quality and productivity, drainage networks would be monitored and cleared to make sure that salinity levels do not increase further. For that purpose, the project will invest in backhoes that ensure that drainage canals are cleared. In Upper Egypt, village Al-Samaha was settled by widows and divorced women. It remains marginalised and requires particular attention. It will be one of the three villages in Upper Egypt where drainage will be improved under the project. The village agricultural cooperative will be provided equipment which it has the capacity to manage as a grant.

16. In Upper Egypt, investment will be made in scaling up the good practices in efficient water conveyance systems which include laying underground pipe Mesqas, shared pumping (for about 4 farmers, 20 feddans maximum) and/or low pressure buried piped Marwas. Lessons learned from the Irrigation Improvement Project (IIP) and the Integrated Irrigation Improvement Management Projects (IIIMP) suggest that it is essential to form WUGs and carry out close consultation with men and women farmers and involve them in the design of the networks prior to introducing any new system. Previous experience from West Noubaria also shows that small pumping systems serving 15~50 feddans, are more sustainable and more easily accepted and managed by the farmers.<sup>64</sup> In addition, in areas located at the tail end of the canals, water is available only on rotational basis for limited periods necessitating higher capacity of pumps in the tail sections.

17. The project will also provide investments in new and innovative technologies such as solar pumps, solar dryers, composting units, and flexi-biogas units. These technologies will be appropriate for project settlements which are all in remote areas and will reduce the high cost of energy and contribute to a cleaner environment and a reduction in emission of green-house gases<sup>65</sup>. For the introduction of these new technologies, a consultative process with women and men farmers will be adopted and demonstration units will be established. For solar installations in particular, the project will provide equipment for a group of 4 to 6 farmers from the source up to the filters, while the farmers will avail loans to add on drip and sprinkler irrigation systems. They will also contribute in the form of land, labour and local materials. The following investments under the project are planned.

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<sup>64</sup> An exploratory survey of Water Management in the Meet Yazid canal command area of the Nile Delta, IWMI-WMRI, Dec 2013.

<sup>65</sup> Approximately 15,000 tonnes/annum of GHG will be saved.

**Table 7: Preliminary List of Innovative Technologies**

| <b>Innovative Productive Technologies</b>            | <b>Unit</b> | <b>Quantity</b> | <b>Households</b> | <b>Beneficiaries</b> |
|--|-------------|-----------------|-------------------|----------------------|
| Solar water pumps (average 100m TDH) in Middle Egypt | Pumps       | 150             | 600               | 4,200                |
| Solar water pumps (average 50m TDH) in Upper Egypt   | Pumps       | 200             | 800               | 5,600                |
| Solar Dryers - Demo units in Middle and Upper Egypt  | Dryers      | 2               | 1,303             | 9,123                |
| Composting Units – Demos                             | Numbers     | 10              | 13,333            | 93,333               |
| Biogas Units – Demos                                 | Numbers     | 30              | 30                | 210                  |
| Trainings in solar technology                        | Persons     | 4500            | 4,500             | 4,500                |
| Trainings in composting & biogas technology          | Persons     | 2700            | 2,700             | 2,700                |
| On-site emerging technologies visits                 | Groups      | 5               | 25                | 175                  |

18. Prior to installation of solar systems, an analysis will be undertaken of the existing pumps in the settlements of Middle and Upper Egypt through a TA study. The study will provide an assessment of the type of pumps in the area, their capacities, current efficiency level, energy consumption and potential configuration of new solar pumps. About 350 solar water pumps will be installed in Middle and Upper Egypt with each pump serving around 20 feddans and expected to benefit a total of about 7,000 feddans. The capacity and configuration of the pumping systems will be tailored for each location depending on the Total Dynamic Head (TDH), the output required and irrigation conveyance systems at the field level. As in the case of irrigation systems and piping networks, farmers and WUGs will be involved through a participatory approach in the design of the pumping systems. The change from diesel and electric pump sets to solar powered pumping units is expected to save between 25~30 MW/day from the national grid. The pumping units are envisaged to be direct DC submersible pumping units, which are more cost efficient and work on variable voltages. The system will cater for field requirements of night pumping which is necessitated due to the rotational availability of water for limited days in a week. Automatic power converter modules can be integrated in the system to allow for auto switching from solar, to utility grid or even to a gen-set as may be required. The project will provide a loan facility for farmers who opt to replace their old inefficient diesel pumps with new units integrated with efficient irrigation systems.

19. Solar dryers will be introduced as demonstration units, one in middle and one in Upper Egypt. These dryers will be of one tonne capacity and the units will specifically target women CDAs where they show an interest or Agriculture Cooperatives. In order to ensure sustainability, the dryers will be provided after a detailed business plan is prepared including development of a marketing plan and establishment of linkages with the private sector. The CDAs/Agriculture Cooperatives will have to evolve to a level where they can ensure effective management of not only the technology but also the ability to manage the required volumes of herbs, aromatic plants, or vegetables that are to be processed. Extension services in technology and marketing will be provided through a training programme to the selected CDAs/Agriculture under the project. This initiative is expected to be introduced once the CDAs/Agriculture Cooperatives have been mobilized and strengthened and where production levels justify their use.

20. Under the SAIL project, the WNRDP composting unit experience will be scaled up through access to loans. Composting has a high contribution to carbon sequestration and improving the soil fertility in many ways. Compost for instance, is able to reduce erosion and nitrate leaching due to the increase in soil aggregate stability and water holding capacity of farm-land. Even degraded soils can be restored with the aid of compost. With its content of plant nutrients such as nitrogen, phosphorus and potassium, compost is a valuable fertilizer due to its suppressive effect on plant pathogens and has the capacity to control plant diseases. All these features account for the high rating of composting projects for the land resource criterion and are particularly important for agriculture in developing

countries where crop inputs such as chemical fertilizers and pesticides are not readily available or hazardous to use without proper training<sup>66</sup>.

21. An integrated waste management programme will be implemented under the project. While the solid waste management (refer Community Development Component) will support employment generation through recycling and promote safe disposal of waste at the community level, the composting element of the programme will support the agricultural development component in 10 selected villages. The waste will be sorted at the household level into recyclable and organic waste. The composting unit established under WNRDP has been a great success and similar experiences are quoted in several developing countries<sup>67</sup>. The key is integration with the solid waste management initiative, community mobilization, an effective pricing model and marketing linkages for the end product<sup>68</sup>. The composting units will be established after a detailed business and marketing plan has been prepared and will be preferably managed by the women and youth in the rural community. Investment under the project will be a mix of grants, loan and community contributions. The end product can be sold to the farmers or marketed as a high value product after appropriate packaging as has been the experience in India.

22. Flexi-biogas can provide a clean, easily controlled source of renewable energy from organic waste materials for a small labour input, replacing firewood or fossil fuels. Under the project, 30 flexi-biogas units will be provided. These units will be small-scale units of 3~5 m<sup>3</sup> capacity serving individual households. The selection criteria for site location and households for such units will be included in the Implementation Manual.

23. Training in new technologies will be provided to ensure sustainability. Under the project, training by appropriate specialists from the private sector will be provided to community groups in each settlement. Over the life of the project, training in solar technology will be provided to about 4500 persons and for bio-gas and composting to about 2700 persons. Overall, in each of the 30 villages, two days training will be provided twice a year for five years on solar technology and for three years on bio-gas and compost production respectively. Training will facilitate development of locally skilled cadre of youth trained in installation, maintenance and repair of efficient irrigation systems, solar systems, construction and maintenance of bio-gas units, maintenance of solar dryers, electricians, plumbers and other related skills. This will help the youth to gain marketable skills and become engaged in productive livelihoods.

24. Groups of progressive farmers from the three regions will be afforded the opportunity to learn about new emerging soil-less technologies such as, hydroponics, automated irrigation systems and fertigation techniques through on-field exchange visits within Egypt and or neighboring countries. Each group could comprise of 4~6 farmers. Special attention will be given to farmers from Lower Egypt and some villages in Upper Egypt who are having increasing problems with salinity, rendering their lands less favourable for cultivation.

25. Overall, the activities under this sub-component are expected to benefit about 24,150 households (169,000 beneficiaries) and improve irrigation in about 62,000 feddans in the project area<sup>69</sup>.

26. *Subcomponent 3: Crop and livestock extension services:* The objective of this subcomponent will be to enhance crop and livestock production and productivity through the adoption of improved, climate resilient agricultural practices and technologies. Attention will be provided to enhanced resilience of farming systems through production diversification, reduced post-harvest losses and enhanced quality of produce. The project will also support activities that increase the resilience of the smallholders to challenges such as water scarcity, salinity, increasing temperature, decreased rainfall

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<sup>66</sup> C. Rogger, et.al, Composting projects under the Clean Development Mechanism: Sustainable contribution to mitigate climate change, 2010.

<sup>67</sup> D. Hoornweg et.al, "Composting and its Applicability in Developing Countries", The World Bank, 1999.

<sup>68</sup> R. Linzner, et.al, Recirculation of local organic waste in urban and rural agriculture – the impact on soil functions in Guinea/West Africa, March 2007.

<sup>69</sup> Estimated after excluding possible duplicate beneficiaries from investments within the same project area.



and other climate change impacts. The project will introduce new crops and varieties with increased productivity and market potential, adapted to drought, higher temperature and salinity and introduce new field technologies and crop intensification systems favouring water use efficiency, soil fertility, crop diversification and increased farm income. The Project will build on the experience of the WNRDP and on available and adapted technologies tested through IFAD investment projects as well as the results from several research projects in Egypt.

27. The Project will invest in the installation of weather stations and the development of a Dynamic Agriculture Information and Response System (DAIRS). This would help improve long-term forecasting to enhance the capacity to cope with and respond to climate change related hazards. This system will deliver early warning to extreme events (heat waves, frost, cold waves, storms, epidemic outbreaks of pests and diseases) as well as provide response advice relevant to extreme events; accurate irrigation scheduling that reduces the cost of irrigation and minimizes water overuse; early pest and disease forecast and advice to allow suitable time for taking necessary actions and; proper calculation of sowing and harvest dates to maximise production. DAIRS will be implemented with technical assistance by the Central Laboratory for Agriculture Climate (CLAC), which will also design a system for transmitting the information generated to extension agents, cooperatives and farmers through the use of mobile technology. After the second year, CLAC will identify the most suitable partnership with a private operator who will provide the information dissemination as a subscription service at very nominal costs to ensure sustainability of the system. CLAC has already developed these types of partnerships (with Vodafone) for the provision of other services. It is estimated that DAIRS will reach out to 20,000 beneficiaries. Further details on the system are available in the Climate Change Working Paper.

28. Livestock production enhancement and its integration in the farming systems of the project target groups is considered key in the interventions of SAIL. Improving livestock in the farming systems will improve income generation, especially for the women farmers, enhance family nutrition, improve soil fertility through availability of animal manure, and support resilience of farmer families through the diversification of sources of income and making available sources for cash. Interventions in the livestock sector will include technologies adopted in the WNRDP as well as the scaling up other successful technologies.

29. Building on the experience in WNRDP and using the available infrastructure and technical capacities in the centre for artificial insemination (AI) in West Noubaria, training will be provided to interested beneficiaries in AI. Small mobile units from the West Noubaria laboratory will be established in the SAIL project sites in Lower, Upper and Middle Egypt that will provide training and the needed material (semen, liquid nitrogen, etc) to them to enable them to provide AI service to the communities for a fee.

30. SAIL will provide extension services and training to men and women farmers through various extension methodologies and approaches. Extension services will be provided to improve both crop and livestock production and to enhance the use of crops and crop bi-products for improved livestock husbandry. Through the various agricultural and extension training that the project will provide, the project will build a cadre of extension workers and service providers within the agricultural cooperatives and the community available to provide on-going extension advice, animal health services and artificial insemination services for crop and livestock improvement for the target population. The experience of WNRDP demonstrates the considerable value for the smallholder of these services. Livestock husbandry extension and training will specifically target women, who are the main caretakers of the animals within the household.

31. A cadre of women Community-Based Livestock Extension Workers (CLEW) will be trained and deployed by the project in the villages, in view of the central role played by Egyptian women in livestock. The training will be offered to three to five women from each village. The training will be organized at the local level with pick and drop service provided to ensure women's access to this training. In case the training needs to be residential, the project will enable a family member to travel and stay with the woman as that will make this arrangement culturally acceptable. The best

performing woman will be selected to be a CLEW for her village. She will be provided with a start-up kit containing basic veterinary tools, first aid medicines, anthelmintic and mineral supplements etc. to help her quickly assume their service delivery and develop confidence. She can replenish the consumable items by charging its cost from the farmers served. The CLEWs will work in their respective community for delivery of regular vaccination, de-worming, mineral supply, first aid health and other basic livestock services under the close supervision and guidance of the women veterinarians being employed by the project as Livestock specialists in the RPMUs. As it takes time to build credibility and develop expertise, the CLEWs will be supported with a performance based stipend for the first two years: they will make 30 household visits and hold five sessions per month. These will be reported to the women livestock specialists who will be in charge of monitoring their performance.

32. SAIL will use the extension methodology that has been successfully used in WNRDP, which is based on hiring special project extension staff responsible for organizing specialized one-day training courses for a number of farmers on special production technologies with the support of experts from educational and research institutions. These will be done both in the classroom style as well as in farmers' fields. The topic of the trainings will respond to the needs of the farmers and the market. The project extension staff will also be responsible for the establishment of on-farm demonstration plots, for the field days and for exchange visits. Targeted training will also be provided by the extension staff to satisfy specialized markets identified (including local supermarkets, hotels, and restaurants, export market, organic production, etc.).

33. SAIL will also introduce and pilot the participatory approach of FFS to deliver extension. While the FFS methodology has been piloted for several years by FAO on vegetables and fruit trees in various parts of Egypt (Regional Integrated Pest Management Programme in the Near East-GTFS/REM/070/ITA), this has not yet been introduced in the new lands. SAIL will build on the experience of the FAO project, and when possible use the local trained expertise.

34. During the initial phases of the project, participatory dialogues will be held with local communities to assess constraints, needs and market opportunities. During this phase, the priority areas/constraints of importance to the farmers will be identified as the entry point to the FFS that will be established and around which the FFS curriculum will be developed. In the process, the project will identify 40 key farmers (at least 10 of which will be women) who have social skills, have good farming experience and knowledge, are motivated and trusted by the community and who are ready to be trained and act as FFS facilitators for the following years. Facilitators to be trained will be 8 in Kafr el Sheikh (Upper Egypt), 16 in Middle Egypt and 16 in Upper Egypt ensuring that all village and active agricultural cooperatives are represented. The 40 selected facilitators will be intensively trained by international and, where available, national FFS master facilitators in various participatory approaches and in technical issues related to the FFS.

35. The project will include a mechanism whereby the farmers will start paying for the services of the facilitators on a gradual basis. It is also expected that once there is a critical mass of farmers within an agricultural cooperative who are organized, are producing more and have access to markets, the cooperative will hire the services of these local facilitators to provide extension support their members. Similarly with the improvement in livestock production and the increase in the request, the CDAs – and agricultural cooperatives- is expected to hire those trained facilitators to become community livestock extension workers on a small fee for provision of livestock services.

36. The FFS approach and the other extension methods that are adopted from WNRDP, are not exclusive and will be used in a complementary way in the SAIL project. Farmer facilitators and selected graduates of the FFS will become the contact farmers maintaining the link between farmers and extension officers.

37. SAIL will also make special arrangements allowing farmers to visit other farms in Egypt which have successfully introduced new technologies and models. Knowledge sharing events for farmers

will be organized in each target area every year and this will complement the FFS facilitator refresher workshops to be organized every other year.

38. To complement the extension services, other support actions will be provided to farmers by SAIL through access to finance and small grants for installation of efficient irrigation facilities, innovative agriculture techniques, post-harvest and value-addition facilities and renewable energy solutions, etc. The farmers from West Noubaria will be used as important resource for disseminating lessons to the project area of the current project.

39. *Subcomponent 4: Marketing Services:* The project will support cooperatives in developing their capacities to serve their members, including through identifying markets and linking the farmers to them. Collective marketing will require that cooperative members are producing sufficient quantities of the quality requested by the market. The integration of women in these FMAs or separate ones for women will be a priority area for the Project. Where the ACs are well established and managed and a market has been identified for larger quantities than what a cooperative can provide, the experience of WNRDP in establishing FMAs will be scaled up. In order to ensure a minimum volume of produce to attract the private sector, several agriculture cooperatives will be grouped into one FMA. These associations will be facilitated by the project in accessing markets and in establishing fair contract farming arrangements with traders, processors and exporters. The FMAs and their ACs members will be provided with training and awareness to orient farmers to produce high quality products that guarantee high market prices and understand the quality and standards required by different markets. Targeted extension will be provided for these markets.

40. Where required by a potential market, farmers will also be provided with training aiming at certification of their produce such as that of organic certification, global gap certification, fair trade practices, etc. They will be supported in the first year by the project in completing the process of certification and in the associated costs, and they will be provided the needed training on the process of obtaining and retaining certification for export to protected markets, such that they should be able to be self-dependent in maintaining these certifications.

41. The project will support farmers to capitalise on the comparative advantages in their respective regions for getting the local and external markets. Cooperatives in Lower Egypt will be directly linked to the FMAs already established under the WNRDP. The regions of Middle and Upper Egypt have several comparative advantages that the project will capitalize on. These include a climate that favours harvesting of crops much earlier than other parts of Egypt or Europe, thus providing a favourable market window. These regions also have good soil and water quality with low level of salinity and pollutants relative to the delta region. They also have relatively low labour costs. On the other hand, their remoteness from ports increases the cost of transportation which could limit their competitiveness for the export markets and processing.

42. Experience in the WNRDP and the UERDP as well as various value chain assessments and studies indicate that all project areas have significant advantages and open market windows for a large number of fresh vegetables, fresh fruits, herbs and spices, frozen vegetables and dried vegetables. Collection centers, solar dehydration units, pack-houses, cold storage facilities, cold transport, market intelligence, effective outreach programs, quality and food safety systems are all essential to set-up an effective produce export supply chain.

43. The project will provide access to finance as well as capital grants for ACs to establish post-harvest infrastructure to reduce losses in quantity and quality of produce as well as to enhance the control of the cooperatives over the market price. These include collection centres, drying and processing structures and equipment, sorting and packing stations, solar dehydration units, cold storage facilities, etc. The selection of the type, size and specifications of such facilities will be based on production capacity and market assessments and will follow specific selection criteria that will be related to the productive and managerial capacity of the cooperative, the type of processed material required by the market (dried, fresh, distilled, frozen, juice, etc.), the quantities produced or required by the market, etc. The ACs will also be provided training in the management, as well as operation

and maintenance of the facilities. The market associations form WNRDP will be used as a training resource for the SAIL project.

### **Component 3: Rural Financial Services**

44. This component will have three sub-components; (i) Credit funds for leveraging financial services; (ii) Grass-roots credit guarantee mechanism and (iii) institutional support and capacity building.

45. *Subcomponent 1: Credit line for leveraging financial services.* This subcomponent will provide funds to participating financial institutions for on-lending to the target groups in the project area. The need for additional resources is required because of the huge unmet demand for financial services in rural areas in general and the new lands in particular. The institutional partners chosen are based on their capacity to reach the project target group, their capacity for facilitating potential financial inclusion through a range of financial services to the target group and ability to introduce innovative financial products and services in a sustainable manner over the medium-term. The project's institutional partners will include the SFD, GCS and partner banks of the ADP. The CIB will be the fund manager for ADP. The loan terms and procedures of each will be agreed in separate agreements with them together with the arrangements for the credit guarantee facility.

46. SFD will provide loans through Community Development Associations in the newly settled lands of the project area. Preparatory steps include (i) a market/demand assessment in the target area by a service provider in cooperation with project staff and selected CDAs and (ii) capacity building of CDAs, establishing a financial unit in each. The component will help CDAs prepare a comprehensive business plan to achieve reasonable returns, covering their costs and generating a surplus to at least maintain the real value of the portfolio. As an exit strategy, CIB recommends to consider bringing the CDAs in due course under the umbrella of ADP and associated banks to expand their access to institutional financing facilities.

47. ADP - with the help of the project and in cooperation with the Commercial International Bank (CIB) as their fund manager – will provide funds directly to the GCS for on-lending to the ACs in the project area. The loan could include two products: (i) loans to ACS for on-lending to members for agricultural investments which is expected to constitute the majority of the portfolio; and (ii) loans to cooperatives for own investments benefitting the members.

48. ADP will also stimulate the development and delivery of a range of innovative financial services by inviting competitive proposals from the CIB participating banks' network for greater financial inclusion of the target households and institutions in the newly settled lands. Those submitting good proposals will be provided access to the credit funds of the project. The selection criteria will assign additional weight to proposals which develop an approach or product especially relevant for smallholders, agriculture cooperatives, marketing associations, CDAs, rural women and youth. The feasibility of including young men and women from the project area as agents of the banks, retail agents or franchise holders will be examined. The Commercial International Bank (CIB) will be paid a management fee of 0.5% p.a. of the outstanding loan portfolio. CIB will monitor loan processing, documentation and loan follow-up at all levels down to end-user loans; it might also manage a capacity building component including BDS and a revolving fund as an exit strategy.

49. *Subcomponent 2: Grassroots credit guarantee mechanism.* The project will provide a credit guarantee facility to the CDAs, Agricultural Cooperatives and loans through the ADP/CIB participating banks to ensure their access to funds. SFD will be able to claim up to 10% of the loans disbursed to CDAs, while ADP will be able to claim up to 5% of the loans disbursed to GCS/ACS and through the ADP/CIB participating banks, in case of default. The CDAs and ACs will bear part of the risk beyond this percentage whereas, the lending institution will cover the rest. The higher rate for SFD is being given in view of their agreement to provide appropriate loan products designed especially for the smallholder farmers and dealing with newly established CDAs. The Credit guarantee Mechanism for all partners will be managed by the CIB. To minimize the amount of funds kept idle, any valid claims on the GCM, will be offset from the repayment installments that the project has to make to the

participating institutions against the lines of credit extended. A more elaborate description of the expected implementation steps are included in the project documents. Clear illustrative procedures have been drawn up to indicate the extent of cover, the conditions for invocation of claims, the liability of the different partners, etc. The experience with the credit guarantee will be examined after the first three years to assess its functioning and make amendments where required.

50. *Subcomponent 3: Institutional support and capacity building:* The project will offer direct support and facilitation to participating financial institutions for identifying the target group, developing client-focused products, developing strategic, operational and financial plans, providing business development services, effectively managing and operating automated management information systems with loan tracking, participating in loan appraisal and in monitoring and evaluation. Under this subcomponent, the project staff will be responsible for ensuring that BDS and access to finance are properly coordinated and integrated as a key element of the project. At the start the project will organize a market survey/demand assessment, covering all targeted areas, with the costs covered from project grant resources. The study is essential to ensure the responsiveness and relevance of products to the targeted areas and groups. On the basis of the results of this study, the partner institutions will develop appropriate loan products. Upon the conclusion of the market survey further activities under the Component will have to be synchronized with other project activities, including infrastructure and community mobilization as prerequisites.

51. In its institutional support, the project will be innovative and efficient in responding to challenges such as (i) different levels of development of settlements, (ii) differences in economic prospects, and (iii) differences in governance and management among the CDAs and cooperatives. Accordingly, the project will provide a set of sequential institutional support services, including:

- Developing a business plan for each CDA and Agriculture cooperative.
- Finalizing the development of product specifications, related policies, procedures and basic manuals in light of the market survey conducted by the project.
- Providing intensive capacity building and training to CDAs and cooperatives to equip them with the required knowledge and skills to manage a financial portfolio.
- Assisting CDAs and Cooperatives to acquire and operate an appropriate and cost-effective Management Information System (MIS) including loan and impact tracking, financial and internal controls and the ability to provide basic reports required for prudent management.



## Appendix 5: Institutional aspects and implementation arrangements

### A. Overview

1. The delivery mechanism envisaged in the SAIL Project will rely on a mix of public, private sector and community led institutions. The implementation approach for SAIL will envisage a high degree of stakeholder participation and grassroots involvement in order to bring villagers, including women, youth and the less advantaged into an effective force for change and self-reliance. A diagnostic process will be adopted to work in close collaboration with rural households through their institutions such as the Community Development Associations, ACs, WUGs and FMAS. The Project approach will tailor project activities and services to the needs of the target beneficiaries and ensure their capacity to operate and manage the services for long-term sustainability. The Project will ensure close partnership with rural institutions in a manner which clearly identifies the roles and responsibilities of each implementing partner from the outset.

2. **Project Steering Committee.** A high ranking inter-ministerial Project Steering Committee (PSC) will be set up for overall policy decisions and guidance at the national level. The PSC will be chaired by the Minister of MALR or his representative, with members representing the Ministry of International Cooperation, Ministry of Irrigation, representatives from the relevant line ministries such as Education and Health and Participants Financial Institutions (PFIs). The PSC will meet biannually, and on an ad hoc basis when necessary. It will have the primary responsibility of guiding the Project implementation activities and in all matters of policy regarding the Project. Specifically, the PSC will: (i) ensure that Project activities are in compliance with the Government's policies; (ii) approve consolidated Project AWPB; (iii) allocate the microfinance funds to PFIs; (iv) oversee the effective coordination and synergy between the different components; (v) ensure that Project interventions are coordinated with other development programmes and Projects; and (vi) oversee and monitor the systematic implementation of the Project and recommend changes where necessary in coordination with IFAD.

3. **Project Management Unit.** The PMU will be headed by an Executive Director appointed by the Minister of MALR and acceptable to IFAD. The PMU will report to the Minister and Project Steering Committee. The PMU will be based at the International Centre for Development and Training (ICDT) in Amriya and will be in close proximity to the National Office of the Graduates on Newlands which is also based in Noubaria. The PMU and the RPMU will have the main task for implementing and overseeing all project components with technical assistance and support from selected implementation partners. The PMU/RPMU will be responsible for the implementation of the Community and Agricultural Development Components, as well as oversee the implementation of the Rural Finance Component and be responsible for the Project Management and Coordination.

4. SAIL will capitalize on the existing capacities and experience of WNRDP staff housed at ICDT, which will also ensure a quick start-up of Project activities in the Kafr-El-Sheikh area. The PMU will provide implementation support for certain Project functions such as financial management, procurement, monitoring and evaluation. The PMU will provide technical assistance, training and orientation to the newly recruited PMU/RPMU staff based on their experience in WNRDP. As an essential step towards ensuring continuity of staff during the project period, most of the Project staff will be recruited from the Project target area itself.

5. The PMU staff will comprise a Project Manager, a Community Mobilization Specialist, Civil Works Engineer, Marketing Advisor, Agricultural Extension Advisor, Gender & Poverty Targeting and Youth Advisor, National Credit and Enterprise Facilitation Specialist, Financial Manager, M&E Officer, Accountant and support staff. All new Project staff will be recruited through open competition and be assigned to the Project on a full time basis. The Project will capitalise upon the experience of WNRDP by seconding qualified staff from the project to the SAIL Project.

6. The PMU will be responsible for coordination and liaison with implementing partners, the Government and Participating Financial Institutions, as well as overall Project programming, preparation of AWPBs, financial management including disbursement, procurement, preparation for audits, etc.), monitoring/evaluation and knowledge management.
7. The PMU will be responsible for ensuring the systematic collection of baseline data, monitoring and evaluation, progress reporting and liaison with the Government. It will also be responsible for providing logistical and administrative support to supervision missions, mid-term reviews and Project completion reports.
8. Where required, services of technical specialists and agencies will be recruited for specific tasks such as governance, strategic management and planning training as well as vocational and enterprise training. The PMU will recruit technical assistance based on performance based contracts and oversee and supervise their work.
9. **Regional Project Management Units.** Three RPMU will be established in Lower, Middle and Upper Egypt that will coordinate and implement Project's activities in the selected settlements. Given its proximity to the ICDT, the RPMU for Lower Egypt will be based in the PMU. The RPMUs will have the primary responsibility for preparation of regional level AWPBs, identifying farmer organizations and strengthening them, ensuring participation of women, working closely with technical assistance, manage Project funds at the governorate level, monitoring and evaluation, reporting and providing support to supervision missions.
10. RPMUs will report to the PMU. Each unit will comprise a Regional Project Manager, who will be an experienced specialist with relevant experience, authority and good networking capability with the farming community and other Project implementing partners. Other staff will include Agriculture Extension Officer, Livestock Specialists, Community Specialists and women and men Community Mobilisers, Local Engineer, Market Facilitation Officer, M&E Officer, Regional Credit and Enterprise Facilitation Specialist, technical assistance for overseeing participation of women, accountant and support staff. Other short term staff might be recruited based on the Project's needs. RPMUs will send progress report to the PMU and maintain direct contact and interactions with relevant local level GOE agencies, private sector and civil society organizations involved with Project implementation.

## **B. Phasing of Project activities**

11. **Phased Approach:** SAIL will adopt a phased approach to implementation to address the challenge of a widely dispersed project area. The phased approach will assist in a gradual start of the programme in one area prior to expanding it to other parts of the country. However, due to the urgent need for investment, the start-up of the project in the different regions cannot be delayed beyond a certain period as the situation of the farmers is dire and there is extreme pressure on the Government to begin project activities as soon as possible. The project will begin its work in Kafr-El Sheikh within three months of project effectiveness and then move to Upper Egypt and thereafter Middle Egypt. The milestones that will signal the readiness to move from one location to another have been identified as follows; (i) Establishment of a fully staffed RPMU unit; (ii) Community Dialogues initiated; (iii) CDAs formed and registered; (iv) CDAs and Agriculture Cooperatives training needs identified; (iv) Baseline survey initiated and village profiles prepared; (iv) Social and productive infrastructure schemes identified.
12. **Sequential Approach:** A sequencing process is built into the implementation approach of the various components to ensure that the different regions are ready for subsequent stages of investment. In each location, the different components will have four stages. There is no set time-frame for the transition from one stage to the next, which could be partially overlapping.
13. **Stage 1: Preparatory and Diagnostic Phase:** This will entail recruitment and training of project staff, holding participatory dialogues with local communities to assess constraints, needs and market opportunities. New staff will be recruited for SAIL PMU/RPMUs, and the Government will capitalise upon the experience of WNRDP by seconding qualified staff to SAIL. Capacity building and coaching



will be provided to the newly recruited staff, in particular for those who will operate in the different project zones. The Project will facilitate community based discussions and participatory planning to assess the economic and social needs, as well as identify appropriate solutions in the Project target areas. The results of these discussions will serve as a basis to design the concrete interventions that will be implemented during the course of the Project.

**Milestones:**

- PMU is established, SC is constituted, staff hired and start-up workshop is organized.
- RPMUs are established, staff is provided orientation and M&E is developed.
- Baseline survey
- Village profiles developed
- Assessment of state of CDAs and need for strengthening and formation
- Assessment of strengthening needs of Agriculture Cooperatives
- Assessment of youth aspirations and employment potential
- Identification of social and productive Investments.
- Demand assessment for financial services

14. *Stage 2: Institutional and Infrastructure Development Phase:* The investments in infrastructure and skills will be used as an entry point around which institutions will be strengthened and management capacity of local people will be built. This will include establishing and building the capacity of Community Development Associations, Agriculture Cooperatives, Water User Groups and Market Associations in the Project area. The Project will provide hands on training and operational assistance to these institutions that will enable them to provide the necessary services at the community level and operate and maintain the social and productive infrastructure that the Project will rehabilitate or construct. During this Phase, the Project will finance the construction/rehabilitation of social infrastructure and the productive infrastructure that the targeted communities have identified. Governance, Planning and Management training would be provided to the CDAs and Agriculture Cooperatives and vocational and enterprise development training would be provided to individuals. The following milestones have been identified for this stage.

**Milestones:**

- Legal formation of CDAs and Strengthening of Agriculture Cooperatives
- CDAs and AG cooperatives have completed governance, management and strategic planning training.
- MOUs signed between CDAs, Ag Co-ops, SAIL and relevant Institutions for implementation of the social and productive infrastructure.
- Social and productive schemes initiated.
- Capacity building of CDAs and Agriculture Cooperatives in operation and management of the infrastructure initiated.
- Capacity building of CDAs and Ag Cooperatives in provision of financial services.
- Development of Strategic, Operational and Financial plans for CDAs and Ag Cooperatives
- Financing agreements for the provision of financial services signed.
- Mapping of employment and enterprise development opportunities for youth identified and service provider contracted for its delivery.

15. *Stage 3: Production and Livelihood Intensification:* This stage would begin once the productive and social infrastructure schemes have been completed and when farmers can begin to benefit from improved access to finances, marketing services and training in different vocations and enterprises. Thus under this phase, the focus would be on provision of financial services, links to markets and placement in jobs and initiation of enterprises. Investment would also be made in assets for the CDAs and Agriculture Cooperatives to give them a source of additional income.

### **Milestones:**

- Farmer field schools established and training initiated.
- Global Gap training provided to selected farmers.
- Local paravets trained.
- Private sector has trained local people in the operation of efficient irrigation systems and use of new energy efficient technologies.
- Market Associations established.
- Men and women provided loans for enterprises and agricultural investments.
- Men and women placed in jobs.
- CDAs provided collective facilities to build their asset base and increase their income.
- Agriculture Cooperatives provided post-harvest and marketing facilities

16. *Stage 4: Sustainability and Exit:* This phase will be expected to be reached when the institutions and rural enterprises need less and less support from the project and start becoming sustainable through proper management of their assets, charging of user fees and achieving operational sustainability in the management of services and enterprises. The hands on and financial support provided in the initial years of the project will be gradually withdrawn at this stage. At this stage the project will focus on making the various operations of the institutions and individuals sustainable and prepare to withdraw project support.

### **Milestones**

- GOE would have taken over the responsibility for managing the schools.
- CDAs would be running the local health centres and other enterprises on a sustainable basis.
- Agriculture cooperatives would be operating and maintaining the irrigation and drainage facilities.
- CDAs and Agriculture Cooperatives would be operating the rural finance operations on an operationally self-sufficient basis.
- Paravets and other locally trained people would be working and recovering their costs through user fees.
- Men and women trained would be placed in jobs or would have begun enterprises.
- MAs would have established contractual links with the private sector.

### **Component 1: Community Development and Livelihood Component**

17. The PMU/RPMU will take the lead in initiating the activities under this component. The Project will have in-house capacity to organize and develop the capacity of Community Development Associations (CDA) in the Project target area. Where required specific technical assistance from the private sector or specialist agencies will be recruited to train the CDAs in specialist tasks. The CDAs will work as catalysts in the village consultation process, strengthen social cohesion, establish a sense of community and promote increased and equitable access to economic opportunities. CDAs are registered bodies and have the legal status of NGOs by Egyptian law. They will be responsible for the planning, participatory implementation and monitoring of activities in the villages and will assist PMU/RPMU in overseeing operations at the local level. Trainings and coaching will be provided to existing/newly established CDAs, based on an institutional assessment to be carried out in the Project target area. These training will improve operational capacity of the CDAs and enable them to deliver effectively the services that are expected from them.

18. Through the CDAs, the community will articulate a plan for investment in priority social infrastructure and community social services. Where a need is identified by the CDAs for the construction/rehabilitation of social service facilities, the PMU/CDA will enlist the involvement of the relevant line agency of Government (e.g. Ministries of Social Affairs, Health or Education) to ensure that there is a full commitment to the future operation and maintenance of the facility through

Government budgetary provisions before any Project funds are committed and construction begins. Government will take over all facilities which is within its domain to manage, such as schools and youth/community centres. Otherwise, and building on WNRDP experience, the CDAs, after receiving proper trainings, will assume the responsibility for operating and maintaining those social infrastructure that do not fall under the realm of a relevant Government authority, such as small health clinics, nursery classes, solid waste management and drinking water. For each type of infrastructure provided, a clear plan for staffing and operation and maintenance will be specified.

19. The PMU will be responsible for tendering and contracting the design, construction/rehabilitation and technical supervision works related to improving the social infrastructure in the SAIL Project target area. Given the scope and scale of the construction/rehabilitation activities, civil works will be implemented by specialized small and medium size companies, who will be subcontracted by the PMU and the latter will be fully responsible for contract management and quality control. However, quality assurance through close supervision and monitoring of the works to ensure quality standards are maintained will be a shared responsibility with the CDA. The civil works contractors will be bound to use local unskilled labor and skilled labor (to the extent available) from within the community. For all infrastructure to be handed over to the community, the CDA will assume the responsibility and an operations and management plan will be made to assist scheme sustainability.

20. Quality assurance will be provided as a joint responsibility of the RPMUs and the CDAs. The community members will ensure sustainability of the infrastructure and other social facilities through operation and maintenance contributions to the CDAs. Where the Project invests in schools, or basic health clinics, the community through the CDAs will be expected to form a committee for effective oversight was an active stakeholder as well to ensure long-term sustainability and maintenance of the infrastructure.

21. The PMU will subcontract specialized organizations and individuals to map market opportunities and provide vocational training, business development, entrepreneurship development and job placement services with a strong focus on women and youth. The PMU will contract in expertise to draft detailed TOR and review applications from these specialist organizations. The support of the private sector will be enlisted in the process by encouraging them to recruit and train the local youth as technicians for the operation and maintenance of modern irrigation and solar technologies, as sale agents and as entrepreneurs in establishing innovative business ideas such as recycling of waste, mobile and IT technology. Specialist organisations such as public and private Technical Vocational Institutes, the Alexandria Business Association, the Social Fund for Development, Etijah, etc., can be used for providing training.

22. About 100 grants will be provided to highly vulnerable women and youth, individuals or groups to enhance diversification through support to development of small businesses, The PMU will develop selection criteria for these grants focussing especially on vulnerable women and youth and including those who develop a feasible plan after completing the enterprise or vocational training. The beneficiaries will be supported through materials, goods and working capital to start the businesses. The beneficiary contribution will include land, labour and local materials.

23. The PMU and the RPMU will be responsible for putting in place a system which monitors the number of people who have been placed in jobs, productive employment opportunities and enterprise development. The PMU will develop a tracking system which will obtain regular updates from the trained persons.

## ***Component 2: Agricultural Development and Diversification Component***

24. The CMS will assess the capacity of the Agriculture Cooperatives and organize them for their strengthening and governance through training opportunities. One of the first activities under this component will be the identification of farmers and Farmer Groups or Cooperatives interested in participation in Project activities. This task will be the main responsibility of Community Mobilization Specialists and Community mobilizers in each zone. Special efforts will be made to ensure that women are included in the activities of the Project. The CMS will also organize and train men and women farmers into Water User Groups prior to any investment in the irrigation and drainage infrastructure. Market Associations will be facilitated as and when required with the joint collaboration of the CMS and MFO.

25. These institutions will be provided technical and management training in the use of irrigation and energy efficient technologies, post-harvest facilities or any other productive infrastructure investments made by the Project. No investment will be made unless the local farmer institutions have reached a certain level of organization and institutional capacity. Gender equity and participation will be a criteria in making investments in these institutions. Each institution will be required to sign a terms of partnership with the RPMU which specifies roles and responsibilities and operation and maintenance arrangements. Training will be given to youth and skilled persons in the community to operate and manage the new technologies by the private companies supplying the technology as an essential element of their contract with the Project. This will help develop skill sets which will enable the growth of service providers from within the community.

26. In order to identify the specific productive infrastructure needs of each region, a detailed needs assessment will be carried out by the RPMU and project staff for each settlement at the outset in close collaboration with the Agriculture Cooperatives. This initial diagnostic process will be followed by a technical, economic and social feasibility of the infrastructure identified to ensure that the scheme is economically viable, within the capacity of the community to operate and maintain and does not lead to any negative social or environmental consequences. Once its feasibility is established the Project technical staff will prepare detailed designs and cost estimates or contract out the design to specialists. Preference for construction and installation will be given to small local contractors, specialist companies or undertaken through local community based labour as may be appropriate. However, construction quality and technical specifications will not be comprised in any way. The community members will be involved at each stage of the process to ensure that the final design is in accordance with community requirements. A contractor will be selected through a competitive procurement process giving special weightage to those who will employ people locally. The construction of the infrastructure will be closely supervised by the project engineer and community representatives. The payment for the construction will be made in stages and only after community and Project approval of technical aspects of the scheme at each stage. Any conflict among the community about design will have to be resolved by them before approval or initiation of the scheme.

27. The selection of individuals or groups for the provision of innovative technologies such as solar equipment and bio-gas units will be based on a technical criteria. In each case, the technical factors which will make the technology viable will be kept in mind such as availability of animal manure for bio-gas units and production volumes which justify the installation of solar equipment. The selection of households or groups within each area will be based on the criteria such as a written agreement between the Project and WUG to operate and maintain the equipment, provide land and local materials etc., avail loans for efficient irrigation systems, participate in training sessions and to resolve any disputes through mediation of the CDAs and Agriculture Cooperatives as may be relevant. The initial solar dryer, composting units and bio-gas units will be set up through grants and once this technology has proven to be successful it will be provided through loans to individual and or groups. In each case, the private sector supplier will be required to train local youth in its operation and maintenance as well as train the benefitting households in its use.

28. The installation of weather stations and the development of a Dynamic Agriculture Information and Response System (DAIRS) will be by the Central Laboratory for Agriculture Climate (CLAC).

CLAC is part the Agricultural Research Center in Egypt and its mandate is to provide information on agro-climate and its related applications in various fields of the agricultural sector, as well as install and operate weather stations and undertake climate modeling for assessing the impact of climate variability on agricultural production. For the implementation of this task, the PMU will seek the assistance of CLAC, based on the specific terms of reference detailed in the Climate Change Working Paper. The contract between the PMU and CLAC will be in accordance with the contractual processes between Government institutions in Egypt.

29. The Agriculture Extension Adviser will be responsible for planning the agriculture and livestock productivity enhancement activities under the Agriculture Development and Diversification Component in consultation with the livestock and horticulture specialists in the RPMUs. The ALM will oversee the plans for the training of women and men farmers in livestock, the identification, training and supervision of women and men livestock extension workers and monitor the performance of the Livestock and horticulture specialists and project activities.

30. All staff involved in the extension system, especially those involved in the planning (PMU and RPMU) will be trained in the Farmer Field School (FFS) principles and methods given that this is not widely practised in Egypt.

31. The Agricultural Extension Officer (AEO) and the Livestock Specialists will be responsible for identifying and facilitating the planning and provision of all extension and training services under this component such as organizing Farmer Field Schools, training of the Community Livestock and Extension Workers (CLEWS), farmer field days, demonstration plots and exposure visits and opportunities for learning in collaboration with the RPMU and the PMU. The AEO will develop the strategy for the delivery of the various types of trainings in collaboration with technical experts and community extension workers. This component will be delivered either through the classical demonstration plot and field days methodology; support to individual farmers through the project extension staff, which was the model followed by WNRDP; hands-on trainings sessions in the field by using participatory methodologies including the Farmers Fields Schools approach, which will empower farmers as individuals and in groups to better understand their local situation, identify constraints and discover adapted solutions. The AEO will work closely with the community mobilizers, farmer groups or cooperatives and technical specialists from the private sector to suggest the proper type of technology to be used in each area.

32. The AEO and the Livestock specialists will identify and train a cadre of carefully selected crop and livestock specialists at the village level such as CLEWS and deliver to them a carefully designed competency based hands-on training. Once trained, the crop and the livestock specialists will work closely with the Farmer Groups and Cooperatives and strengthen their capacity for production for the market. Selection of the potential specialists will be conducted in close coordination with the Farmer Groups and Farmer Cooperation from within the selected village. Special effort will be made to ensure that the selected specialists have a high degree of motivation and experience for undertaking the required functions. The Agriculture Cooperatives/Farmer Groups and the private sector agribusiness partners will be required to gradually cover the cost of these services.

33. A Marketing Facilitation Officer (MFO) will have the day-to-day responsibility for the various activities under this Component at the regional level, with coordination and consultation with the Marketing Advisor at the National level. In each zone, he/she will be responsible for the overall work plans, procurement, implementation and monitoring of the component. The MFO will be closely working with the extension officer in modifying or developing new FFS curricula which will also incorporate how best to meet market needs.

34. The MFO and his team will build on the experience of WNRDP to establish Farmer Marketing Associations and build their capacity to facilitate the marketing of products from member agricultural cooperatives. He/she will also coordinate and collaborate closely with the Agricultural Extension Officer and ensure coordination with Farmer Groups and Cooperatives for all production planning, contracts management and monitoring and evaluation of all marketing activities. The MFO will ensure

the inclusion of women in Project activities and also ensure that the participants meet the targeting criteria specified for the Project. He/she will also advise the project on the postharvest structures / equipment (sheds, tomato processing plants or drying facilities, herbs facilities, etc..) that could be provided to the cooperatives and MA based on market needs and their capacity for management or links with private sector in the region.

35. The MFO, together with relevant technical experts, will be responsible for all preliminary surveys to assess the current marketing status in the Project area including identification of marketing players, production possibilities, potential for marketing of key agricultural products and for establishing of marketing linkages between the smallholder farmers and potential buyers through the creation of specialised Marketing Association, as well as monitor the progress in achieving Project targets, outputs and overall objectives. The MFO will be responsible for encouraging the inclusion of women in these forums.

36. The M&E Officer together with the CMS, AEO and the Marketing Facilitation Officer will have the task of designing and maintain an MIS system which records and monitors all information regarding the Farmer Groups, Agriculture Cooperatives, WUGs and Market Associations (MA) including the history of each Group or Cooperative, date of formation, membership by gender, the main crops produced, volume marketed, access to finance and changes over time in key indicators. A file will be maintained on each rural institution tracking its performance over time.

### **Component 3: Rural Finance Component**

37. The Component will be implemented through a range of institutional options to ensure outreach to the specific target groups within the newly settled lands. Access to financial services for enterprise development through special products for women and youth by CDAs through the SFD. ADP will provide finance to agricultural cooperatives through the General Cooperative Society for Reclaimed Lands and Land Reclamation (GCS) and the 12 partner banks of the ADP/CIB will be invited through competitive bidding to provide innovative financial products directly for on-farm and off-farm activities or to private sector agencies in value chains in the target areas. The project will use the assistance of national and international NGOs with experience of initiating savings-based self-help groups for youth, women and men and facilitating their access to the local post office, MFIs or banks will be encouraged.

38. The Credit guarantee Mechanism (CGM) will be managed by a qualified manager - in this case - the CIB through its current arrangement with the ADP as their fund manager. However, this arrangement will be extended to cover the management of the CGM for SFD, GCS and participating banks. The CIB will be working closely on all issues related to the CGM with the project Steering Committee, the PMU and RPMUs, SFD, GCS. A more elaborate description of the expected implementation steps are included under *implementation arrangements*. Clear illustrative procedures have been drawn up after discussions with SFD, ADP and CIB, to indicate the extent of cover, the conditions for invocation of claims, the liability of the different partners, etc. A qualified specialist will be recruited by the project as a technical advisor to assess the eligibility of claims and make recommendations to the PMU. The experience with the credit guarantee will be examined after the first three years to assess its functioning and make amendments where required.

39. To minimize the amount of funds kept idle, since the project finance is a loan to be paid by the Government of Egypt, any valid claims on the GCM, will be offset from the repayment installments that the project has to make to the participating institutions against the lines of credit extended. While the management, tracking and monitoring will be exercised at an aggregate project level (by the CIB), the amounts and transaction of the CGM will be set and monitored for each CDA, Cooperative, or bank loan to client.

40. The Project design proposes a strategy which emphasizes flexibility and process in implementation. This comprises an evolutionary approach over the project period, with tentative agreements and indicative terms during an extended start-up phase on financial service providers and credit line allocations, borrower selection, product range and credit terms; and capacity building for

CDAs and cooperatives as grassroots intermediaries and for the target group to bring them up to the required standards; a process of product development starting with credit and in due course adding savings and other products; and an emphasis on good practices appropriate for the new lands rather than best practices which may not fit the situation – all to be periodically reviewed and revised.

41. Subsidiary agreements will be signed with each of the proposed implementing partners specifying the terms and conditions of participation in the Project and the targets to be achieved and their review periods, the volume of loans and terms of the financial services to be provided and the implementation approach. Implementation will start in Year 1 with a participatory review and finalization of Component design, including tentatively agreed-on end-user loan terms and conditions and risk management arrangements, with SFD and with banks and GCS.

42. A special project team under the National Project Manager will coordinate all activities, starting in Year 1. As there are several partner institutions, phases of implementation may differ. The team will be assisted throughout the duration of the project by a Rural Finance Specialist as technical advisor with a retainer contract. This specialist will also assist in overseeing the procedures for approving claims on the credit guarantee facility.

43. The Project will assist in a market assessment in the target areas, implemented by a qualified technical service provider in cooperation with project staff and in a participatory manner with partner lending institutions. This will include a profiling of the targeted villages to determine the institutional capacities of CDAs, cooperatives and potential batches of micro and small entrepreneurs with similar and/or related activities, their financial and non-financial needs and, as a preliminary step, the potential for backward and forward linkages along the value chain. This will be followed by financial product design, piloting and development by the partner institutions in cooperation with project staff. By the end of Year 1, the grass-root credit risk funds and procedures will be established by the partner institutions, with consulting inputs by the ClB and the technical advisor – to be reviewed and revised in subsequent years as seen fit. Lending will start cautiously and on a limited scale in year 1 to the extent that lenders and borrowers are ready, and continue on an expanding scale thereafter.

44. The Project will initiate capacity building of CBOs (CDAs and ACs) and their members both as credit end-users and as facilitators for linking with other financial services. The credit training will be provided in three phases: (i) Board members of CDAs will be trained by special teams of project staff, SFD and experts; board members of cooperatives will be trained by specialized staff of central cooperatives under the GCSRL in cooperation with project staff and experts. (ii) Next, the CDAs and cooperatives will be assisted in establishing a financial unit (including staff, hardware and software) in each together with a credit committee, internal control and supervision roles at board level, all to be duly trained. (iii) Finally, the boards will form special training teams together with BDS experts provided by specialized NGOs which will provide training to the members/staff of CDA and cooperatives. Similar teams will be established with banks to provide training to batches of small and micro entrepreneurs at the aggregate level and to borrowing individuals as well as value chain participants in due course. Training of end-users will continue beyond Year 3 to the extent that outreach is extended to new participants.

45. The Project will provide training in MIS and loan tracking to CDAs and Agriculture Cooperatives through the services of a qualified loan tracking software services provider (Alexandria Business Association has developed its own Loan Tracking system, alternatively using the Environmental Quality International El-Mohassel software which is currently utilized by some SFD financed NGOs). Their applicability to CDAs and cooperatives in the new lands will be tested and refined as necessary. The Project will also provide relevant Training of Trainers to project staff. The Regional Credit Coordinator will plan for these training activities and ensure their inclusion in the AWP/B.

46. The Project will hire the services of an experienced and, as appropriate, adjacent NGO to train project staff and CDAs in each region on the initiation and facilitation of voluntary savings groups especially for women and the youth. The Regional Credit and Enterprise Facilitation Specialist will undertake an assessment with the CDAs to elicit interest in this activity and identify where there is

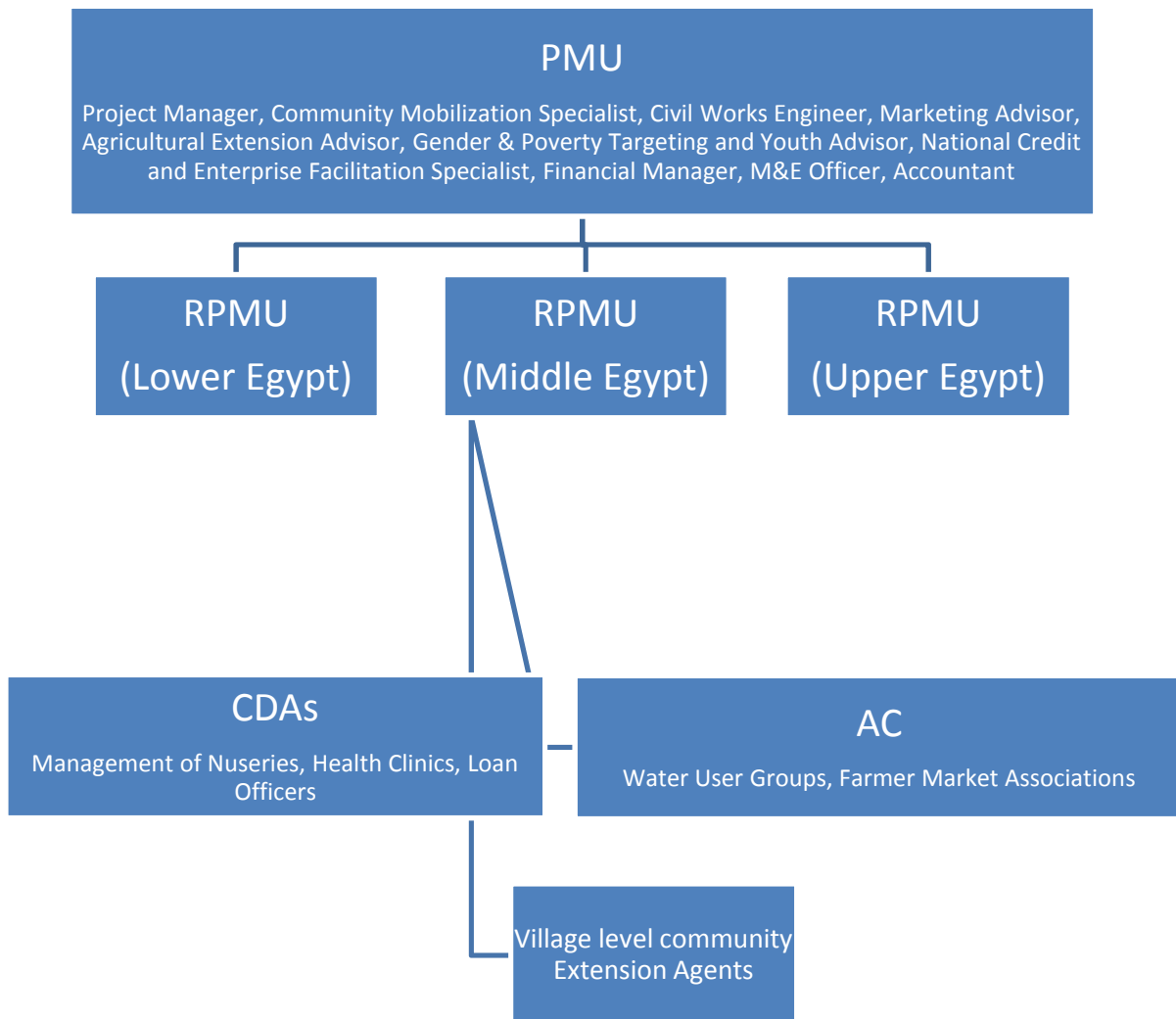
interest and develop a comprehensive plan to initiate this activity and set in place a system for its monitoring both internally by the members and externally by the Project. The Credit specialist will interact with organizations such as Plan International in Egypt and others in regional countries to learn from their experience in coordination with the PMU and technical advisor.

47. The activities under the Rural Finance component will be undertaken and refined in a participatory manner in close cooperation with clients, project staff, partner institutions, together with the technical advisor and, as necessary, with professional companies or NGOs. In Year 4 a mid-term review will assess the Component design, the partner institutions' performance, loan terms to grassroots intermediaries and end-users and impact on CBOs and micro and small entrepreneurs including women, men and youth. According to the results, the Component may be adjusted as required.

48. *Sustainability and exit strategy:* As of Year 5-6 the project may initiate together with its partners a future-looking assessment, documenting the lessons learned and drawing a road map for institutional and financial sustainability, at two levels; (i) At the level of each lending institution, develop a road map identifying how they will continue and expand in providing access to finance in a social market economy in the targeted areas beyond project life. In this context, the project may also add a focus on the promotion of sustainable up-scaling of innovative financial initiatives in the new lands by partner institutions beyond the realm of the target villages. (ii) At the regional level of the CDAs, cooperatives, and groups of small and micro-entrepreneurs the project may help consolidating grassroots financial intermediaries, which may include facilitating their access to MFIs or banks as refinancing institutions.



**Table 8: SAIL organogram**





## **Appendix 6: Planning, M&E and learning and knowledge management**

### **A. Overview**

1. This appendix describes the planning, monitoring, evaluation and knowledge management arrangements for the SAIL Project. The Project Design team has taken on board the guidance provided by IFAD's Results and Impact Management System (RIMS), to prepare the Project Log-frame and monitoring and evaluation guidelines.
2. IFADs commitment to monitor the performance of its rural development interventions in Egypt is driven by the recognition that effective performance monitoring and greater transparency in rural development activities in the country generate stronger accountability and ownership, which in turn result in better delivery and performance of Projects.
3. SAIL's Monitoring and Evaluation (M&E) system will be based on the recognition that IFAD's interventions will produce better results when design, reporting, and monitoring focus explicitly on key measures of performance that are measured and reported regularly. The design acknowledges that the more transparent the results are, the more likely that IFAD is to learn from successes and failures, and to take corrective actions when needed. This is all the more important in the context of the current project, which has been identified as an opportunity to learn from the scaling up experience of the West Noubaria project.

### **B. Planning and Budgeting**

4. Annual Work Plan and Budget (AWPB) and corresponding Procurement Plans will be the Project's principal planning instruments. The AWPB will provide SAIL's National Project Management Unit (PMU) and the Regional Project Management Units (RPMU) in each region with a timetable for implementation of a set of scheduled activities, together with their respective budgets and inputs. The AWPB will be used as a tool for underlining and specifying implementation priorities, predicting inputs needed and procurement requirements, and most importantly establishing staff work plan both within PMU/RPMU and between implementing agencies. Financial allocations within the AWPB will constitute a basis for release of funds and for financial control. The AWPB will be used as the basis for the preparation of progress reports and the scope of work of the supervision missions.
5. AWPBs will be formulated taking into account the Project design report, supervision report recommendations and legal agreements, contract and management agreements of service providers and participating partners. Annual Stakeholder Review and Planning Workshops will review the Annual Project Progress Reports and provide input to the Projects' AWPBs for the succeeding year, thus closing a circle of participatory, demand-driven planning and implementation.
6. An AWPB is an essential covenant in the legal financing agreement; failure to prepare it on a timely basis may lead to delay or suspension of fund disbursement by IFAD. A tentative AWPB has been prepared, together with the procurement plan for the first 18 months of the Project. This will be refined by the PMU and presented for discussion during the start-up workshop for submission to IFAD for its no objection. The preparation of the following AWPBs will be prepared, discussed and approved no later than sixty days before the end of each financial year. To allow full participation of the Project stakeholders, the process of AWPB preparation will start with consultation at the local, regional and national levels and then be consolidated at the PMU level.
7. The Project will conduct, at its onset, a Start-up Workshop, with the aim of sensitizing and training the Ministry of International Cooperation (MOIC), Ministry of Agriculture and Land Reclamation (MALR), PMU, RPMU and other potential implementing partners such as SFD, ADP, GCSRL, etc., to the Project objectives and scope. At this workshop, time will be allocated to familiarize all participating partners with the planning and annual work plan process as well as the monitoring and evaluation system. A special session will be included in the start-up workshop on M&E

to brief participants about the Project logical framework, progress reporting and evaluation arrangements. A session will also be held to familiarize the participants with IFAD's RIMS system, Performance Based Contracting System and Key Performance Indicators relevant to the components of SAIL.

### **C. Monitoring and Evaluation**

8. The Project's Logical Framework will form the basis on which the Project's M&E system will be built. The M&E system will generate quantitative and qualitative information on the Project's performance, compare physical progress against the planned gender disaggregated targets and allow timely remedial action to be taken. The M&E generated information will contribute to facilitating the workflow and quality of the decision-making by providing the means of focusing on implementation problems and ensuring effective communication and co-ordination.

9. The M&E system will be divided in two overall key functions: progress monitoring and outcome and impact monitoring and evaluation. Both will be part of a systematic, participatory learning process geared towards ensuring that the Project attains its planned objectives and realises its impact.

10. Progress monitoring will be concerned primarily with the monitoring of input delivery, activity implementation and output achievements that can help Project management to continually take timely decisions and self-evaluate. This will be done at all levels; by PMU, RPMU and implementing partners and by the beneficiaries. The system for monitoring of Project outputs will be based on a set of performance indicators associated with each of the Project's components and sub-components and will mainly concentrate on financial and physical results and outputs. A Project Output Data Sheet will serve as a real time tracking instrument.

11. SAIL's outcome monitoring system will include relevant RIMS indicators and will be reported to IFAD either on an annual or a biannual basis, depending on the type of indicator and the methodology used to measure it. Outcome indicators will be collected through focus groups, in-depth interviews, participatory assessments, studies/surveys in the Project target areas.

12. The Impact of the SAIL Project will include RIMS Third Level indicators which will be measured through three sets of surveys, namely a Baseline Survey that will be conducted during the first year of the Project and immediately after the Project Start-up Workshop; a mid-term survey conducted in the fifth year of the Project and a final Impact Assessment Survey that will precede the Project Completion Mission and will measure the impact of the SAIL Project throughout the course of its implementation. These three surveys will be undertaken by an independent third party.

13. The overall responsibility for the M&E activities will lie with the Executive Director of the PMU and the Regional Project Managers at the RPMUs. However, they will be assisted by the M&E officers at the National and regional level in preparing all progress and monitoring reports.

14. A local M&E officer at the national level will be used to help develop the Management Information System for the SAIL Project at both the national and regional levels. The system will be designed based on the requirements identified in the Project Logical Framework and in keeping with IFAD RIMS requirements and the guidance provided by the technical divisions of IFAD on M&E. The system will have the capacity to provide gender disaggregated data on all key indicators. The monitoring and evaluation officer at the national level will familiarize officers at the regional level with IFAD monitoring and evaluation requirements and in the operation and use of the system. The M&E officers at the regional level will consolidate the data from different settlements.

15. The Project's M&E system will produce the following reports; (i) monitoring reports (including RIMS), (ii) progress reports (iii) financial reports;(iv) audit reports; and (v) base line, mid-term and completion reports. This set of reports constitutes the minimum reporting requirements. The different reports of the M&E will be categorized by period covered, partners producing them as well as by the Project objective hierarchy and the indicator level. Project external monitoring will comprise: annual IFAD Supervision; Mid Term Review; ad hoc thematic/diagnostic studies; yearly audits; and a Project Completion Evaluation/Impact Assessment.

16. The PMU's and RPMU's M&E officers will be responsible for running the internal M&E and organizing the base line and impact assessment survey. The M&E unit of the PMU should develop formats, questionnaire and other data collection tools that will be used to identify baselines and progress during the course of the Project. All data collected at each stage will be gender disaggregated and also report on the situation of the youth and how the project has impacted their lives.

17. The M&E system will make arrangements for inclusion of beneficiary assessment and feedback into the reporting system. This could be undertaken through discussions with communities, focus group discussions, individual interviews and annual workshops with community representatives.

18. The Project team will fine-tune the progress and performance/impact indicators of the Project at the Inception Workshop with support from IFAD. Specific targets for the first year of implementation, progress indicators, and their means of verification will be developed at this Workshop. These will be used to assess whether implementation is proceeding at the intended pace and in the right direction and will form part of the Annual Work Plan. Targets and indicators for subsequent years will be defined annually as part of the internal evaluation and planning processes undertaken by the Project team.

#### **D. Evaluation Arrangements**

19. Measuring Results and Impact: Initial M&E indicators will be provided in the Project's Logical Framework and final indicators will be developed in the course of the preparation and findings of the Project's Start-up Workshop and could also be refined during implementation.

20. Performance monitoring will concentrate on the financial and physical outputs and the outcomes of Project activities. All data will be gender disaggregated and develop formats for capturing information on the impact on youth. Performance indicators will be monitored annually or biannually for outcomes and quarterly for outputs and will include IFAD RIMS 1st and 2nd level indicators. RIMS two mandatory anchor indicators (household asset ownership and child malnutrition) will be used for assessing the impact of the Project at the baseline and completion levels.

21. From the onset of Project operations, the Project will establish the baseline data, though a baseline survey and data collection that correspond to the indicators mentioned in the Logical Framework for each component. The information will be used to compile a base line profile and to assess the socio-economic baseline status of the Project area and to measure the monitoring indicators before the Project commencement. The results of this will be systematically recorded for each regional to allow for a comparative assessment during the Project life.

22. Mid-Term Review: A mid-term review will be carried out towards the end of the Project's fifth year. The review will cover, among other things: (i) physical and financial progress as measured against AWPBs; (ii) performance and financial management of contracted implementing partners; and (iii) an assessment of the efficacy of technical assistance and capacity building activities.

23. Final Evaluation: An independent Final Evaluation will take place three months prior to the Project completion date, and will focus on the same issues as the mid-term evaluation. The final evaluation will also look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental goals. The Final Evaluation should also provide recommendations that will be taken into consideration while designing similar Projects in Egypt. Accordingly, and Impact Assessment, as an input into the Project Completion Report that should be undertaken by a neutral agency with no previous involvement in Project implementation.

24. During the final year of Project implementation, as part of the preparation of the IFAD-required Project Completion Report/Impact Assessment, the M&E data collected over the Project implementation period will be used as part of a thorough assessment of Project achievements, in terms particularly of changes in the livelihoods of beneficiaries that relate to the implemented Project activities, and the sharing of lessons learned and development experience.

## **E. Knowledge Management**

25. Given the Scaling up and Knowledge creating purpose of SAIL, the compilation and dissemination of Project information, experiences and results on an on-going basis within country and for IFAD headquarter will be crucial. This calls for developing suitable knowledge sharing platforms and mechanisms to improve information flow among actors. The Project will package and disseminate information to the respective stakeholders in the appropriate formats (e.g. brochures, studies, articles, newsletter, and internet).

26. The explicit assignment of Knowledge Management and communication responsibilities will be a shared responsibility. The overall responsibility will belong to the Project Manager and the M&E Officers. Service Providers will have a key responsibility for sharing lessons learnt during the Project through preparation of special case studies and Learning Notes.

27. This knowledge-sharing process will be supported by a well-focused series of workshops and joint learning events. Where applicable, regional knowledge networking will be supported to build and share approaches, tools, methodologies, technologies and best practices. This will be achieved through special brochures on certain thematic experience during Project implementation as well as establishing links with local farmers, community based organizations at the village level and with policy forums at the national level. The Project Steering Committee will have the responsibility for identifying the policy lessons and ensuring that these are communicated appropriately.

28. The IFAD country presence office will participate in all agricultural policy and coordination forums and organise yearly national Project implementation workshops allowing Project staff and other implementing partners in the targeted Governorates to communicate and share lessons learnt during the implementation of SAIL and across other IFAD Projects such as UERDP, OFIDO and PRIME.

## Appendix 7: Financial management and disbursement arrangements

1. **Financial Management Risks:** The country's inherent control environment is considered weak, as reflected in low Transparency International Ratings on perceptions on corruption. A Public Expenditure and Financial Accountability assessment (PEFA) conducted in 2009 has not been released as the Government has not endorsed many of its findings. A World Bank report on the MENA region has found that weaknesses in the public financial management system continue to exist in areas of accounting, staffing; and Egypt's Supreme Audit Institution. Inherent FM risks are therefore rated as High.

2. The experience of IFAD in the implementation of projects and financial management arrangements in Egypt has been mixed. Much is dependent on the ability of staff in the project management unit and in fact the project fiduciary risk for the projects ranges from low ((WNRDP) to high. The quality of financial statements is generally not high and private auditors are engaged to perform the external audit. Here also the quality of the audit reporting varies. Furthermore in a previous project in Egypt the credit portfolio's disbursement performance was very low including that of SFD and PBDAC, who have received designated account advances that lie un-utilized for periods exceeding 14 months. The reasons for this have not been fully evaluated by IFAD.

3. To determine project specific control risks, a Financial Management (FM) risk assessment of the proposed project and its fiduciary arrangements has been completed. A detailed FM assessment was performed of MARL and a high-level review was undertaken of SFD and ADP (the 2 implementing partners). The main strengths of the project lie in the intention for the project to be managed by some of the staff of the WNRDP who will be retained by the Government in the ICDD at the end of the project. The strengths of WNRDP i.e. institutional structure, delivery of project outputs, experience in new lands, successful experience in creating community organisations etc. will be replicated in the new project. In addition, the financial management staff of WNRDP are highly conversant with IFAD financial management and disbursement procedures. The primary challenges of the project derive from the increased complexity of the project (use of multiple implementing partners for rural financing as well as a significant component of social and physical infrastructure) over a greater geographical area. Overall the FM risk is rated as High, which will improve to Medium after implementation of the proposed mitigation measures.

4. **Financial Management Organisation.** The Project Management Unit (PMU) will have overall responsibility for Financial Management of the Programme and will be supported by 2 Regional PMUs, although the disbursements to be effected by the Regional PMUs will be limited. Although the FM staff have managed an IFAD funded project, this was done using entirely manual processes. Hence to mitigate the financial management risk inherent in manual recording and reporting not only will a computerised accounting system need to be purchased, the FM staff of the PMU will also need to increase their own capacity in order to be able to prepare and monitor financial reporting from multiple locations and with multiple funding sources. Furthermore the capacity of the community, farmer and water user organizations which are going to play a central role in project implementation are unlikely to have strong financial accounting and reporting capacities. These risks will be managed by requiring the hiring of FM facilitators and the opening of a bank account before disbursement can be made to a Community Development Association. Furthermore, accounting staff will be hired in each RPMU in order to provide close supervision to all local organizations involved with the Project.

5. Accounting and financial reporting arrangements. The project will adopt accounting procedures and policies consistent with international accounting standards (modified cash basis) and Government requirements. It will be accountable to the Borrower and IFAD for assurance of proper use of funds in line with the respective legal agreements. Financial Accounting will be undertaken at the PMU, based on payment vouchers generated. The PMU will receive regular financial reporting from the implementing partners (SFD and ADP) and will consolidate these with its own financial statements.

This role for the PMU will ensure that project financial accounting meets acceptable standards and financial reports can be generated periodically throughout the year to help closely monitor financial progress compared with budget. The consolidated statements will be furnished to the Borrower and IFAD. The financial statements will be in formats acceptable to IFAD and will include inter alia a Sources and Uses of Funds statement, with classification of expenditures by categories and components and comparisons against approved budgets, as well as a Statement of Advances outstanding.

6. Budgeting. All project activities will be included in an AWPB that will indicate what activities and expenditures will be implemented by each unit and partner and the extent to which budgeted expenditures are intended to be financed from each financing source (IFAD, ASAP, counterpart funds). Approved AWPBs will be made available for each Region and for each implementing partner to the RPMU and the implementing partner respectively for monitoring during implementation.

7. Disbursement Arrangements and Flow of Funds. For upstream disbursement of funds from IFAD a Designated Account will be opened at the Project Management Unit level with the Central Bank of Egypt, with an Authorised Allocation adequate to allow initial advance of funds for 6 months of projected eligible expenditure. This account will receive pooled funds from IFAD and ASAP financing, and will be segregated from other financing sources. Replenishment Applications will be prepared by PMU based on certified Statements of Expenditure (SOEs) which will include disbursements by the implementing partners. Details of the disbursement arrangements will be stated in the Letter to the Borrower which will be released by IFAD at Programme effectiveness. The downstream disbursement of programme funds to meet eligible programme expenditures will follow the following arrangements:

- An operational account in EGP will be opened at the Central Bank of Egypt [or a commercial bank acceptable to IFAD] managed by the PMU. Due to regulatory restrictions, the RPMUs will not be permitted to open bank accounts. Hence the majority of payments will be managed by the PMU. Where local payments are required an advance of up to EGP10,000 will be provided to the accountant at the PMU for disbursement. Supporting documentation will be submitted in order to provide justification of the advance before a second advance can be granted.
- The PMU will ensure the efficient transfer of funds to the Implementing Partners who will receive advances from the PMU and will maintain funds in separate bank accounts. The advances will be equivalent to 6 months of their disbursements as per the approved AWPB. The implementing partners will submit applications for replenishment through approved Statements of Expenditure (SOEs) to the PMU every 3 months or when 30% of the advance has been disbursed to account for funds for review and audit.
- Payment vouchers will be generated by accounting staff located at the PMU, based on transaction documents and accounting evidence received. These vouchers, once approved by the appropriate officer for receipt of good or certification of services received will be checked and certified by PMU before payments are made.
- All bank accounts in the programme will have at least 2 authorised signatories, in accordance with good financial management requirements.

8. Counterpart contributions Counterpart contributions from the beneficiaries shall be applied to only to meet eligible expenditures on Works, Goods, Services & Inputs and Office costs. Apart from taxes and custom duties financed by Government counterpart funds, the latter will not provide funding to Goods, Services & Inputs nor to Workshops. Expenditures related to credit and guarantee funds will be financed fully from IFAD funds.

9. Start-up costs: Withdrawals from the IFAD loan and grant in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an amount of USD 100,000.

10. Internal Controls and internal audit. Given complexities and fiduciary risks arising from the geographical spread of project activities and the use of implementing partners for a significant part of the project, regular risk based internal audit will be carried out and the terms of reference of the external auditor will be expanded to encompass the internal audit procedures required. Financial



procedures (including procedures required at the community level) will be documented in a Financial Procedures Manual, which will be adopted at project start up. Training of staff on all aspects of financial management and fiduciary controls will be provided at all levels.

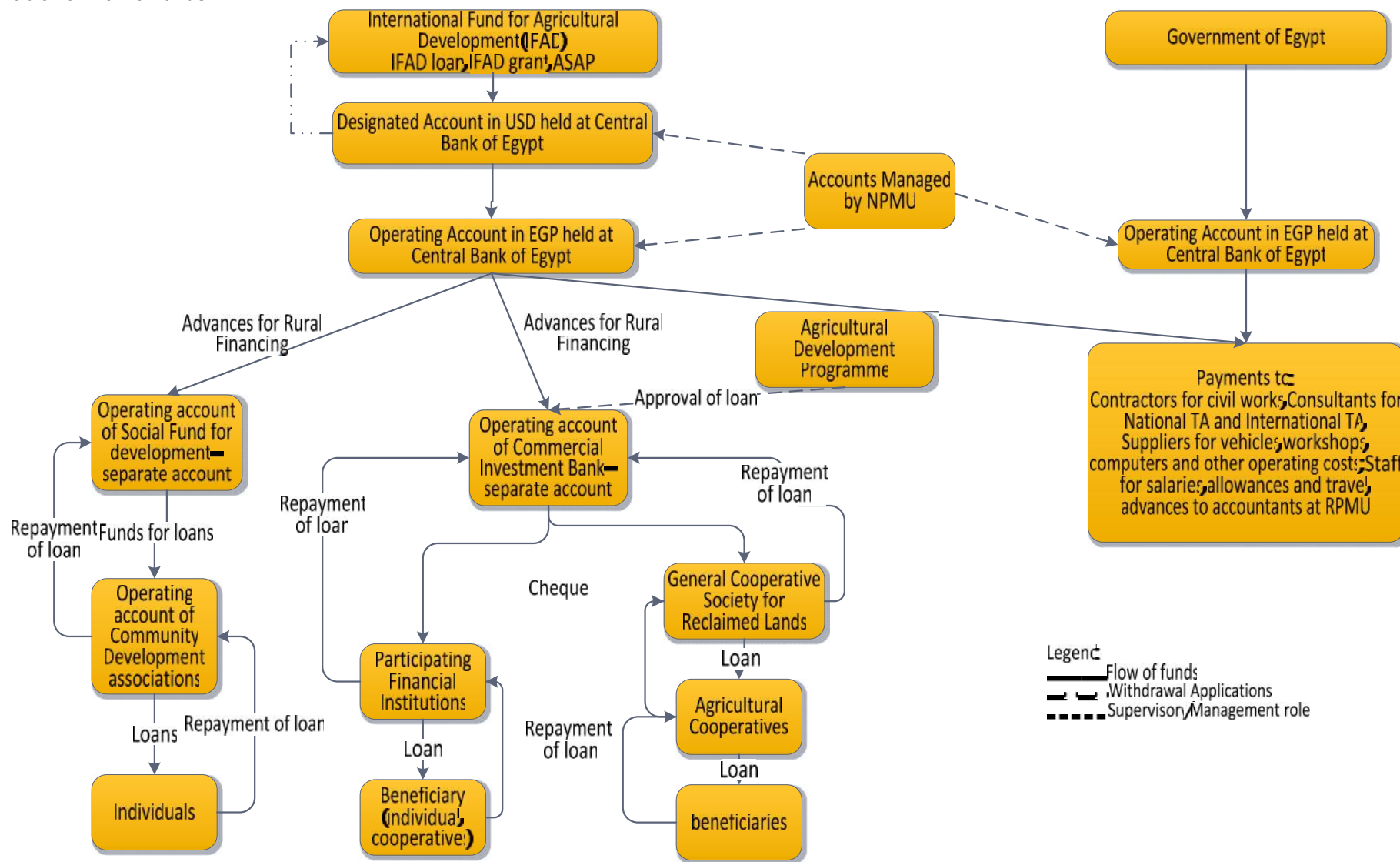
11. Audit The PMU shall appoint a professional audit firm as an independent auditor, which will audit the accounts of the entire project on an annual basis, following international auditing standards, to provide independent assurance on use of funds. The Terms of Reference for the audit, consistent with IFAD’s policy and guidelines, will be agreed with the Borrower by project start up and the procurement subject to IFAD prior review. An audited consolidated annual financial statement for the entire project, together with a management letter on audit observations on internal controls, will be submitted to IFAD within 6 months after the fiscal year end.

12. FM Actions summary: The actions needed to mitigate FM risks are summarised below:

**Table 9: FM Actions summary**

|   | <b>Action</b>   | <b>Target Date , Covenant</b>   |
|---|---|---|
| 1 | Any changes to the structure in the implementing unit should require agreement with IFAD  | Disbursement Condition in Legal Agreement                             |
| 2 | Installation of accounting software at PMU  | As part of start-up costs and condition for second tranche of advance |
| 3 | Hiring of FM facilitators for community capacity building   | Disbursement condition for CDA category                               |
| 4 | Draft FM manual, with specific detail on: <ul style="list-style-type: none"> <li>• Financial Management requirements of/guidance for Community Development Associations and Agricultural Cooperatives etc;</li> <li>• Accounting for advance payments and supporting documentation required for justification;</li> <li>• Process for valuation and accounting for beneficiary contributions;</li> <li>• Internal control considerations</li> <li>• Format of financial reporting</li> </ul> submitted to IFAD, and subsequently adopted. | Disbursement condition for second tranche of advance                  |
| 5 | Opening of Designated Account, with operating mandate specified   | Disbursement condition  |
| 6 | Quarterly financial progress reports to be prepared   | Dated covenant  |
| 7 | Agreement on audit TOR including extension to internal control review, implementing partners and community development associations and agricultural cooperatives together with selection of external auditor from World Bank listing of approved auditors  | Start-up and 3 months before the end of each fiscal year.             |
| 9 | Agreements to be signed between the PMU and SFD and ADP before any disbursements can be made to these parties   | Legal agreement covenant  |

**Table 10: Flow of funds**



## Appendix 8: Procurement and Governance Arrangements

### A. Public Procurement

- 1. Public Procurement.** A review of the Public procurement system in Egypt reveals that the Egyptian public procurement institutional framework is complex, with a number of authorities involved in delivering public procurement functions. The Ministry of Finance (MoF) is responsible for determining public procurement policy. The Public Services Authority (PSA) issues guidelines which play a significant role in harmonising public procurement practice<sup>70</sup>. Procurement in donor projects and programmes is currently governed by the regulations of donors.
- 2. Public procurement in Egypt** is regulated by Tender Law No. 89 adopted in 1998 and its executive regulations issued pursuant to the decision of the Minister of Finance, No.7 1368 adopted in 1998. Since 2008, the Public Procurement Law (PPL) has been subject to two amendments which have had no significant impact on the regulations. One of the most recent amendments, decree No. 33/2010 by the Prime Minister, introduced electronic means for tender notification and established a government website where contracting entities are required to publish contract notices in addition to traditional means of publication through a public tender board or newspaper. The PPL allows for domestic preferences, with a price preference of up to 15 per cent for Egyptian tenderers or tenders offering domestic goods and services. The PPL is stable and local stakeholders are provided with sufficient time to learn the skills necessary to prepare tenders and compete for public contracts.
- 3. Public procurement.** Law No. 89/1998 on organising tenders and bids regulates Egyptian public procurement. Competitive bidding is required by law and unsuccessful bidders have the right to challenge decisions in court. Egyptian PPL regulates the three phases of the public procurement process: pre-tendering, tendering, and post-tendering. However, the PPL does not establish firm eligibility rules for participation and does not regulate the post-tendering phase as robustly as the pre-tendering and tendering phases. The contracting entity can impose penalties, seek damages, and/or terminate or perform the contract at the expense of the contractor. Although the PPL requires the public entity to monitor the conformity of the materials supplied by the contractor with the published technical specifications [Article 82 of the Law], the review highlighted that there is no independent authority that fulfils this function.
- 4. Country Procurement Assessment.** The latest European Bank for Reconstruction and Development's (EBRD) Public Procurement Sector Assessment for South and Eastern Mediterranean (SEMED 2012)<sup>71</sup> of the quality of the local procurement practice scored '*medium compliance*' for public procurement policies on the books. Both 'efficiency instruments' and 'institutional and enforcement capacity' scored '*low compliance*'. Each evaluation category presented a regulatory gap ranging from 31 per cent (transparency safeguards) to 42 per cent (efficiency instruments), and 44 per cent (institutional and enforcement capacity). These regulatory gaps highlight the opportunity for improvement in key public procurement policy areas with regard to transparency, efficiency and an appropriate institutional and enforcement framework. Egypt has been singled out by the World Bank & IFC's Doing Business 2014 as a top reformer. However, the report notes that the government has been modest in implementing changes effectively.
- 5. Assessments by IFAD** indicate that the procurement capacity is moderate in the areas of managing the bidding process, procurement planning and contract management. Mission assessment of the country's national procurement system and regulations on whether they are consistent with the procurement policies, principles and standards of IFAD guidelines included a review of the: a) level of practical application of existing laws, regulations and procedures covering procurement and the extent to which they comply with IFAD guidelines; b) level of the existing human capacity to undertake project procurement; c) organization and functions; d) support and control systems relating to

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<sup>70</sup> Applicable decree Ref. [Presidential Decree No. 2126 of 1971].

<sup>71</sup> Source: European Bank for Reconstruction and Development (EBRD): Public Procurement Assessment 2010 & SEMED Public Procurement Sector Assessment 2012.

procurement; e) recordkeeping; and f) overall procurement environment within MALR as the lead agency.

6. **Arrangements for Procurement under the Project.** The agencies involved in procurement in SAIL project would be the following; a) Project Management Unit (PMU) Regional Project Management Units (RPMU), c) ADP, d) SFD.

7. In accordance with IFAD's procurement guidelines approved by the IFAD Executive Board in September 2010 and the provisions of the General Conditions, procurement of goods, works and services conducted by PMU/RPMU, ADP and SFD, and financed by IFAD loan/grant would be carried out in accordance with the provisions of the borrower's procurement regulations, to the extent consistent with the provisions of IFAD procurement guidelines.

8. IFAD procurement guidelines take into considerations the following principles: a) procurement would be carried out in accordance with the Financing Agreement and any duly agreed amendments thereto; b) procurement would be conducted within the project implementation period, except as provided under Article 4.10(a)b) of IFAD's General conditions for Agricultural Development Financing; c) cost of the procurement is not to exceed the availability of duly allocated funds as per Financing Agreement unless otherwise agreed in accordance with amendments to the Financing Agreement; d) procurement would be consistent with the duly approved AWPB including a procurement plan for at least 18 months<sup>72</sup>; and e) procurement should result in the best value for money.

## **B. Governance**

9. **Governance.** Egypt has been involved in a number of international initiatives and projects to strengthen integrity and fight corruption. They include the MENA-OECD Task Force on Anti-Bribery, OECD Good Governance for Development in Arab Countries Initiative, the Arab Anti-Corruption and Integrity Network (ACINET), and the UNDP-POGAR project to support the Ministry of Investment in the fight against corruption. Egypt also has ratified the UN Convention against Corruption (UNCAC), but is not party to the OECD Anti-Bribery Convention or the AU Convention on Preventing and Combating Corruption. While there is still room for improvement in the implementation of the Anti-Corruption Law in Egypt, measures have been taken to reinforce the compliance with the law. It provides for sanctions and penalties in the event of discovery, which applies to both individuals and companies, but the prosecution of active bribery and related corruption offences is fraught with difficulty.

10. **Transparency.** According to SEMED 2012, several regulatory risks were identified and there are still a lack of transparency and integrity regarding the public procurement processes combined with an ineffective monitoring and review mechanism.

11. IFAD would also seek the concrete assurances of the Government of Egypt to ensure that: a) it is engaged actively to allow potential Project beneficiaries and other stakeholders to channel and address any complaints they may have on the implementation of the project; and b) after conducting necessary investigations, the Government would report immediately to IFAD any malfeasance or maladministration that has occurred under the project.

12. In particular, good governance measures built in to the project would include a) undertaking all necessary measures to create and sustain a corruption-free environment for activities under the project; b) instituting, maintaining and ensuring compliance with internal procedures and controls for activities under the project, following international best practice standards for the purpose of preventing corruption, and shall require all relevant ministries, agents and contractors to refrain from engaging in any such activities; c) complying with the requirements of IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations; and d) ensuring that a Good Governance Framework is implemented.

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<sup>72</sup> A project 24-months procurement plan has been drafted for sake of economy and efficiency in processing.

### C. Procurement Methods

13. **Procurement Methods:** The methods which are permitted for the procurement of works and goods are: a) international competitive bidding (ICB), b) limited international bidding (LIB) or restricted tendering, c) national competitive bidding (NCB), d) international or national shopping or requests for quotations, e) direct contracting, and f) procurement with community participation.

14. The methods which are permitted for the procurement of consulting services are: a) quality and cost-based selection, b) quality based selection, c) selection under a fixed budget, d) selection based on consultant' qualifications, e) least cost selection, f) single-source selection, and g) selection of individual consultants.

15. For each contract to be financed by IFAD proceeds, the types of procurement methods, estimated cost, prior review requirements and time-frame would be agreed between the Project and IFAD respectively in the Procurement Plan.

16. **IFAD financed procurement of works, goods and consultancy services.** While eventually the **specific thresholds** for procurement financed under the project would be stipulated in the Letter to the Borrower, the recommendations are the following:

17. Works estimated to cost more than USD 1,5 Millions equivalent would be procured through International Competitive Bidding (ICB) method using the World Bank's applicable Standard Bidding Documents (SBDs). Works estimated between USD 50,000 and USD 1,5 Millions equivalent would be procured through the NCB. While works estimated below USD 50,000 would be procured through National Shopping or Community Participation. Direct contracting would have to be identified and approved by IFAD in advance for those cases which justify use of such method.

18. Goods estimated to cost more than USD 200,000 equivalent per contract would be procured through the International Competitive Bidding (ICB) method using the World Bank's applicable SBDs. Goods estimated to cost between USD 25,000 and USD 200,000 equivalent per contract would be procured through National Competitive Bidding (NCB). Goods estimated to cost less than USD 25,000 equivalent per contract would be procured through the Shopping methods. Direct contracting would have to be identified and approved by IFAD in advance for those cases which justify use of such method.

19. Consultancy services. Quality and Cost Based Selection will be the standard method applied unless otherwise approved. The following thresholds and processes will apply: i) Request for Proposal (RFP)– for contracts with a value of USD 100,000 equivalent and above; ii) Request for Quotation (RFQ) – for contracts with a value of less than USD 100,000 equivalent and more than USD 10,000 equivalent. Contracts with a value of USD 10,000 equivalent or bellow, or procurement of individual consultancy or Technical Assistance services, will be based on National Shopping. However, these financial thresholds may be adjusted as appropriate, with prior IFAD approval, depending of the nature of the assignment. And the method of procurement to be followed would be pre-determined in each approved annual procurement plan.

20. **Prior Review Thresholds:** For the purposes of Appendix I, paragraph 2, of IFAD's Procurement Guidelines, the following shall be subject to prior review by the Fund. These thresholds may be modified by the Fund during the course of project implementation.

- First five contracts for **goods and equipment**, and thereafter, award of any contract for goods and equipment estimated to cost USD 100,000 equivalent or more;
- First five contracts for **works**, and thereafter, award of any contract for works estimated to cost USD 100,000 equivalent or more;
- First five contracts for **consultancy services**, and thereafter, award to a firm of any contract for consultancy services estimated to cost USD 25,000 equivalent or more;
- First five **contracts for individuals**, and thereafter, award to an individual of any contract for consulting services estimated to cost US\$ 10,000 equivalent or more; and

- Award of any contract through direct contracting, single source selection, including selection of United Nations' agencies, irrespective of the amount. Furthermore, for consultancy services, all Terms of Reference, Short-listing (if applicable) and draft contracts would be subject to IFAD prior review.
  - In the procurement of consultant services, everything being equal, **preference** would be given to consultants from IFAD's developing Member States.
21. **Synchronization of civil works.** Once the tender documents are finalised as described above, they should be submitted to IFAD for prior review. IFAD would commission an engineering consultant to review them prior to issuing its observations and/or clearance.
22. **Performance based contracts** The SAIL project envisages performance based contracts for both Technical Service providers and Financial Service providers. Thus during the procurement of these providers the performance criteria would be clearly specified on the basis of which disbursements would be made. All bidding documents and contracts for the procurement of services financed by IFAD loan and grant would include a provision requiring bidders, suppliers, contractors, sub-contractors and consultants to permit IFAD to inspect their accounts, records or other documents relating to the bid submission and contract performance and to have them audited by IFAD-appointed auditors and investigators, as appropriate.
23. **Post-review:** All other contracts would be subject to post-review and may be subject to procurement audit by the Fund. The project staff would maintain accurate records of all procurement activities and documents related to the project. The procurement files would be maintained for review by IFAD supervision missions and independent audits. The project staff would also consolidate procurement activities into quarterly and annual progress reports.
24. **Ex post review:** The Project would retain all documentation up to five years after the closing date of the financing for examination by IFAD or by independent auditors. This documentation includes, but not be limited to, the signed original contract, the evaluation of the respective proposals and recommendation of award. IFAD does not finance expenditures for goods, works or consulting services that have not been procured in accordance with the procedures specified in the financing agreement. In such cases, IFAD may, in addition, exercise other remedies under the financing agreement, including cancellation of the amount in question from the financing. Even if the contract was awarded after obtaining a "no objection" from IFAD, IFAD may still declare mis-procurement if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate or misleading information furnished by the Project or the terms and conditions of the contract had been modified without IFAD's approval.
25. **Register of Contracts:** Procurement carried out at regional level would be recorded and registered against the Procurement Plan. In addition, all contracts, with or without prior IFAD approval, would be listed in the Register of Contracts maintained by the procuring entity with the dates of approval as provided by IFAD. When a contract is amended, the amendment would be recorded in the Register of Contracts. If a contract is cancelled or declared ineligible for financing by IFAD, this information would be written in the Register of Contracts. As this register facilitates the review and approval of payment requests on contracts, it is to be updated and submitted to the IFAD country programme manager on a quarterly basis. The sample form to be used and instructions are detailed in **Annex 6 of IFAD's Loan Disbursement Handbook**. It would also be necessary that the NPCU prepare annual statistics disaggregated by type and methods of procurement, for the overall procurement transactions carried out for the project.
26. **Bidding documents.** All bidding documents for the procurement of goods, works and services would be prepared by the procurement officer with the support of the technical expert(s), who would supply specifications, terms of reference, Bills of Quantities, etc. as required.
27. **Responsibilities.** The overall responsibility of procurement of works, goods and consulting services rest with the Project Coordinator. The Procurement Officer at the PMU and RPMUs levels would be responsible to the National Project Manager (NPM) and Regional PMs, where relevant, for

a) implement and execute procurement functions at the PMU/RPMUs levels; b) prepare and consolidate the procurement plans; c) prepare bidding documents; d) oversight and monitor of project procurement activities, including contact management; and e) interface with IFAD for procurement reporting. The PMU/RPMUs would implement NCB procurement estimated to cost USD 50,000 equivalent or more.

28. The following basic principles would guide the PMU/RPMUs while processing the procurement activities a) economy and efficiency, b) giving equal opportunities to all eligible bidders, c) encouraging the development of domestic capacity to provide goods, works and consulting services, especially community participation in infrastructures construction d) fairness, integrity, transparency and good governance, and e) selecting the most appropriate method for the specific procurement.

29. **Staffing and Capacity Development:** A Procurement officer and Assistant would be required at the PMU, along with a Procurement Focal Point at the RPMUs. The positions would be filled competitively and would be on performance-based contracts. Government staff would be eligible to compete and if selected, would be hired as a project staff and it would be their responsibility to take all necessary arrangements in accordance with the labor laws of the country. In order to establish sound procurement management system in the project and given the current assessment, there would be a need for intensive capacity development of these staffs.

#### **D. Draft 24 month Procurement plan**

30. A preliminary 24-Month Procurement Plan has been prepared and detailed in Table 11 below. This plan which, has been developed for Goods, Works and Services, may ensure economy and efficiency in processing.

31. Similar items have been packaged together or have been bulked into annual procurement packages, to the extent feasible, to avoid splitting of contracts to achieve economies of scale and ensure efficiency in procurement.

**Table 11: Preliminary 24-Month Procurement Plan**

| Financier  | Pack. Id | Ref.   | Description                                      | Unit | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Openin g Date | Contract Award Date | End Date  |  |
|--|----------|--|--|------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|-------------------|---------------------|-----------|--|
| <b>Component 1. Community and Livelihood Development</b> |          |  |  |      |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| <b>Vehicles, Equipment, Machinery and Goods (VEMG)</b>   |          |  |  |      |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| IFAD_L (100%)  | 001      | 1.1.01   | Equipment of CDAs (30 village CDA + 5 youth CDA) | set  | 1 400               | 30       | 5        | 49 000                          | 70 800                             |                                 | Post                    | VEMG        | NCB/ LCLSh                     | Jun. 2015     | Jun. 2015         | Jul. 2015           | Sep. 2015 |  |
| IFAD_L (100%)  | 002      | 1.1.02   | Vehicles   | unit | 36 000              | 3        | 0        | 108 000                         | 116 500                            |                                 | Prior                   | VEMG        | NCB                            | Feb. 2015     | Mar. 2015         | Apr. 2015           | Jul. 2015 |  |
| IFAD_L (100%)  | 003      | 1.1.03   | Tubewell for drinking water                      | unit | 25 000              | 1        | 2        | 75 000                          | 274 500                            |                                 | Post                    | VEMG        | NCB/ LCLSh                     | Oct. 2015     | Oct. 2015         | Nov. 2015           | Jan. 2016 |  |
| IFAD_L (100%)  | 004      | 1.1.04   | Furnishing of clinics                            | set  | 5 000               | 1        | 3        | 20 000                          | 124 200                            |                                 | Post                    | VEMG        | LCLSh                          | Oct. 2015     | Oct. 2015         | Nov. 2015           | Jan. 2016 |  |
| IFAD_L (100%)  | 005      | 1.1.05   | Equipment of clinics                             | set  | 14 195              | 1        | 3        | 56 780                          | 352 700                            |                                 | Post                    | VEMG        | NCB/ LCLSh                     | Nov. 2015     | Nov. 2015         | Dec. 2015           | Feb. 2016 |  |
| IFAD_L (100%)  | 006      | 1.1.06   | Furnishing of nurseries                          | set  | 5 000               | 1        | 3        | 20 000                          | 124 200                            |                                 | Post                    | VEMG        | LCLSh                          | Sep. 2015     | Sep. 2015         | Oct. 2015           | Dec. 2015 |  |
| IFAD_L (100%)  | 007      | 1.1.07   | Equipment of nurseries                           | set  | 5 000               | 1        | 3        | 20 000                          | 124 200                            |                                 | Post                    | VEMG        | LCLSh                          | Sep. 2015     | Sep. 2015         | Oct. 2015           | Dec. 2015 |  |
| GOVT (100%)  | 008      | 1.1.08   | Equipment of schools                             | set  | 28 000              | 1        | 1        | 56 000                          | 344 400                            |                                 | Post                    | VEMG        | NCB/ LCLSh                     | Dec. 2015     | Jan. 2016         | Jan. 2016           | Mar. 2016 |  |
| IFAD_L (100%)  | 009      | 1.1.09   | Equipment of youth centres                       | set  | 9 000               | 1        | 2        | 27 000                          | 88 000                             |                                 | Post                    | VEMG        | NCB/ LCLSh                     | Nov. 2015     | Nov. 2015         | Dec. 2015           | Feb. 2016 |  |
| IFAD_L (100%)  | 010      | 1.1.10   | Solar lighting for youth centres                 | set  | 600                 | 2        | 4        | 3 600                           | 11 700                             |                                 | Post                    | VEMG        | LCLSh                          | Nov. 2015     | Nov. 2015         | Dec. 2015           | Feb. 2016 |  |
| IFAD_ASAP (100%)   | 011      | 1.1.11   | Tool kits (enterprise development)               | kit  | 300                 | 0        | 40       | 12 000                          | 77 600                             |                                 | Post                    | VEMG        | LCLSh                          | Dec. 2015     | Dec. 2015         | Jan. 2016           | Mar. 2016 |  |
|  | 003      | <b>Subtotal Vehicles, Equipment, Machinery and Goods</b> |  |      |                     |          |          | <b>447 380</b>                  | <b>1 708 800</b>                   | <b>26%</b>                      |                         |             |                                |               |                   |                     |           |  |



Arab Republic of Egypt  
Sustainable Agriculture Investments and Livelihoods  
Design completion report  
Appendix 8: Procurement

| Financier  | Pack. Id | Ref.   | Description   | Unit       | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Opening Date | Contract Award Date | End Date  |
|--|----------|--------|---|------------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|------------------|---------------------|-----------|
| <b>Civil Works (CW)</b>                                    |          |        |   |            |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |
| IFAD_L (100%)  | 012      | 1.2.01 | Repair of drinking water supply   | unit       | 49 150              | 1        | 2        | 147 450                         | 415 400                            |                                 | Prior                   | CW          | NCB/ LNBC                      | Oct. 2015     | Nov. 2015        | Dec. 2015           | Feb. 2016 |
| IFAD_L (100%)  | 013      | 1.2.02 | Rehabilitation of clinics   | unit       | 24 000              | 1        | 3        | 96 000                          | 723 200                            |                                 | Post                    | CW          | NCB/ LNBC                      | Sep. 2015     | Oct. 2015        | Nov. 2015           | Jan. 2016 |
| IFAD_L (100%)  | 014      | 1.2.03 | Rehabilitation of nurseries   | unit       | 20 000              | 1        | 3        | 80 000                          | 452 000                            |                                 | Post                    | CW          | NCB/ LNBC                      | Sep. 2015     | Oct. 2015        | Nov. 2015           | Jan. 2016 |
| IFAD_L (50%)   | 015      | 1.2.04 | Construction of schools (1 IFAD loan Y1, 1 GOVT Y2)   | unit       | 370 000             | 1        | 1        | 740 000                         | 5 476 000                          |                                 | Prior                   | CW          | NCB                            | Oct. 2015     | Nov. 2015        | Dec. 2015           | Mar. 2016 |
| IFAD_L (90%)   | 016      | 1.2.05 | Construction of youth and community centres   | unit       | 170 000             | 1        | 2        | 510 000                         | 1 989 300                          |                                 | Prior                   | CW          | NCB                            | Sep. 2015     | Oct. 2015        | Nov. 2015           | Feb. 2016 |
| <b>Subtotal Civil Works</b>                                |          |        |   |            |                     |          |          | <b>1 573 450</b>                | <b>9 055 900</b>                   | <b>17%</b>                      |                         |             |                                |               |                  |                     |           |
| <b>Technical Assistance, Training and Workshops (TTAW)</b> |          |        |   |            |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |
| IFAD_G (100%)  | 017      | 1.3.01 | Preparation and assessment of CDAs (3 contracts: 1 of 2 months, 1 of 1 month, 1 of 20 days)   | consultant |                     | 3        | 0        | 33 000                          | 33 000                             |                                 | Prior                   | TTAW        | RFP/ QCBS                      | Apr. 2015     | Apr. 2015        | May. 2015           | Jun. 2015 |
| IFAD_G (100%)  | 018      | 1.3.02 | Training need assessment and development of manuals for CDAs (3 contracts of 45 days each)  | consultant |                     | 3        | 0        | 40 500                          | 40 500                             |                                 | Prior                   | TTAW        | Eo/ QCBS- CQ                   | May. 2015     | May. 2015        | Jun. 2015           | Jul. 2015 |
| IFAD_G (100%)  | 019      | 1.3.03 | Trainings of CDAs (3 types: 1 training of 5 days x 4 groups, 1 training of 3 days, 1 training of 6 days; external consultant hired) | session    |                     | 30       | 0        | 57 000                          | 57 000                             |                                 | Prior                   | TTAW        | Eo/ QCBS- CQ                   | Jul. 2015     | Jul. 2015        | Aug. 2015           | Sep. 2015 |
| IFAD_G (100%)  | 020      | 1.3.04 | Training of nurses (60 days/session)  | session    | 10 000              | 0        | 2        | 20 000                          | 20 000                             |                                 | Prior                   | TTAW        | Eo/ QCBS- CQ                   | Oct. 2015     | Oct. 2015        | Nov. 2015           | Dec. 2015 |
| IFAD_L (100%)  | 021      | 1.3.05 | Visit of doctors and specialists  | visit      | 40                  | 1500     | 1500     | 120 000                         | 322 500                            |                                 | Prior                   | TTAW        | CQ/ CPP / DC                   | Dec. 2015     | Dec. 2015        | Jan. 2016           | Feb. 2016 |
| IFAD_L (100%)  | 022      | 1.3.06 | Medical campaigns   |            | 260                 | 30       | 30       | 15 600                          | 78 300                             |                                 | Prior                   | TTAW        | DC                             | Dec. 2015     | Dec. 2015        | Jan. 2016           | Feb. 2016 |

| Financier   | Pack. Id | Ref.   | Description   | Unit       | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Opening Date | Contract Award Date | End Date  |  |
|---|----------|--|---|------------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|------------------|---------------------|-----------|--|
| IFAD_G (100%)   | 023      | 1.3.07   | Assessment and mapping (3 contracts or more (by region?): 1 of 1,5 month, 1 of 3 months, 1 of 1 month)  | consultant |                     | 3        | 0        | 27 500                          | 29 600                             |                                 | Prior                   | TTAW        | QCBS - CQ                      | Sep. 2015     | Sep. 2015        | Oct. 2015           | Nov. 2015 |  |
| IFAD_ASAP (100%)  | 024      | 1.3.08   | Training on enterprise development (multi lots / 1 per region?)   | session    | 5 000               | 0        | 4        | 20 000                          | 173 300                            |                                 | Prior                   | TTAW        | RFP/ QCBS / DC                 | Oct. 2015     | Oct. 2015        | Nov. 2015           | Dec. 2015 |  |
| IFAD_ASAP (100%)  | 025      | 1.3.09   | Vocational training (multi lots, 1 per region?)   | session    | 13 000              | 0        | 2        | 26 000                          | 225 300                            |                                 | Prior                   | TTAW        | RFP/ QCBS / DC                 | Oct. 2015     | Oct. 2015        | Nov. 2015           | Dec. 2015 |  |
| #REF!   |          |  | <b>Subtotal Technical Assistance, Training and Workshops</b>  |            |                     |          |          |                                 | <b>359 600</b>                     | <b>979 500</b>                  | <b>37%</b>              |             |                                |               |                  |                     |           |  |
| <b>Subtotal</b>   |          | <b>Component 1. Community and Livelihood Development</b> |   |            |                     |          |          | <b>2 380 430</b>                | <b>11 744 200</b>                  | <b>20%</b>                      |                         |             |                                |               |                  |                     |           |  |
| <b>Component 2. Agriculture Development and Diversification</b> |          |  |   |            |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |  |
| <b>Vehicles, Equipment, Machinery and Goods</b>                 |          |  |   |            |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |  |
| IFAD_G (100%)   | 026      | 2.1.01   | Furnishing of cooperatives  |            | 1 429               | 0        | 14       | 20 006                          | 63 000                             |                                 | Post                    | GEMV        | NCB                            | Nov. 2015     | Nov. 2015        | Dec. 2015           | Feb. 2016 |  |
| IFAD_L (100%)   | 027      | 2.1.02   | Mechanical and mobile Engines: Total of 3 lots with delivery as follows: Lot1- Dredger (unit x 3);Lot2- Dredger truck (unit x 1); Lot3- Tractor (unit x 1). |            |                     | 3        | 0        | 735 700                         | 805 000                            |                                 | Prior                   | GEMV        | ICB / NCB                      | Jun. 2015     | Jun. 2015        | Jul. 2015           | Sep. 2015 |  |
| IFAD_L (100%)   | 028      | 2.1.03   | Equipment of water user groups  | set        | 2 800               | 42       | 0        | 117 600                         | 128 700                            |                                 | Prior                   | GEMV        | NCB / LCLSh                    | Oct. 2015     | Oct. 2015        | Nov. 2015           | Jan. 2016 |  |
| IFAD_L (100%)   | 029      | 2.1.04   | Equipment of marketing associations   | set        | 1 429               | 0        | 3        | 4 287                           | 9 300                              |                                 | Post                    | GEMV        | LCLSh                          | Dec. 2015     | Dec. 2015        | Jan. 2016           | Mar. 2016 |  |
| IFAD_L (100%)   | 030      | 2.1.05   | Equipment for drainage  |            | 365 000             | 0        | 1        | 365 000                         | 418 200                            |                                 | Prior                   | GEMV        | NCB/ LNBC                      | Jun. 2015     | Jul. 2015        | Aug. 2015           | Oct. 2015 |  |
| IFAD_L (100%)   | 031      | 2.1.06   | Equipment of Al-Samaha village  |            | 30 000              | 1        | 0        | 30 000                          | 32 800                             |                                 | Post                    | GEMV        | NCB / LCLSh                    | Jul. 2015     | Aug. 2015        | Sep. 2015           | Nov. 2015 |  |
| IFAD_L (100%)   | 032      | 2.1.07   | Solar water pumps (multi lots, 2 sizes: 100m TDH or 50m TDH)  |            |                     | 0        | 40       | 1 054 500                       | 11 348 800                         |                                 | Prior                   | GEMV        | ICB / NCB                      | Aug. 2015     | Sep. 2015        | Oct. 2015           | Jan. 2016 |  |

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| Financier        | Pack. Id | Ref.   | Description  | Unit | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Opening Date | Contract Award Date | End Date  |
|------------------|----------|--------|--|------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|------------------|---------------------|-----------|
| IFAD_L (100%)    | 033      | 2.1.08 | Solar dryers   |      | 40 000              | 0        | 1        | 40 000                          | 99 000                             |                                 | Post                    | GEMV        | NCB/ LNBC                      | Sep. 2015     | Oct. 2015        | Nov. 2015           | Feb. 2016 |
| IFAD_ASAP (100%) | 034      | 2.1.09 | Composting units   |      | 6 000               | 0        | 2        | 12 000                          | 76 100                             |                                 | Post                    | GEMV        | LNBC / LCLSh                   | Sep. 2015     | Oct. 2015        | Nov. 2015           | Feb. 2016 |
| IFAD_ASAP (100%) | 035      | 2.1.10 | Biogas units   |      | 600                 | 0        | 6        | 3 600                           | 22 800                             |                                 | Post                    | GEMV        | LNBC / LCLSh                   | Oct. 2015     | Nov. 2015        | Dec. 2015           | Mar. 2016 |
| IFAD_ASAP (100%) | 036      | 2.1.11 | Establishment of farmer field schools agric + livestock (inputs, material)   |      |                     |          |          | 44 400                          | 406 400                            |                                 | Post                    | GEMV        | NCB / LCLSh                    | Jul. 2015     | Aug. 2015        | Sep. 2015           | Dec. 2015 |
| IFAD_ASAP (100%) | 037      | 2.1.12 | Weather stations (overall contract with partner for implementation)  |      |                     |          |          |                                 |                                    |                                 | -                       | GEMV        | DC                             | Apr. 2015     | May. 2015        | Jun. 2015           | Sep. 2015 |
| IFAD_L (100%)    | 038      | 2.1.13 | Equipment and kits for CLEWs and artificial insemination: Total of 3 lots expected for 2016 as follows: .Lot1- Equipment of artificial insemination subcenters; .Lot2- Kit for the female CLEWs; .Lot3- Tool kit for artificial inseminators | Lot  |                     | 3        | 0        | 125 500                         | 143 700                            |                                 | Prior                   | GEMV        | NCB/ LNBC                      | Sep. 2015     | Oct. 2015        | Nov. 2015           | Feb. 2016 |
| IFAD_L (100%)    | 039      | 2.1.14 | Residual machines  |      |                     |          |          | 4 300                           | 15 500                             |                                 | Post                    | GEMV        | LCLSh                          | Nov. 2015     | Dec. 2015        | Jan. 2016           | Apr. 2016 |
| IFAD_L (100%)    | 040      | 2.1.15 | Veterinary days (purchase of vaccines, etc.)   |      |                     |          |          | 57 200                          | 408 800                            |                                 | Post                    | GEMV        | NCB / LCLSh                    | Oct. 2015     | Nov. 2015        | Dec. 2015           | Mar. 2016 |
| IFAD_L (100%)    | 041      | 2.1.16 | Protective spraying campaigns (purchase of equipment and products)   |      |                     |          |          | 42 600                          | 304 300                            |                                 | Post                    | GEMV        | NCB / LCLSh                    | Oct. 2015     | Nov. 2015        | Dec. 2015           | Mar. 2016 |
| GOVT (100%)      | 042      | 2.1.17 | Vehicles and motorbikes (Lot1:3 vehicles, Lot2:12 motorbikes)  |      |                     |          |          | 133 700                         | 144 600                            |                                 | Prior                   | GEMV        | ICB / NCB                      | Feb. 2015     | Mar. 2015        | Apr. 2015           | Jul. 2015 |
| IFAD_L (100%)    | 043      | 2.1.18 | Agric. products processing and collection units  | unit | 200 000             | 5        | 0        | 1 000 000                       | 1 183 800                          |                                 | Prior                   | GEMV        | ICB / NCB                      | Dec. 2015     | Jan. 2016        | Feb. 2016           | May. 2016 |
| #REF!            |          |        | <b>Subtotal Vehicles, Equipment, Machinery and Goods</b>   |      |                     |          |          | <b>3 790 393</b>                | <b>15 610 800</b>                  | <b>24%</b>                      |                         |             |                                |               |                  |                     |           |

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| Financier   | Pack. Id | Ref.   | Description   | Unit    | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Opening Date | Contract Award Date | End Date  |
|---|----------|--------|---|---------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|------------------|---------------------|-----------|
| <b>Civil Works</b>                                  |          |        |   |         |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |
| IFAD_L (100%)                                       | 044      | 2.2.01 | Rehabilitation of lifting station pumps   | unit    | 28 600              | 0        | 2        | 57 200                          | 767 700                            |                                 | Post                    | GEMV        | NCB / LCLSh                    | Jul. 2015     | Aug. 2015        | Aug. 2015           | Nov. 2015 |
| IFAD_L (100%)                                       | 045      | 2.2.02 | Reconstruction and Civil Works for irrigation improvement- Mesqas: Total of Lots as follows: Lot1:Reconstruction of mesqas (15'000m); Lot2: Construction of irrigation outlets (200); Lot3: Canal construction and improvement (1'000 feddans). |         |                     |          |          | 1 378 600                       | 11 257 300                         |                                 | Prior                   | GEMV        | NCB/ LNBC                      | Jul. 2015     | Aug. 2015        | Aug. 2015           | Nov. 2015 |
| IFAD_L (100%)                                       | 046      | 2.2.03 | Drainage improvement  |         |                     |          |          | 17 600                          | 248 200                            |                                 | Post                    | GEMV        | NCB/ LNBC                      | Jul. 2015     | Aug. 2015        | Aug. 2015           | Nov. 2015 |
|   | #REF!    |        | <b>Subtotal Civil Works</b>   |         |                     |          |          | <b>1 453 400</b>                | <b>12 273 200</b>                  | <b>12%</b>                      |                         |             |                                |               |                  |                     |           |
| <b>Technical Assistance, Training and Workshops</b> |          |        |   |         |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |
| IFAD_L (100%)                                       | 047      | 2.3.01 | Assessment of salinity and underground water (2 contracts or more)  | study   | 7 000               | 2        | 1        | 21 000                          | 32 700                             |                                 | Prior                   | TTAW        | QCBS - RFQ                     | Apr. 2015     | Apr. 2015        | May. 2015           | Jun. 2015 |
| IFAD_ASAP (100%)                                    | 048      | 2.3.02 | Trainings on innovative technologies and composting (external consultant, 1 on biogas and composting, 1 on solar)   | session |                     | 30       | 60       | 68 400                          | 523 600                            |                                 | Prior                   | TTAW        | QCBS - RFQ / DC                | Dec. 2015     | Dec. 2015        | Jan. 2016           | Feb. 2016 |
| IFAD_L (100%)                                       | 049      | 2.3.03 | TA tubewell audit and solar pumping (external consultant, based on needs)   |         |                     |          |          | 315 600                         | 357 300                            |                                 | Prior                   | TTAW        | QCBS - RFP / DC                | Sep. 2015     | Sep. 2015        | Oct. 2015           | Nov. 2015 |
| IFAD_ASAP (100%)                                    | 050      | 2.3.04 | Agricultural trainings and on-farm demonstrations   |         |                     |          |          | 121 100                         | 585 200                            |                                 | Prior                   | TTAW        | LCLSh                          | Aug. 2015     | Aug. 2015        | Sep. 2015           | Oct. 2015 |
| IFAD_ASAP (100%)                                    | 051      | 2.3.05 | Training of FFS facilitators  | session |                     | 2        | 6        | 66 000                          | 261 200                            |                                 | Prior                   | TTAW        | QCBS - RFQ / DC                | Sep. 2015     | Sep. 2015        | Oct. 2015           | Nov. 2015 |

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| Financier                                       | Pack. Id | Ref.  | Description   | Unit     | Unit Cost la (US\$) | Qty 2015 | Qty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Openin g Date | Contract Award Date | End Date  |  |
|---|----------|---|---|----------|---------------------|----------|----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|-------------------|---------------------|-----------|--|
| IFAD_ASAP (100%)                                | 052      | 2.3.06  | ITA on FFS (master facilitators - 3 per-months for agric and same for livestock, 1 contract per region) | contract | 9 500               | 6        | 0        | 57 000                          | 88 000                             |                                 | Prior                   | TTAW        | QCBS - RFQ / DC                | Aug. 2015     | Aug. 2015         | Sep. 2015           | Oct. 2015 |  |
| IFAD_ASAP (100%)                                | 053      | 2.3.07  | Farmer knowledge sharing workshops  | workshop | 1 200               | 0        | 8        | 9 600                           | 130 100                            |                                 | Post                    | TTAW        | LCLSh                          | Dec. 2015     | Jan. 2016         | Jan. 2016           | Mar. 2016 |  |
| IFAD_ASAP (100%)                                | 054      | 2.3.08  | Economic and technical studies  | study    | 7 680               | 3        | 0        | 23 040                          | 24 900                             |                                 | Prior                   | TTAW        | QCBS - RFQ                     | Dec. 2015     | Dec. 2015         | Jan. 2016           | Feb. 2016 |  |
| IFAD_L (100%)                                   | 055      | 2.3.09  | Training of CLEWs and artificial inseminators (multi lots)  | session  |                     | 0        | 24       | 60 000                          | 238 700                            |                                 | Prior                   | TTAW        | QCBS - RFQ                     | Nov.2 015     | Nov. 2015         | Dec. 2015           | Jan. 2016 |  |
| IFAD_L (100%)                                   | 056      | 2.3.10  | Other studies   | study    | 8 000               | 0        | 2        | 16 000                          | 19 000                             |                                 | Prior                   | TTAW        | QCBS - LCLSh                   | Dec. 2015     | Jan. 2016         | Jan. 2016           | Mar. 2016 |  |
| IFAD_L (100%)                                   | 057      | 2.3.11  | Market and feasibility studies processing and collection units + on certification                       | study    | 5 000               | 0        | 4        | 20 000                          | 23 700                             |                                 | Prior                   | TTAW        | QCBS - RFQ                     | Nov. 2015     | Dec. 2015         | Dec. 2015           | Feb. 2016 |  |
| IFAD_L (100%)                                   | 058      | 2.3.12  | Training on certification for MA's members  | session  | 670                 | 0        | 8        | 5 360                           | 35 200                             |                                 | Post                    | TTAW        | QCBS - RFQ / DC                | Dec. 2015     | Jan. 2016         | Jan. 2016           | Mar. 2016 |  |
| IFAD_L (100%)                                   | 059      | 2.3.13  | TA marketing and private sector (1 month per contract)  | contract | 6 000               | 0        | 1        | 6 000                           | 43 000                             |                                 | Post                    | TTAW        | QCBS - RFQ                     | Sep. 2015     | Sep. 2015         | Oct. 2015           | Nov. 2015 |  |
| #REF!   |          |   | <b>Subtotal Technical Assistance, Training and Workshops</b>  |          |                     |          |          | <b>789 100</b>                  | <b>2 362 600</b>                   | <b>33%</b>                      |                         |             |                                |               |                   |                     |           |  |
| <b>Subtotal</b>                                 |          | <b>Component 2. Agriculture Development and Diversification</b> |   |          |                     |          |          | <b>6 032 893</b>                | <b>30 246 600</b>                  | <b>20%</b>                      |                         |             |                                |               |                   |                     |           |  |
| <b>Component 3. Rural Financial Services</b>    |          |   |   |          |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| <b>Vehicles, Equipment, Machinery and Goods</b> |          |   |   |          |                     |          |          |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| IFAD_L (100%)                                   | 060      | 3.1.01  | MIS and equipment of CDAs and cooperatives  | set      | 2 430               | 20       | 25       | 109 350                         | 165 800                            |                                 | Prior                   | VEMG        | NCB                            | Sep. 2015     | Sep. 2015         | Oct. 2015           | Dec. 2015 |  |
| #REF!   |          |   | <b>Subtotal Vehicles, Equipment, Machinery and Goods</b>  |          |                     |          |          | <b>109 350</b>                  | <b>165 800</b>                     | <b>66%</b>                      |                         |             |                                |               |                   |                     |           |  |

| Financier   | Pack. Id        | Ref.   | Description  | Unit     | Unit Cost la (US\$) | Qtty 2015 | Qtty 2016 | Total amount 2015 & 2016 (US\$) | Total amount Tot_Project le (US\$) | Tot. 2015 & 2016/ Total Project | IFAD Review Prior/ Post | Exp. Categ. | Proc. Method/ Selection Method | Starting Date | Bid Openin g Date | Contract Award Date | End Date  |  |
|---|-----------------|--------|--|----------|---------------------|-----------|-----------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|-------------------|---------------------|-----------|--|
| <b>Technical Assistance, Training and Workshops</b> |                 |        |  |          |                     |           |           |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| IFAD_L (100%)                                       | 061             | 3.3.01 | Market assessment and product development (part of contract with ADP)                                      |          |                     | 1         | 0         | 228 100                         | 228 100                            |                                 | Prior                   | TATW        | DC                             | Apr. 2015     | Apr. 2015         | May. 2015           | Jun. 2015 |  |
| IFAD_G (100%)                                       | 062             | 3.3.01 | Various trainings of CDA and cooperatives (multi lots per subject and region?)                             | session  |                     | 62        | 76        | 151 600                         | 327 500                            |                                 | Prior                   | TATW        | QCBS - RFP / DC                | Nov. 2015     | Nov. 2015         | Dec. 2015           | Jan. 2016 |  |
| IFAD_L (100%)                                       | 063             | 3.3.02 | TA CDA and cooperatives (1 contract by region)   | contract |                     | 3         | 3         | 199 300                         | 411 800                            |                                 | Prior                   | TATW        | QCBS - RFP / DC                | Sep. 2015     | Sep. 2015         | Oct. 2015           | Nov. 2015 |  |
| #REF!   |                 |        | <b>Subtotal Technical Assistance, Training and Workshops</b>   |          |                     |           |           | <b>579 000</b>                  | <b>967 400</b>                     | <b>60%</b>                      |                         |             |                                |               |                   |                     |           |  |
|   | <b>Subtotal</b> |        | <b>Component 3. Rural Financial Services</b>   |          |                     |           |           | <b>688 350</b>                  | <b>1 133 200</b>                   | <b>61%</b>                      |                         |             |                                |               |                   |                     |           |  |
| <b>Component 4. Project Management</b>              |                 |        |  |          |                     |           |           |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| <b>Vehicles, Equipment, Machinery and Goods</b>     |                 |        |  |          |                     |           |           |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| IFAD_L (33%) GOVT (77%)                             | 064             | 4.1.01 | Vehicles: 2 Lots as follows: Lot 1- Vehicle (3 central+6 regional); Lot 2- Minibus (1 central+ 2 regional) | Lot      |                     | 2         | 0         | 465 000                         | 501 600                            |                                 | Prior                   | VEMG        | NCB                            | Feb. 2015     | Feb. 2015         | Mar. 2015           | May. 2015 |  |
| IFAD_L (100%)                                       | 065             | 4.1.02 | Equipment: Computers, printers, Photocopier machine, Cellphones, Office equipment, Office furniture.       | Lot      |                     | 1         | 0         | 338 300                         | 370 300                            |                                 | Prior                   | VEMG        | ICB/ NCB                       | Feb. 2015     | Mar. 2015         | Mar. 2015           | May. 2015 |  |
| IFAD_L (100%)                                       | 066             | 4.1.03 | Accounting system  | unit     | 50 000              | 1         | 0         | 50 000                          | 54 700                             |                                 | Post                    | VEMG        | NCB                            | Feb. 2015     | Mar. 2015         | Mar. 2015           | Apr. 2015 |  |
| #REF!   |                 |        | <b>Subtotal Vehicles, Equipment, Machinery and Goods</b>   |          |                     |           |           | <b>853 300</b>                  | <b>926 600</b>                     | <b>92%</b>                      |                         |             |                                |               |                   |                     |           |  |
| <b>Civil Works</b>                                  |                 |        |  |          |                     |           |           |                                 |                                    |                                 |                         |             |                                |               |                   |                     |           |  |
| IFAD_L (100%)                                       | 067             | 4.2.01 | Rehabilitation of offices (1 lot per region?)  | lot      | 28 333              | 3         | 0         | 85 000                          | 100 600                            |                                 | Prior                   | CW          | NCB                            | Feb. 2015     | Mar. 2015         | Apr. 2015           | Jul. 2015 |  |
| #REF!   |                 |        | <b>Subtotal Civil Works</b>  |          |                     |           |           | <b>85 000</b>                   | <b>100 600</b>                     | <b>84%</b>                      |                         |             |                                |               |                   |                     |           |  |

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|---|------------|--|---|-----------|---------------------|----------|-------------------|---------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|--------------------------------|---------------|------------------|---------------------|-----------|--|
| <b>Technical Assistance, Training and Workshops</b> |            |  |   |           |                     |          |                   |                                 |                                    |                                 |                         |             |                                |               |                  |                     |           |  |
| IFAD_L (100%)                                       | 068        | 4.3.01   | Baseline and impact surveys   | survey    | 42 000              | 1        |                   | 42 000                          | 126 000                            |                                 | Prior                   | TATW        | QCBS - RFQ                     | Feb. 2015     | Feb. 2015        | Mar. 2015           | Apr. 2015 |  |
| IFAD_L (100%)                                       | 069        | 4.3.02   | Knowledge management  | ls        | 16 000              | 1        | 1                 | 32 000                          | 144 000                            |                                 | Prior                   | TATW        | QCBS - RFQ / LCLSh             | Nov. 2015     | Nov. 2015        | Dec. 2015           | Jan. 2016 |  |
| IFAD_L (100%)                                       | 070        | 4.3.03   | External audit  | audit     | 24 000              | 1        | 1                 | 48 000                          | 345 500                            |                                 | Prior                   | TATW        | QCBS - RFQ                     | Oct. 2015     | Oct. 2015        | Nov. 2015           | Dec. 2015 |  |
| IFAD_L (100%)                                       | 071        | 4.3.04   | Workshops (regional, on project targeting, gender, and meeting with Benef.) | workshop  |                     | 13       | 7                 | 71 400                          | 182 400                            |                                 | Prior                   | TATW        | LCLSh                          | Mar. 2015     | Mar. 2015        | Apr. 2015           | May. 2015 |  |
| IFAD_L (100%)                                       | 072        | 4.3.05   | Staff training  | multi lot |                     |          |                   | 20 600                          | 186 000                            |                                 | Prior                   | TATW        | LCLSh                          | Mar. 2015     | Mar. 2015        | Apr. 2015           | May. 2015 |  |
|   | 071        |  | <b>Subtotal Technical Assistance, Training and Workshops</b>                |           |                     |          |                   | <b>214 000</b>                  | <b>983 900</b>                     | <b>22%</b>                      |                         |             |                                |               |                  |                     |           |  |
| <b>Subtotal</b>                                     |            | <b>Component 4.Project Management</b>                      |   |           |                     |          |                   | <b>1 152 300</b>                | <b>2 011 100</b>                   | <b>57%</b>                      |                         |             |                                |               |                  |                     |           |  |
| <b>SUB TOTAL</b>                                    |            | <b>Vehicles, Equipment, Machinery and Goods (VEMG)</b>     |   |           |                     |          |                   | <b>5 200 423</b>                | <b>18 412 000</b>                  |                                 |                         |             |                                |               |                  |                     |           |  |
| <b>SUB TOTAL</b>                                    |            | <b>Civil Works (CW)</b>                                    |   |           |                     |          |                   | <b>3 111 850</b>                | <b>21 429 700</b>                  |                                 |                         |             |                                |               |                  |                     |           |  |
| <b>SUB TOTAL</b>                                    |            | <b>Technical Assistance, Training and Workshops (TTAW)</b> |   |           |                     |          |                   | <b>1 941 700</b>                | <b>5 293 400</b>                   |                                 |                         |             |                                |               |                  |                     |           |  |
| <b>TOTAL</b>  | <b>ALL</b> |  |   |           |                     |          | <b>10 253 973</b> | <b>45 135 100</b>               | <b>23%</b>                         |                                 |                         |             |                                |               |                  |                     |           |  |

a\ Base costs including taxes

b\ The dates are approximate and can be changed during Project implementation

c\ To the possible extend the items to be procured will be bulked to one package

d\ Bill of quantities and Lumpsum: only for Works

e\ Costs with taxes and contingencies





## Appendix 9: Project cost and financing

### A. Main assumptions

1. **Project duration and location.** The Project duration is nine (9) years starting in 2015. The Project will be implemented in Lower, Middle and Upper Egypt. The implementation arrangements and subsequent costs have taken into account this feature, in particular with regards to staffing and logistical aspects. The budget was built on the assumption of one (1) PMU and three (3) regional offices. As the number of villages is limited in Lower Egypt, part of the project activities will be managed from the PMU level to increase the efficiency of the management arrangements.
2. **Prices and costs.** Costs have been inputted in US dollars in the COSTAB software. Prices and costs were provided by the WNRDP team during the design mission and triangulated based on the data collected during field visits and AWPB of on-going project (taken into account inflation).
3. **Contingencies.** Physical contingencies of 10% have been applied for works and of 5% for equipment, materials, goods and vehicles. Price contingencies were applied to most of the expenditures to take into account the price variations and one with no contingencies for the credit and guarantee lines.
4. **Inflation.** Egypt has been facing double digit inflation for several years (see table 12) and inflation in the first trimester was around 10.3% according to the Central Bank of Egypt. Inflation for 2015 (start of the project) and 2020 is estimated at 10.5% and 7.27% respectively<sup>73</sup>. Egypt has many commercial partners, among them several European countries. Foreign inflation has been estimated based on the forecasts of the European Central Bank for the euro zone.

Table 12: Inflation rates (local and foreign)

|                   | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Local inflation   | 10,5   | 10,3   | 9,9    | 9,8    | 9,7    | 9,7    | 9,7    | 9,7    | 9,7    |
| Foreign inflation | 1,3    | 1,5    | 1,9    | 1,9    | 1,9    | 1,9    | 1,9    | 1,9    | 1,9    |

5. **Exchange rate.** The exchange rate as of April 2014 has been used to convert from USD dollars to Egyptian pound, e.g. EGP 6.979/USD. The Egyptian pound has declined heavily against the US dollar. Although it is difficult to estimate forecast with regards to foreign exchange, the political stabilization might lead to some extent to increased stability of the local currency. The EGP 6.93/USD exchange rate has been kept for the entire project duration. The foreign exchange share was included for most of the goods, material and equipment imported to Egypt, e.g. sensitive to the fluctuation of exchange rate.
6. **Taxes and duties.** Taxes have been applied to civil works (3%) as well as equipment, material, vehicles, goods and operating costs (7%) based on the experience of the WNRDP. No taxes were included for credit and guarantee funds, consultancies, trainings, workshops and salaries as they are outsourced to contractors responsible for their national tax liabilities. As the Project will make very limited use of international competitive bidding for procurement, duties were applied only to vehicles which are the most likely to be procure through ICB (total taxes and duties of 10%). The rest of the equipment and goods will likely to be procured through national competitive bidding and local shopping, thus the cost of duties would be absorbed by the importer. Both taxes and duties are counted as government's contribution.

<sup>73</sup> Trading economics.

## B. Project costs

7. **Total project cost.** The total Project cost is estimated at USD 86.8 million over a period of nine years, including contingencies. The total base costs are USD 70.5 million and physical and price contingencies account for USD 2.4 million and USD 13.8 million respectively (5% and 26% of total base costs). Investment costs are estimated at USD 74.7 million (86.1% of total cost) while recurrent costs are estimated at USD 12 million (13.9% of total cost).

**Table 13: Project cost summary by component (in USD'000 and EGP'000)**

|   | (Local '000)     |                 |                  | (US\$ '000)     |                 |                 | % Foreign Exchange | % Total Base Costs |
|---|------------------|-----------------|------------------|-----------------|-----------------|-----------------|--------------------|--------------------|
|   | Local            | Foreign         | Total            | Local           | Foreign         | Total           |                    |                    |
| <b>A. Community and Livelihood Development</b>        |                  |                 |                  |                 |                 |                 |                    |                    |
| Strengthening of Community Development Associations   | 5 428,0          | 946,7           | 6 374,8          | 777,8           | 135,7           | 913,4           | 15                 | 12                 |
| Social and physical infrastructure                    | 49 274,3         | 11 218,7        | 60 493,0         | 7 060,4         | 1 607,5         | 8 667,9         | 19                 | 12                 |
| Vocational training and enterprise development        | 2 398,2          | 623,3           | 3 021,5          | 343,6           | 89,3            | 432,9           | 21                 | 1                  |
| <b>Subtotal</b>                                       | <b>57 700,5</b>  | <b>12 788,8</b> | <b>69 889,3</b>  | <b>8 181,8</b>  | <b>1 832,5</b>  | <b>10 014,2</b> | <b>18</b>          | <b>14</b>          |
| <b>B. Agriculture Development and Diversification</b> |                  |                 |                  |                 |                 |                 |                    |                    |
| Strengthening of Farmer-Based Organizations           | 6 254,4          | 4 673,6         | 10 928,0         | 896,2           | 669,7           | 1 565,8         | 43                 | 2                  |
| Water and Energy Infrastructure                       | 84 790,9         | 44 431,2        | 129 222,1        | 12 149,4        | 6 366,4         | 18 515,9        | 34                 | 26                 |
| Crop and Livestock Extension Services                 | 22 298,0         | 5 064,0         | 27 362,0         | 3 195,0         | 725,6           | 3 920,6         | 19                 | 6                  |
| Marketing Services                                    | 14 131,0         | 2 062,6         | 16 193,6         | 16 193,6        | 2 024,8         | 2 320,3         | 13                 | 3                  |
| <b>Subtotal</b>                                       | <b>127 474,2</b> | <b>56 231,5</b> | <b>183 705,7</b> | <b>18 265,4</b> | <b>8 057,2</b>  | <b>26 322,6</b> | <b>31</b>          | <b>37</b>          |
| <b>C. Rural Financial Services</b>                    |                  |                 |                  |                 |                 |                 |                    |                    |
| Institutional Support                                 | 14 817,0         | 999,0           | 15 816,0         | 2 123,1         | 143,1           | 2 266,2         | 6                  | 3                  |
| Credit Line   | 171 683,4        | -               | 171 683,4        | 24 600,0        | -               | 24 600,0        | -                  | 35                 |
| <b>Subtotal</b>                                       | <b>186 500,4</b> | <b>999,0</b>    | <b>187 499,4</b> | <b>26 723,1</b> | <b>143,1</b>    | <b>26 866,2</b> | <b>1</b>           | <b>38</b>          |
| <b>D. Project Management</b>                          |                  |                 |                  |                 |                 |                 |                    |                    |
| Project management                                    | 29 297,8         | 11 041,5        | 40 339,3         | 4 198,0         | 1 582,1         | 5 780,1         | 27                 | 8                  |
| M&E and knowledge management                          | 1 790,1          | 94,2            | 1 884,3          | 256,5           | 13,5            | 270,0           | 5                  | -                  |
| <b>Subtotal</b>                                       | <b>31 087,9</b>  | <b>11 135,7</b> | <b>42 223,6</b>  | <b>4 454,5</b>  | <b>1 595,6</b>  | <b>6 050,1</b>  | <b>26</b>          | <b>9</b>           |
| E. Unallocated  | 9 279,6          | -               | 9 279,6          | 1 329,7         | -               | 1 329,7         | -                  | 2                  |
| <b>Total BASELINE COSTS</b>                           | <b>411 442,7</b> | <b>81 154,9</b> | <b>492 597,6</b> | <b>58 954,4</b> | <b>11 628,4</b> | <b>70 582,8</b> | <b>16</b>          | <b>100</b>         |
| Physical Contingencies                                | 12 813,5         | 4 403,3         | 17 216,8         | 1 836,0         | 630,9           | 2 466,9         | 26                 | 3                  |
| Price Contingencies                                   | 89 438,9         | 4 070,9         | 93 509,8         | 13 132,5        | 672,3           | 13 804,8        | 5                  | 20                 |
| <b>Total PROJECT COSTS</b>                            | <b>513 695,1</b> | <b>89 629,1</b> | <b>603 324,2</b> | <b>73 922,9</b> | <b>12 931,6</b> | <b>86 854,6</b> | <b>15</b>          | <b>123</b>         |

8. **Project cost by expenditure account.** The expenditure accounts related to “works” and “credit and guarantee funds” are the most important with 26.2% and 28.7% of the total Project costs respectively. Expenditures related to “equipment and materials” represent 18.3% of the Project costs and “vehicles” account for 0.8% of the Project costs. The accounts “trainings”, “consultancies” and “workshops” represent respectively 4.3%, 2.8% and 0.4% of the costs. The expenditure account “consultancies” includes studies and technical assistance both national and international. “Salaries and allowances” and “operating costs” represents 9% and 4.9% of the costs. The unallocated category represents 1.5% of the total budget.

**Table 14: Project cost summary by category (USD'000)**

|                               | IFAD loan       |             | IFAD grant     |            | IFAD ASAP      |            | The Government  |             | Beneficiaries  |            | Total           |              |
|-------------------------------|-----------------|-------------|----------------|------------|----------------|------------|-----------------|-------------|----------------|------------|-----------------|--------------|
|                               | Amount          | %           | Amount         | %          | Amount         | %          | Amount          | %           | Amount         | %          | Amount          | %            |
| 1. Works                      | 16 870,8        | 74,2        | -              | -          | -              | -          | 5 569,3         | 24,5        | 307,0          | 1,3        | 22 747,1        | 26,2         |
| 2. Equipment and materials    | 13 753,9        | 86,7        | -              | -          | 656,7          | 4,1        | 1 457,2         | 9,2         | -              | -          | 15 867,8        | 18,3         |
| 3. Goods, services and inputs | 743,0           | 28,8        | -              | -          | 954,1          | 37,0       | 180,8           | 7,0         | 704,3          | 27,3       | 2 582,3         | 3,0          |
| 4. Credit and guarantee funds | 24 970,1        | 100,0       | -              | -          | -              | -          | -               | -           | -              | -          | 24 970,1        | 28,7         |
| 5. Consultancies              | 2 146,2         | 88,7        | 94,1           | 3,9        | 178,4          | 7,4        | 0,0             | -           | -              | -          | 2 418,8         | 2,8          |
| 6. Vehicles                   | 255,3           | 34,8        | -              | -          | -              | -          | 479,3           | 65,2        | -              | -          | 734,6           | 0,8          |
| 7. Trainings                  | 288,5           | 7,5         | 784,2          | 20,5       | 2 704,2        | 70,6       | 55,9            | 1,5         | -              | -          | 3 832,8         | 4,4          |
| 8. Workshops                  | 182,4           | 58,4        | -              | -          | 130,1          | 41,6       | -               | -           | -              | -          | 312,6           | 0,4          |
| 9. Operating costs            | 547,4           | 12,8        | -              | -          | -              | -          | 2 697,8         | 63,0        | 1 034,1        | 24,2       | 4 279,2         | 4,9          |
| 10. Salaries and allowances   | 2 112,7         | 27,2        | 521,7          | 6,7        | 376,4          | 4,8        | 4 769,0         | 61,3        | -              | -          | 7 779,7         | 9,0          |
| 11. Unallocated               | 1 329,7         | 100,0       | -              | -          | -              | -          | -               | -           | -              | -          | 1 329,7         | 1,5          |
| <b>Total PROJECT COSTS</b>    | <b>63 200,0</b> | <b>72,8</b> | <b>1 400,0</b> | <b>1,6</b> | <b>5 000,0</b> | <b>5,8</b> | <b>15 209,2</b> | <b>17,5</b> | <b>2 045,3</b> | <b>2,4</b> | <b>86 854,6</b> | <b>100,0</b> |

## C. Financing plan

9. **Project cost by financier.** The Project will be financed by: (i) an IFAD loan of USD 63.2 million (72.8%); (ii) an IFAD grant of USD 1.4 million (1.6%); (iii) an ASAP grant of USD 5 million (5.8%); (iv) the beneficiaries' contribution of USD 2 million (2.4%); and (v) the contribution of the Government of Egypt of USD 15.2 million (17.5%). The Government will finance some of the social infrastructure, recurrent costs and will contribute through taxes and duties. The Saudi Fund for Development has indicated an interest in co-financing the Project. In case their funding is made available it will be used for making further infrastructure investments especially drinking water supply schemes, irrigation channels and drainage channels. This will be in addition to the infrastructure needs estimated in the current design.

**Table 15: Financing plan (in USD'000)**

|   | IFAD loan       |             | IFAD grant     |            | IFAD ASAP      |             | The Government  |             | Beneficiaries  |            | Total           |              |
|---|-----------------|-------------|----------------|------------|----------------|-------------|-----------------|-------------|----------------|------------|-----------------|--------------|
|   | Amount          | %           | Amount         | %          | Amount         | %           | Amount          | %           | Amount         | %          | Amount          | %            |
| <b>A. Community and Livelihood Development</b>        |                 |             |                |            |                |             |                 |             |                |            |                 |              |
| Strengthening of Community Development Associations   | 421,3           | 34,8        | 616,0          | 50,8       | -              | -           | 174,8           | 14,4        | -              | -          | 1 212,0         | 1,4          |
| Social and physical infrastructure                    | 5 016,5         | 41,2        | 165,7          | 1,4        | -              | -           | 5 663,8         | 46,5        | 1 341,0        | 11,0       | 12 187,1        | 14,0         |
| Vocational training and enterprise development        | -               | -           | 29,6           | 5,1        | 540,4          | 93,1        | 10,7            | 1,8         | -              | -          | 580,7           | 0,7          |
| <b>Subtotal</b>                                       | <b>5 437,8</b>  | <b>38,9</b> | <b>811,4</b>   | <b>5,8</b> | <b>540,4</b>   | <b>3,9</b>  | <b>5 849,3</b>  | <b>41,8</b> | <b>1 341,0</b> | <b>9,6</b> | <b>13 979,9</b> | <b>16,1</b>  |
| <b>B. Agriculture Development and Diversification</b> |                 |             |                |            |                |             |                 |             |                |            |                 |              |
| Strengthening of Farmer-Based Organizations           | 1 157,4         | 63,2        | 261,2          | 14,3       | 270,4          | 14,8        | 140,9           | 7,7         | -              | -          | 1 829,9         | 2,1          |
| Water and Energy Infrastructure                       | 23 586,6        | 92,1        | -              | -          | 813,2          | 3,2         | 1 208,0         | 4,7         | -              | -          | 25 607,9        | 29,5         |
| Crop and Livestock Extension Services                 | 1 143,0         | 21,1        | -              | -          | 2 799,7        | 51,8        | 1 462,2         | 27,1        | -              | -          | 5 405,0         | 6,2          |
| Marketing Services                                    | 1 622,4         | 53,4        | -              | -          | 576,3          | 19,0        | 137,2           | 4,5         | 704,3          | 23,2       | 3 040,2         | 3,5          |
| <b>Subtotal</b>                                       | <b>27 509,5</b> | <b>76,7</b> | <b>261,2</b>   | <b>0,7</b> | <b>4 459,6</b> | <b>12,4</b> | <b>2 948,3</b>  | <b>8,2</b>  | <b>704,3</b>   | <b>2,0</b> | <b>35 883,0</b> | <b>41,3</b>  |
| <b>C. Rural Financial Services</b>                    |                 |             |                |            |                |             |                 |             |                |            |                 |              |
| Institutional Support                                 | 2 072,6         | 80,9        | 327,5          | 12,8       | -              | -           | 162,2           | 6,3         | -              | -          | 2 562,2         | 3,0          |
| Credit Line   | 24 600,0        | 100,0       | -              | -          | -              | -           | -               | -           | -              | -          | 24 600,0        | 28,3         |
| <b>Subtotal</b>                                       | <b>26 672,6</b> | <b>98,2</b> | <b>327,5</b>   | <b>1,2</b> | <b>-</b>       | <b>-</b>    | <b>162,2</b>    | <b>0,6</b>  | <b>-</b>       | <b>-</b>   | <b>27 162,2</b> | <b>31,3</b>  |
| <b>D. Project Management</b>                          |                 |             |                |            |                |             |                 |             |                |            |                 |              |
| Project management                                    | 1 980,4         | 24,1        | -              | -          | -              | -           | 6 249,4         | 75,9        | -              | -          | 8 229,8         | 9,5          |
| M&E and know ledge management                         | 270,0           | 100,0       | -              | -          | -              | -           | -               | -           | -              | -          | 270,0           | 0,3          |
| <b>Subtotal</b>                                       | <b>2 250,4</b>  | <b>26,5</b> | <b>-</b>       | <b>-</b>   | <b>-</b>       | <b>-</b>    | <b>6 249,4</b>  | <b>73,5</b> | <b>-</b>       | <b>-</b>   | <b>8 499,8</b>  | <b>9,8</b>   |
| E. Unallocated  | 1 329,7         | 100,0       | -              | -          | -              | -           | -               | -           | -              | -          | 1 329,7         | 1,5          |
| <b>Total PROJECT COSTS</b>                            | <b>63 200,0</b> | <b>72,8</b> | <b>1 400,0</b> | <b>1,6</b> | <b>5 000,0</b> | <b>5,8</b>  | <b>15 209,2</b> | <b>17,5</b> | <b>2 045,3</b> | <b>2,4</b> | <b>86 854,6</b> | <b>100,0</b> |

10. **Project cost by component.** The Project cost is divided as follows: (i) 16.1% for the Component 1 "Community and Livelihood Development" (USD 13.9 million); (ii) 41.3% for the Component 2 "Agriculture Development and Diversification" (USD 35.8 million); (iii) 31.3% for the Component 3 "Rural Financial Services" (USD 27.1 million); (iv) 9.8% for the Component "Project Management" (USD 8.4 million); and (v) 1.5% for the unallocated (USD 1.3 million).

11. **Project cost by beneficiary.** Based on 40,000 targeted households representing around 280,000 persons, the Project cost (less beneficiary's contribution per beneficiary household is USD 2,120 over a period of 9 years. The cost per beneficiary household per year would be around USD 235. This is in line with the PRIME project for which the cost per household is around USD 2,164 overall or USD 270 per year. It is to be noted that the target population is likely to increase over the Project life due to the population growth (1.8% annual) and the increase of the resettlement rate as experienced in the WNRDP due to the additional services offered at local level and improved infrastructure.



## Appendix 10: Economic and Financial Analysis

### A. Benefits and beneficiaries

#### **Benefits**

- 1. Social capital and institutions.** Substantial direct benefits are expected from the Project. The social, education and health infrastructures and services associated to the strengthening of grassroots organizations would enhance the social capital of the targeted communities and contribute to livelihood improvement. Social capital outcomes are key for resettled community where linkages are still weak and institutions still young. It is closely linked to the institutional capital of the targeted communities whose organizations such as CDA, producers' organization, youth groups will be strengthened and would contribute to the social cohesion of newly resettled villages.
- 2. Health and education.** The Project will finance substantial investments in drinking water, health and education infrastructures and related services will be developed around them. In terms of health benefits, the existence of locally available and affordable health services will have an impact at various levels: (i) emergencies: often victims cannot be transported to the nearest hospital with potential death that might be avoided if equipment and services are available in the villages; (ii) curative medicine: targeted households report spending as much in health as in food due to the absence of local doctors which also led to many non-laboured days (time spent in transportation, lost labour due to illness); and (iii) preventive medicine: no maternal and reproductive health services are currently provided for pregnant women and new born children, leading to potential diseases that might be prevented to some extent through pre and post natal health exams. The provision of potable drinking water would also reduce some illness (labour time lost), water-borne diseases especially for the under-5, and the time spent in water collection. Nutrition would be enhanced through the diversification of the agricultural crops and the development of livestock. The construction of schools and the literacy classes would enable education benefits in terms of improved literacy and increase the job opportunities for the educated children although these benefits are not quantified in the EFA.
- 3. Assets and incomes.** The productive capital and assets would increase due to the investments in irrigation infrastructure, technologies and extension services. The access to credit through the Project credit line will enable the targeted households to invest in efficient irrigation technologies, crop inputs and equipment, livestock as well as off-farm enterprises. Farmers' incomes would increase mainly through crop intensification, increase in irrigated area, reduced post-harvest losses and improved access to market opportunities. Intensification would also be fostered in livestock production. Integration of crop and livestock will be enhanced to limit the costs associated to intensification and increase return of capital and labor. The strengthening of marketing associations and the promotion of organic / quality certification for key products would lead to higher farm gate prices. The availability of local services such as health and education has also an impact on the households' expenditures through the reduction of transportation costs (health, education).
- 4. Environment.** The Project would contribute to the long-term preservation and sustainability of the environmental capital of the communities through efficient irrigation technologies leading to higher return on water used for agriculture, as well as renewable technologies. This would allow substantial water savings at farm level and thus enable farmers to increase their cropped area. The introduction of renewable technologies such as solar pumps and biogas will enable substantial fuel savings, reducing the quantity of CO2 produced in the target areas and decreasing household's fuel expenditures. CO2 emissions will be quantified in the economic analysis using the CO2 market value. To a lesser extent, the Project would also produce environmental benefits through its activities related to waste management, especially the solid waste management and composting units.
- 5. Rural employment.** Last but not least, the Project would generate rural employment both on-farm and off-farm, especially for unemployed youth. At farm level, the additional production stemmed from the increase in yield would generate additional seasonal labour opportunities. Works financed on

by the Project (infrastructure) will generate short-term opportunities for local unskilled labour. Off-farm labour opportunities and complementary income sources would be created along the value-chains, both upstream (transportation, packaging, processing, etc.) and downstream with the services related to agricultural and livestock production (inputs shops, repairing of irrigation technologies, private livestock extension services, tractor drivers and mechanics, etc.). Such new opportunities, combined with access to credit for MSME, vocational training and enterprise development package will contribute to the development of self-employed activities for the youth and women in particular.

### **Beneficiaries**

6. The EFA is based on a number of “productive” activities generating financial and economic benefits. The EFA tries to reflect the income composition of the beneficiary households, e.g. their crop production activities, livestock raising activities and off-farm income generation activities. The following criteria have been used to establish the number of beneficiaries for the EFA: (i) the loans available for each productive activity through the Project credit lines and their respective phasing; and (ii) adoption rates in link with the logframe assumptions and targets. The EFA covers the following:

- **Crop production:** a total of 4,847 loans would be disbursed for crop production and irrigation equipment in addition to infrastructure and extension services. In the economic analysis, it is assumed that 40% will report an increase in yield or production (logframe indicator).
- **Livestock production:** a total of 6,824 loans would be disbursed for livestock production and associated to extension services, local veterinary services, etc. In the economic analysis, it is assumed that 40% of these beneficiaries will report an increase in production.
- **Micro and small enterprises:** 450 MSME which will be created mainly by the unemployed youth and women through access to loans and capacity building (more will access credit only). In the economic analysis, it is assumed that 30% of these will still be running after three years as the survival rate of small businesses is low before three years.
- **Job creation:** 240 women and youth will received vocational training associated to tool kits and job placement services; It is expecting that at least 50% of them would get a full time job – salaried of self-employed – including outside of the villages.
- **Processing units:** 5 processing units managed by marketing associations are included.

### **B. Main assumptions**

7. **Data.** Financial prices have been provided by the WNRDP team and triangulated with data collected during field visits through discussion with farmers, the draft Project Completion Report of the WNRDP, and agricultural statistics of the Ministry of Land and Reclamation.

8. **Labour.** Farm labour was differentiated between family and hired labour. The share of hired labour is preponderant for cash crops and is mainly mobilized at harvest (see WP6 for details). Hired labor was estimated at EGP 50 per day (USD 7) corresponding to the average rate when small farmers are hiring. Family labor, which does not trigger off cash outflows, is quantified separately to enable the assessment of return per family labor-day and compare with average agricultural wages.

9. **Access to credit.** The Project credit line will enable access to productive loans for agriculture and livestock production and MSME. In the EFA, all financial models integrate a cash-flow analysis after financing with an indicative annual effective interest rate of around 14% decreasing and grace periods ranging from 1-4 months to 1 year for short and medium term loans respectively.

### **C. Financial analysis**

#### **Crop production benefits**

10. **Crop budgets.** All the crop models analyzed are with income before family labour ranging from EGP 3,965 to EGP 12,834 per crop and increases from 11% to 30%. The highest profitability was found for the market oriented fruit crops such as grapes, citrus and pomegranate. The return for family labour increases for each crop from 5% to 17%, and is higher than the average agricultural wage.

11. **Farm budgets.** Six farm models representative of the three target areas have been analyzed. The assumptions regarding to cropping patterns for the “with project” situation are: (i) higher cropping intensity enabled through shorter production cycles and to a lesser extent intercropping; and (ii) increase of the cropped area through the introduction of drip irrigation (additional feddans can be irrigated through the water “saved” using more efficient irrigation technologies – see below “water benefits”). For each farm model, on-farm consumption has been included.

12. The six models are profitable with positive net present values before and after financing. The cash-flow before family labour ranges from EGP 24,648 to EGP 38,953 for the 5 feddan crop models with higher return for the models including market-oriented tree crops and aromatic herbs. This is in line with the findings of a 2011 study on farming income for the WNRDP beneficiaries. A credit analysis was conducted with a medium term investment loan corresponding to drip equipment.

**Table 16: Summary of farm budgets (in EGP, financial prices)**

|                     | Cash-flow without family labor |        |       | Return per feddan |       |       | Return on family labor-day |     |       | Cash-flow after financing |        |       | Benefits/ costs ratio |     | NPV @10%         |                |
|---------------------|--------------------------------|--------|-------|-------------------|-------|-------|----------------------------|-----|-------|---------------------------|--------|-------|-----------------------|-----|------------------|----------------|
|                     | WOP                            | WP     | Incr. | WOP               | WP    | Incr. | WOP                        | WP  | Incr. | WOP                       | WP     | Incr. | WOP                   | WP  | Before financing | With financing |
| <b>Lower Egypt</b>  |                                |        |       |                   |       |       |                            |     |       |                           |        |       |                       |     |                  |                |
| Model 1             | 14 586                         | 18 896 | 30%   | 5 834             | 6 871 | 18%   | 65                         | 72  | 11%   | 8 267                     | 14 891 | 80%   | 2,2                   | 1,8 | 4 232            | 14 005         |
| Model 2             | 29 499                         | 37 953 | 29%   | 7 375             | 8 626 | 17%   | 128                        | 142 | 11%   | 22 531                    | 32 607 | 45%   | 2,3                   | 2,1 | 24 352           | 39 988         |
| <b>Middle Egypt</b> |                                |        |       |                   |       |       |                            |     |       |                           |        |       |                       |     |                  |                |
| Model 3             | 25 038                         | 31 590 | 26%   | 6 259             | 7 180 | 15%   | 71                         | 78  | 10%   | 18 849                    | 27 372 | 45%   | 1,5                   | 1,5 | 16 568           | 32 204         |
| Model 4             | 29 591                         | 38 346 | 30%   | 7 398             | 8 715 | 18%   | 67                         | 80  | 18%   | 22 495                    | 31 680 | 41%   | 1,8                   | 1,8 | 26 613           | 43 522         |
| <b>Upper Egypt</b>  |                                |        |       |                   |       |       |                            |     |       |                           |        |       |                       |     |                  |                |
| Model 5             | 24 664                         | 32 557 | 32%   | 6 166             | 7 399 | 20%   | 81                         | 94  | 17%   | 19 563                    | 28 239 | 44%   | 2,5                   | 2,5 | 24 048           | 39 685         |
| Model 6             | 19 561                         | 24 648 | 26%   | 4 890             | 5 602 | 15%   | 57                         | 63  | 11%   | 14 742                    | 18 617 | 26%   | 1,8                   | 1,7 | 7 207            | 22 844         |

<sup>1</sup> (main production+by-products)-on-farm consumption

### **Livestock production benefits**

13. Three livestock models have been established to analyze egg production, duck fattening and milk production for cow rearing. These models are not market-oriented intensive production systems but rather small-scale / backyard production which has a lot of potential in terms of incomes, especially for women. The situation with project reflects: (i) the improved access to credit to finance initial flocks and a pair of cows for those households with sufficient fodder production, including improved breeds; and (ii) the access to livestock services, including FFS, veterinary services, vaccination campaigns, AI, etc. Access to such services is very likely to increase the productivity and lower the mortality rates. Conservative assumptions were taken based on the experience of the WNRDP. The consumption of eggs and milk was included in the model as well as meat.

14. All livestock models are profitable with positive net present value before and after financing. The Project’s outcomes are more substantial for duck fattening and milk production. The returns on labor with project are also higher than the daily agricultural wage and than in the WOP situation. Duck fattening shows the highest return on labour-day in situation with project. Milk production has an important potential due to current low level of production which can be quickly improved.

**Table 17: Summary of livestock budgets (in EGP, financial prices)**

|                          | Cash-flow without family labor |       |       | Return on family labor-day |     |       | NPV @10%         |                |
|--------------------------|--------------------------------|-------|-------|----------------------------|-----|-------|------------------|----------------|
|                          | WOP                            | WP    | Incr. | WOP                        | WP  | Incr. | Before financing | With financing |
| Poultry - egg production | 2 578                          | 3 813 | 48%   | 117                        | 147 | 25%   | 7 239            | 50 249         |
| Duck fattening           | 2 173                          | 4 060 | 87%   | 119                        | 162 | 36%   | 10 378           | 10 796         |
| Cow - milk production    | 3 828                          | 7 294 | 91%   | 85                         | 117 | 37%   | 4 933            | 20 570         |

### **MSME benefits**

15. A model of an entrepreneur involved in the maintenance, selling and installation of irrigation equipment and a model of a shop selling agricultural and livestock inputs are analyzed. The financial analysis shows that they are profitable, with positive net present values before and after financing.

The return on shop owner labor increases especially for the agricultural inputs shops since the small entrepreneur was previously involved in hired agricultural labour. A cash-flow analysis was conducted based on an initial investment loan to invest in equipment and material with positive results.

**Table 18: Summary of MSME budgets (in EGP, financial prices)**

|                      | Cash-flow before financing |        |         | Return on labor |     |         | Cash-flow after financing |        |         | NPV @10%         |                 | IRR              |                 |
|----------------------|----------------------------|--------|---------|-----------------|-----|---------|---------------------------|--------|---------|------------------|-----------------|------------------|-----------------|
|                      | WOP                        | WP     | Increm. | WOP             | WP  | Increm. | WOP                       | WP     | Increm. | Before financing | After financing | Before financing | After financing |
| Irrigation equipment | 15 840                     | 31 440 | 98%     | 83              | 131 | 59%     | 15 840                    | 31 440 | 98%     | 57 182           | 96 273          | 32%              | 169%            |
| Agricultural inputs  | 10 000                     | 31 968 | 220%    | 50              | 127 | 154%    | 10 000                    | 31 968 | 220%    | 128 487          | 152 633         | na               | na              |

### **Processing units benefits**

16. Two models using solar dryers for herbs and tomatoes have been established according to different management and business models in line with what can be observed in the field. The two processing models are profitable with positive net present values before and after financing (investment loan for solar dryer). Detailed of assumptions and results are presented in the WP6.

### **Drinking system, health and education benefits**

17. Through the establishment of health and water supply infrastructure and services, the project would enable the following benefits:

- **Economic benefits at macro level** through the reduction of: (i) the lost economic contribution of the sick or prematurely deceased; and (ii) the lower productivity resulting from sick and less educated workers.
- **Financial benefits at household level** through the reduction of: (i) health expenditures (transportation cost); and (ii) opportunity cost of labour (time spent in transportation to access health services or collect water, time lost due to illness).

18. The various benefits are detailed in the Working Paper 6. Some of these benefits have been quantified and analyzed. In the *economic analysis*, the reduction of under-5 mortality due to access to safe drinking water was quantified. The number of working years per death avoided is estimated at 1,431. Since working age starts at 15 in average, the benefits are only included after project year 15, corresponding to around 169 persons. It was valued based on the GDP per capita for a total benefit of USD 551,536. In the *financial analysis* of household budget, the savings of transportation costs to access health services outside of the village and to send children to a school outside of the village have been included. Days non dedicated to productive activities due to transportation time and illness were also valued. The analysis of household budget is presented below.

### **Environmental and climate change benefits**

19. **Water savings.** The introduction of more efficient irrigation systems such as drip irrigation significantly reduces the quantities of water used by the farmers. Currently, most of the farmers of the visited target areas are using flood irrigation which is highly inefficient. Studies in other countries have demonstrated a reduction by 38 to 50% of the water consumption from flood to drip irrigation. Water savings are introduced indirectly in the EFA through the assumption of the farm models with regards to cropping patterns. The amount of water saved would be used to irrigate additional superficies that the farmers cannot irrigate currently due to lack of water. The total cropped area would thus increase with the introduction of drip irrigation. Although rough estimates indicate that the conversion to drip irrigation might increase the area irrigated by 41%, the conservative assumption of 10% was applied.

20. **CO2 emissions.** The introduction of solar pumps will generate environmental benefits through a decrease in fuel consumption and thus CO2 released. This can be was economically quantified using the CO2 price on the voluntary market (around USD 7/ton). The related benefits at full project development are USD 78,000 per year. The financial benefit on the household's budget with the reduction of fuel expenditures is included in the crop models through lower irrigation costs.



21. **Weather stations.** The Environmental and Social Review Note mentioned the potential effects of climate change on various crops in Egypt. For most of the crops, the effect will be negative with a reduction in yield. Such changes might be mitigated through various measures contributing to climate change resilience. Some of them are included in the Project such as improved irrigation techniques and know-how, research and investment in tolerant varieties, introduction of renewable energy alternatives or post-harvest facilities. Another mitigation measure would be the installation of weather stations to provide accurate information to the farmers in terms of optimum water to be used, pest management or sowing dates. Optimal sowing dates can potentially have an impact on the climate change related decrease in yield as mentioned in the note (10% for wheat in the North Nile Delta). The EFA is conducted on a basis of ideal conditions with no shocks (heat stresses, pest or other climate related events). In the sensitivity analysis, a scenario with such shocks will be introduced to underline the benefits of the weather stations on the overall ERR through avoided production losses.

#### **Job creation**

22. The details of job creation are presented in the WP6. The total incremental hired employment generated with the Project was estimated to: (i) 424 permanent jobs at full development; and (ii) 806,462 labour-days over a period of 20 years corresponding to EGP 40 million (USD5.7 million) based on financial average daily wage. This is not included specifically in the economic analysis.

#### **D. Household budget analysis**

23. Based on the results of the crop and livestock models as well as the social benefits, a quick analysis of the impact of the project on a household's budget was undertaken. A typical household of 7 persons, including 3 children enrolled at school, with 5 feddans, 2 cows and backyard poultry was considered. In the absence of detailed information on overall household's incomes and expenditures, the analysis only focused on the net incremental benefits relevant to some expenditures and incomes.

24. The 5 feddans and the livestock owned by the household generate a net income of around USD 6,417 in the "with project" situation with some auto-consumption already included in the crop revenues. It is above the GDP per capita of USD 3,256 (2012) and the USD 3,496 average household income mentioned in the "Household Income and Expenditure and Consumption Survey" (CAPMAS, 2011). The analysis shows an increase by 38% of the net agricultural incomes with a large share generated by the increase in the livestock revenues (in the logframe, target of 40%). This is consistent with the statistics of the importance of livestock in the farmer incomes. After introduction of the net benefits from health and education, the net increase in the household's income would be around 49%.

**Table 19: Household financial budget (in EGP and USD, financial prices)**

|   | EGP           |               | USD          |              | Incr.      |
|---|---------------|---------------|--------------|--------------|------------|
|   | WOP           | WP            | WOP          | WP           |            |
| <b>Net agricultural incomes - inflows</b>         |               |               |              |              |            |
| Crop production (5 feddans)                       | 26 254        | 33 814        | 3 751        | 4 831        | 29%        |
| Cow raising (2 cows)                              | 3 828         | 7 294         | 547          | 1 042        | 91%        |
| Backyard poultry                                  | 2 578         | 3 813         | 368          | 545          | 48%        |
| <i>Sub-total</i>                                  | 32 660        | 44 921        | 4 666        | 6 417        | 38%        |
| <b>Net incremental health and education costs</b> |               |               |              |              |            |
| Health costs                                      |               |               |              |              |            |
| Transportation                                    | 180           | -             | 26           | -            | -100%      |
| Opportunity cost                                  | 660           | -             | 94           | -            | -100%      |
| Labour-days lost                                  | 720           | -             | 103          | -            | -100%      |
| Education costs                                   |               |               |              |              |            |
| Transportation                                    | 960           | -             | 137          | -            | -100%      |
| <i>Sub-total</i>                                  | 2 520         | -             | 360          | -            | -100%      |
| <b>TOTAL NET</b>                                  | <b>30 140</b> | <b>44 921</b> | <b>4 306</b> | <b>6 417</b> | <b>49%</b> |
| Incremental                                       |               | 14 781        |              | 2 112        | 49%        |

25. There is no official poverty line definition in Egypt so comparison with a national poverty line is not possible. If compared to the international standard of USD 2.5 per day, the incomes from crop and livestock production represent USD 2.5 per day per household member (only USD 1.8 without the Project). However, household rely on other sources of income such as pension from previous jobs, remittances, off-farm activities, etc. Based on the conservative assumption that livestock and crop incomes represent 80% of the household total revenues, the income would be around USD 3.1 per day per household so above the poverty line (only USD 2.2 without the Project).

## E. Economic analysis

26. The economic analysis is based on a 20-year period with a constant exchange rate EGP/USD.

27. **Economic prices.** The financial prices of market-oriented agricultural products and chemical inputs have been converted to economic prices using two standard conversion factors of 1.02 and 0.82 (see WP6). A shadow wage rate factor of 0.85 was used to determined economic labour costs.

28. **Economic benefits.** The analysis includes benefits related: (i) crop production and livestock production; (ii) MSME and processing units; (iii) environmental benefits (CO2 emissions); and (iv) health benefits (under-5 mortality). The other benefits mentioned above are either difficult to quantify (no data available, no relevant proxy), reflected better in the household budget financial analysis or indirectly included in the other benefits. The aggregation of farm, livestock and MSME models follows the phasing of the credit line disbursement and the infrastructure investment. In addition, adoption rates are applied to the various models. These rates have been determined based on the WNRDP experience and aligned with the logframe indicators and targets.

29. **Economic costs.** The Project economic costs have been calculated to remove price contingencies, taxes and duties. Replacement of equipment after 10 years have been included and recurrent costs have been applied along the 20 years. Costs covered by the Project have been extracted from the models included for the benefits to avoid double counting. Operation and maintenance of the irrigation infrastructure have been included since a large part of the benefits depends on the good maintenance of lifting stations and mesqa canals for instance.

30. **Discount rate.** A discount rate of 10% was used for the economic analysis. Environmental and health benefits should be discounted at a lower discount rate – between 3 and 5% – but the same overall discount rate was applied since these benefits are limited over the 20 years period.

31. **NPV and IRR.** The net present value of the Project is positive and amounts to USD 51 million. The economic internal rate of return is estimated at 20% over a 20 years period.

32. **Sensitivity analysis.** A sensitivity analysis was conducted to assess the variation of the EIRR and the NPV according to various scenarios. The risks highlighted in the main risk section of the report were included. The Project remains profitable in all scenarios. The benefits of the weather stations and other climate change mitigation measures included in the Project is highlighted in terms of avoided reduction of the ERR in percentage point. The analysis shows that weather stations would avoid the loss of 1 percentage point for the ERR.

**Table 20: Summary of sensitivity analysis**

|                                   | Δ%   | IRR (%) | NPV (USD'000) |  | Δ%   | IRR (%) | NPV (USD'000) |
|-----------------------------------|------|---------|---------------|--|------|---------|---------------|
| Project benefits                  | -10% | 17%     | 36 939        |  |      |         |               |
| Project benefits                  | -20% | 15%     | 22 377        | Chemical inputs costs                    | 10%  | 20%     | 50 158        |
| Project benefits                  | -25% | 13%     | 15 095        | Chemical inputs costs                    | 20%  | 20%     | 48 814        |
| Project costs                     | 10%  | 18%     | 46 421        | Chemical inputs costs                    | 30%  | 19%     | 47 470        |
| Project costs                     | 20%  | 17%     | 41 340        | Cash crop prices                         | -10% | 19%     | 46 048        |
| Project costs                     | 30%  | 16%     | 36 258        | Cash crop prices                         | -20% | 18%     | 40 594        |
| 1 year lag in benefits            |      | 16%     | 33 718        | Cash crop prices                         | -30% | 17%     | 35 141        |
| 2 years lag in benefits           |      | 13%     | 17 551        | Wheat & maize yields (climate change)    | -15% | 15%     | 25 743        |
| 1 year lag in credit disbursement |      | 17%     | 38 316        | Wheat & maize yields (w eather stations) | -5%  | 16%     | 30 895        |

## Appendix 11: Draft project implementation manual

### Annotated Table of Contents

#### **Chapter 1: Introduction and background (One Page)**

Describe the purpose and objectives of PIM, mention who are going to use this PIM, indicate the advantages of using PIM. Please state that **PIM is a dynamic document and it should be updated as when required by the PMU staff.**

#### **Chapter 2: SAIL Project Summary (about 6-10 pages)**

Briefly describe the background to the project.

Describe the project area, target groups and project goals and objectives;

Describe the project components, their phasing and financing plan; outline the risks and mitigation measures;

Indicate expected project outputs and outcomes. Describe the exit strategy of the project;

Include a matrix to show selection criteria for project interventions with columns: type of intervention; facilities offered, targeting criteria, role of community, ACs, WUGs and MAs and PMU and RPMU and local community in the selection and identification of target activities and beneficiaries, etc.

Attach Project Log-frame at the end of this Chapter for clarity.

#### **Chapter 3: Project Organisation and Management**

Briefly describe coordination and management arrangements, project steering committees, and their roles and functions, coordination arrangements at grassroots levels, organisation structure of PMU and RPMUs, staffing plan and roles and responsibilities and terms of reference of staff building on those provided in appendix 5.

Arrangements for implementation of project interventions, agencies responsible for the implementation of various project components and subcomponents, etc.

Develop and provide a matrix with following columns: project intervention, coverage, implementation responsibility, procurement, timeline and schedule of implementation, etc.

Briefly indicate PMU staff responsibilities or TORs and recruitment of staff and procedures for recruitment. Provide an outline of duties and responsibilities of individual staff and also indicate the need for gender balance in staff structure etc.

#### **Chapter 4: Procurement Procedures**

Describe general conditions of procurement and methods of procurement Regulations;

Describe the procurement procedures in detail and as applicable to SAIL;

Describe approval procedures and appropriate authorities; review mechanisms: prior and ex-post review; review of pre-qualification bidders or tenders; describe the procurement committees at different level and thresholds for approvals at different level;

Prepare a 18-month procurement plan and attach it at the end of the chapter;

#### **Chapter 5: Finance Management (to be extracted from LTB)**

Provide a brief introduction regarding purpose of this section.

One or two paragraphs on project costs and financing arrangements;

Describe in brief the flow of fund mechanism;

Describe type of accounts: designated account, project account, subproject account etc and their operations;

Describe the disbursement procedures and withdrawals (to be obtained from the Letter to the Borrower and its attachments)

Include checklist for sending withdrawal application;

Describe audit procedures and arrangements in place for conducting effective audit for each year and also describe arrangement for internal audit and its procedures;

Identify annual audit statements and indicate how these statements are prepared and forwarded to IFAD and other entities; indicate how project completion report will be carried out and required financial statements.

Indicate a list of registers and records to be maintained at PMU and RPMU office such as contract record, individual contract monitoring form etc.

### **Chapter 6: Management Information System**

Purpose of MIS and approach to the development of MIS for the project

Project M&E framework: (i) first level output monitoring; (ii) second level outcome monitoring and (iii) third level impact evaluation;

Indicators for output monitoring;

Indicators for outcome monitoring;

Indicators for impact evaluation;

Impact assessment indicators and anchor indicators – which have also been included at the impact level of SAIL Logical Framework.

Specific studies required and their cost estimates

Reporting and communication: annual reports, RIMS survey reports

Attachments: RIMS indicators for SAIL

### **Chapter 7: Guidelines for preparing Annual Work Plan and Budget**

Purpose and objective of this section

General introduction on the preparation of AWP&B

Review of formats used by ongoing project

All annual plans can be prepared based on the concept of result-oriented approach. This can be effectively done using both Cost Tables and Project Log-frame. The result-oriented AWP&B will typically have the following elements:

- Objective and expected result of component
- Indicators for monitoring and RIMS
- Quarterly targets for implementation (physical)
- Appraisal Target (physical)
- AWP&B Target (physical)
- Unit cost for the proposed activity
- Achievements by Appraisal estimates and Annual Plan estimates
- Budget estimates by Appraisal and Annual plan
- Financing rule
- Budget Category
- Procurement Method etc.

Key Tools for the preparation of AWP&B are: project Log-frame, detailed cost table, AWP&B template, financing plan, financing rules in the procurement methods, Finance Agreement, last project progress report.

***Chapter 8: Guidelines for Investments in Infrastructure, Training and Grants under the Project***

Purpose and objective of this section will be identify the criteria for the selection of al types of infrastructure and provision of in kind grants to enterprises and individuals building on the initial criteria given in the different working papers.

***Chapter 9: Guidelines for the Rural Finance Component***

Purpose and objective of this component and the qualification and procedure for CDAs and Agriculture Cooperatives to receive lines of credit, institutional support and the credit guarantee mechanism.

Outline the conditions of loans from the SFD and ADP including interest rates, loan terms, loan sizes, etc.

Outline the conditions under which the credit guarantee mechanism will be used.

***KEY ANNEXES***

- Project Log-frame, updated
- RIMS Indicators
- Template for AWPB
- TOR for PMU staff
- Procurement Plan
- Sample form for Record of Contracts
- Sample form for tracking individual contracts
- Staff and community training programme/Calendar
- Indicators for output, outcome and impact monitors
- Any other



## Appendix 12: Compliance with IFAD policies

### A. Overview

1. IFAD's Strategic Framework provides the overall goal and objectives of the Fund and its key policy guidelines provide the parameters for project design and implementation. The Country Strategic Opportunities Programme (COSOP) for Egypt (2012-2015) identified three strategic objectives for the country; (i) Strengthen the capacity and organizations of the rural poor men and women to enable them to enhance their economic opportunities (ii) enhance the sustainable use of the natural resources of the poor especially land and water and (iii) Increase the access of the rural poor men and women to technology, finances and markets. Gender equity and environmental sustainability will be pursued as a cross cutting theme in the overall country programme. These objectives form the cornerstone of the SAIL Project.

2. The design of the current project benefitted from the guidance tools relevant for the current project such as targeting, gender, natural resource management, private sector, rural finance, climate change, environment and the scaling-up framework. The second part of this appendix provide a summary of the extent to which the design follows the IFAD guidelines. Given that Egypt is a likely country for selection for corporate learning on approaches to scaling up, the current design also used the guidance provided by IFAD's scaling up framework to clearly delineate the models that were being scaled up under various components. IFAD's poverty targeting and gender sensitive design and implementation guidelines which were updated in January 2013 were also completed for the SAIL Project and are provided at the end of this appendix as table 21 and table 22. An Environmental and Social Review Note was prepared to assess the environmental and social impact of the project and determine its environmental classification and is provided at the end of this appendix.

### B. Strategic Framework (2011-2015)

3. IFAD's Strategic Framework (2011-2015) reiterates its unique mandate of improving rural food security and nutrition and enabling rural women and men to overcome poverty. The framework identified eight *principles of engagement* and the proposed Project will adhere to those relevant for the current investment. The project will be designed to empower poor rural people by strengthening their organizations, capacities, skills, enabling them to enhance their productive capacity and enhance their links with markets for production and sale of high value agriculture crops, livestock and enterprise development. The project will be designed to strength the smallholders access to markets as well as for niche products such as organic production, global gap certified produce, medicinal and aromatic herbs and plants and high value agriculture products, etc.

### C. Targeting- Reaching the Poor and Gender Mainstreaming

4. The project activities, implementation arrangements and M&E system will be designed in compliance with the **IFAD targeting strategy** as well as the **Framework for Mainstreaming Gender in PMD operations**. Detailed discussions were held with men and women farmers in newly settled lands during the Project design to ensure that the selected Project components and activities address their critical constraints in access to a range of social sector and productive services. The Project will make special provision for targeting the most vulnerable men and women and will specify specific targets for participation of women, the poor and the youth and provision of technical training, skills, access to financial and marketing services for them. The target group for the Project has been clearly defined and the selection of the settlements is in keeping with poverty criteria and targets unemployed graduates and smallholders. The participation of women and youth will be carefully monitored throughout the implementation process. Gender disaggregated data will be included in the log-frame, in each component and in the targeting strategy. The appendix on poverty targeting and gender outlines the Project approach to these two important aspects.

## **D. Private Sector Development and Partnership Strategy (2005)**

5. IFAD outlined its strategy for private-sector development and partnership in April 2005 and further refined it in 2011<sup>74</sup>. IFAD intends to deepen its engagement with a range of private sector providers with the aim of creating markets for its target groups; improving their access to inputs, services, knowledge and technology; and increasing income-generating or job-creating opportunities for its target populations. This strategy recognizes that in most developing countries, the private sector is now responsible for a majority of employment and income-generating opportunities, and has become the driving force for poverty reduction. IFAD has an essential part to play in equipping the rural poor to interact more equitably with new market forces and in making market relationships work for them. The main focus is on encouraging private sector linkages with rural enterprises, building linkages for the rural private sector with markets and encouraging private sector investment in increasing investment and job opportunities which will benefit the poor. Rural market economies are fuelled by the economic relationships that exist among small rural producers and with other actors in private-sector markets.

6. The current design is in full accord with this strategy and places strong emphasis on further developing and strengthening the linkages of smallholder farmers with the private sector. Under the SAIL project, a special effort will be made to link the suppliers of improved technology such as drip and sprinkler irrigation, solar and bio-gas technologies, improved agriculture inputs, certified seed to smallholders on newlands. The private sector will be required to train a cadre of young men and women in the target settlements as technicians in the repair and maintenance of the improved technologies. In addition, the Agriculture Cooperatives will be linked with markets through creation of Farmer Market Associations (FMA). To encourage the private sector participation in the project, it will also be given access to financial services under the project. This relationship will be further strengthened where speciality products such as certified produce, organic products and high quality products can guarantee a premium. The project will follow an approach which works from the market backwards to ensure that there is a demand for the products of the smallholder and that market links are established with private firms prior to initiation of these activities. The project will promote these activities in a manner which ensures a certain minimum volume of produce to attract the private sector.

## **E. Environment and Natural Resources Management Strategy (2011)**

7. IFAD's new ENRM strategy approved in May 2011<sup>75</sup> is at the core of delivering IFAD's poverty reduction and sustainable agriculture mandate because of its target group's reliance on the environment and natural resources for their livelihoods. The goal of the ENRM policy is "to enable poor rural people to escape from and remain out of poverty through more-productive and resilient livelihoods and ecosystems". The purpose is "to integrate the sustainable management of natural assets across the activities of IFAD and its partners. In addition, the strategy highlights the need to maximize the positive environmental impact of value chains, assess the downside risks and build on its comparative advantage of working through community-based approaches. IFAD recognizes that poor rural people face a series of interconnected natural resource management challenges. They are in the front line of climate change impacts; the ecosystems and biodiversity on which they rely are increasingly degraded.

8. The SAIL project will be designed to diversify rural livelihoods and improve agriculture productivity. The first will lead to reducing the pressure on the scarce land and water resources in the country. The second will be undertaken by enhancing the productivity of the natural resources in an environmentally sustainable manner such as improving the situation of poor soil conditions and reducing soil salinity (Kafr –el- Sheikh), improving crop production and livestock management practices which enhance efficient use of inputs, improving the availability of surface water thereby

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<sup>74</sup> Private-Sector Strategy. Deepening IFAD's engagement with the private sector, IFAD, February 2012.

<sup>75</sup> IFAD's Environment and Natural Resource Management Policy: Resilient livelihoods through the sustainable use of natural assets, May 2011.



reducing the pressure on ground water resources, introducing water efficient technologies thereby reducing the wastage of water and introducing a range of energy efficient renewable technologies thereby promoting the sustainable use of natural resources.

#### **F. Rural Finance Policy (2009) Decision Tools (2010) and Technical Note (2011)**

9. The design of the SAIL Project reviewed the *IFAD Rural Finance Policy and the IFAD Decision Tools for Rural Finance including its six guiding principles* namely: (i) support access to a variety of financial services; (ii) promote a wide range of financial institutions, models and delivery channels; (iii) support demand-driven and innovative approaches; (iv) encourage – in collaboration with private sector partners – market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD’s resources; (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and (vi) participate in policy dialogues that promote an enabling environment for rural finance.

10. The design of the SAIL Project is fully consistent with these principles. The Project will provide access to loans as well as initiate savings programmes for women and youth in areas where the target group has not had any access to either of these two services. Over, time the Project will also expand links for the provision of a range of financial services through links to the local Post Office or formal sector financial institutions. The Project has made arrangements with four different institutional arrangements to ensure the provision of financial services to its target group with some of them providing fairly innovative delivery mechanisms. The Project will assist in developing special loan products which suit the specific profile of its target group and will provide them opportunities for funding innovative ideas and enterprises. The credit guarantee fund mechanism will assist in increasing outreach to the poor and leverage IFAD resources in facilitating linkages between these unserved areas and financial institutions. The Project will not in any way distort the market. Success with the proposed approach could lead to an opportunity for reforming the policy of financial institutions for provision of services to new lands.

#### **G. IFAD Climate Change Strategy (2010)**

11. IFAD’s climate change strategy<sup>76</sup> recognizes that the speed and intensity of climate change are outpacing the ability of poor rural people and societies to cope. IFAD recognizes that climate-related risks, and potential opportunities, can be addressed more systematically within its Projects and policy advice. The goal of this strategy is to maximize IFAD’s impact on rural poverty in the context of climate change. The agriculture sector is in particular vulnerable to climate change because of the impact on yields. The SAIL Project will assist in building the smallholder’s capacity for adapting to climate change through introduction of techniques and crops which can withstand higher temperatures and diversifying livelihoods by introducing off-farm employment opportunities through provision of skills, apprenticeship training opportunities and enterprise development through access to loans and enterprise development training. Moreover, the project will invest in a Dynamic Agriculture Information and Response System (DAIRS) to help farmers better respond to the predicted impacts of climate change.

#### **H. Environment and Social Review Note**

12. The design mission reviewed the IFAD Environmental and Social Assessment procedures to determine the status of the SAIL project with respect to its requirements. The proposed project will enhance social cohesion due to the strengthening of the CDAs and Agriculture Cooperatives and opportunities for greater interaction. The proposed Project will contribute to environmental conservation and sustainability because of its emphasis on making the new lands more productive and sustainable. The proposed Project will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally friendly approach to using the natural resource base in the country. The project’s emphasis on disseminating principles of good agricultural practices, soil health and organic production will all contribute to a much more sustainable

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<sup>76</sup> Climate Change Strategy, IFAD, May 2010.

system of land use. The introduction of water and energy efficient options are highly environmentally friendly. SAIL is therefore classified in **Category “B”** according to IFAD’s Administrative Procedures for Environmental Assessment. The classification is based on the available information gathered during the field visits, on-site assessment and discussions with the MALR, EEAA and smallholder farmers in the target area. Further details are at the end of this appendix (Environment and Social Review Note).

**Table 21: IFAD’s targeting policy - checklist for design**

|   | Design   |
|---|--|
| 1. Does the main target group - those expected to benefit most- correspond to IFAD’s target group as defined by the Targeting Policy (poorer households and food insecure)?   | Yes. The 30 villages the project is targeting are in newly settled in some of the poorest governorates of Egypt with highest percentage of food insecure houses.   |
| 2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences? (matrix on target group characteristics completed?)   | The sub-target groups will include small- holder men and women farmers, young women and men and women headed households.   |
| 3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence? (matrix on analysis of project components and activities by principal beneficiary groups completed?)   | Yes-the activities proposed were identified by the target group in field visits and evidence of the relevance or most is attested to by the West Noubaria project which has worked with similar target groups.   |
| 4. Does the design document describe a feasible and operational <b>targeting strategy</b> in line with the Targeting Policy, involving some or all of the following measures and methods:   |  |
| 4.1 <b>Geographic targeting</b> – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people  | The project will select the newly settled lands in the governorates of Minia, Beni Suef, Kafir El Shiekh. These are among the poorest governorates of Egypt and the newly settled lands have high concentrations of the poor within these areas. A poverty ranking of villages in each region will be undertaken to prioritize the poorest villages in terms of initiation of project activities and resource allocation.  |
| 4.2 <b>Direct targeting</b> - when services or resources are to be channelled to specific individuals or households   | Villages which are particularly vulnerable due to high levels of water-logging and salinity in Lower and Upper Egypt will receive a higher allocation of resources to resolve the issues and a highly marginalized village, Samaha, comprising entirely of women-headed households will receive grants for agricultural machinery. Vocational training is predominantly for youth and in entrepreneurship training quotas for minimum participation have been specified for women (30 percent) and youth (30 percent). Seed capital for enterprise development will be given to poor vulnerable women and youth who develop viable proposals after the entrepreneurship training. Women will be trained as Community Based Livestock Extension Workers |
| 4.3 <b>Self targeting</b> – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups   | The project will be providing credit, vocational training, community infrastructure agro and livestock extension services which address needs identified by the target groups themselves.  |
| 4.4 <b>Empowering measures</b> - including information and communication, focused capacity- and confidence-building measures, organisational support, in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power | The project will have a strong capacity-building program for women’s and youth (young men and women) CDAs and route its activities principally through these organizations. The capacity building will focus on governance, leadership and managerial skills, strategic planning and gender mainstreaming training and building local capacity for micro-finance, enterprise development,  |

|  |  |
|--|--|
| <p><b>4.5 Enabling measures</b> –to strengthen stakeholders’ and partners’ attitude and commitment to poverty targeting, gender equality and women’s empowerment, including policy dialogue, awareness-raising and capacity-building</p>   | <p>job placement. livestock management. Agricultural cooperatives will be strengthened with a particular focus on improving governance through training for board members and awareness raising dialogues for the general body. The farmer field school methodology will be used to develop farmer’s analytical and problem-solving skills.</p>  |
| <p><b>4.6 Attention to procedural measures</b> - that could militate against participation by the intended target groups</p>   | <p>The project will hold seminars on a periodic basis to share lessons learnt on poverty targeting and women’s empowerment with MALR. Women CDA leaders will meet to discuss gender issues and strategies for addressing them. Gender and social inclusion dialogues will be organized for agriculture cooperatives and cdas as platforms to highlight issues, share experiences and success stories on an annual basis. Commercial banks will be facilitated by the project in establishing a financial relationship with the poor and women and developing appropriate services for them.</p>  |
| <p><b>4.7 Operational measures</b> - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers</p>   | <p>Women’s participation in CDAs and youth institutions is being ensured so that they play an active part in decision-making and project activities and resources can be accessed by them. Credit guarantees have been put in place to allow women and the poor who are perceived as high risk clients to access credit from formal institutions through CDAs. Credit products are being especially designed to meet the needs of the target group.</p>  |
| <p><b>5. Monitoring targeting performance.</b> Does the design document specify that targeting performance will be monitored using participatory M&amp;E, and also be assessed at mid-term review? Does the M&amp;E framework allow for the collection/analysis of sex-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?</p> | <p>Track record and ability to provide services to the project’s target group will be the key criteria for selecting partners. A minimum of thirty per cent of staff hired will be women and priority will be given to hiring youth from the project area. The top of all staff members will include responsibilities for mainstreaming gender. A workshop on gender will be held to review key concepts, highlight the gender issues and familiarise staff with the poverty, targeting and gender strategy for the project. Gender and Youth specialists will be hired for the PMU and the regional offices. Women will be hired as Community Specialists and Community Resource Persons to mobilize women in the communities. Women vets will be hired to supervise Community Based Livestock Extension Workers.</p> <p>The project will elicit and include indicators for the achievement of project objectives from youth and women CDAs, as well as agriculture cooperatives. A participatory process will be used to elicit indicators for women’s empowerment from women and men in the target group and included in the M&amp;E framework. Sex-disaggregated indicators will be collected and analysed for inclusion in project reports.</p> |

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**Table 22: IFAD's key features of gender-sensitive design and implementation**

|  | Design  |
|--|---|
| 1. <i>The project design report contains – and project implementation is based on - gender-disaggregated poverty data and an analysis of gender differences in the activities or sectors concerned, as well as an analysis of each project activity from the gender perspective to address any unintentional barriers to women's participation.</i>  | <b>Gender-disaggregated poverty data has been used and the specific issues women face have been identified. Each component has been analysed from a gender perspective.</b>   |
| 2. <i>The project design report articulates – or the project implements – actions with aim to:</i> <ul style="list-style-type: none"> <li>• <i>Expand women's economic empowerment through access to and control over productive and household assets;</i></li> <li>• <i>Strengthen women's decision-making role in the household and community, and their representation in membership and leadership of local institutions;</i></li> <li>• <i>Achieve a reduced workload and an equitable workload balance between women and men.</i></li> </ul> | <p><b>Women's access to and control over productive resources will be increased through access to credit for livestock and enterprise. They will be supported through business development and mentoring services for enterprises and training in animal husbandry to improve productivity of livestock.</b></p> <p><b>Women led CDAs and/ or CDAs with 50 percent representation of women among members and on the executive body will be formed in every village. Governance, Managerial, Strategic Planning and Gender mainstreaming training will be provided to support women. CDA capacity will be built to implement project activities such as credit disbursement, management of health and social services and, social infrastructure Agricultural Cooperatives will have a women's committee for the women land owners to discuss specific issues they face and a representative will be elected to the board. Women land owners will be members of WUGs.. Youth centres will be established in a manner that ensures access to women so that young women will have a space of their own for collective action and recreation.</b></p> <p><b>The establishment of village-based women's enterprises – selling clothes and groceries for which women may have to travel a long distance will in some villages reduce inconvenience of long-distance travel for women. The availability of good quality drinking water, medical services, training in animal husbandry, nurseries for small children will also have a beneficial impact on women's quality of life and workload.</b></p> |
| 3. <i>The project design report includes one paragraph in the targeting section that explains what the project will deliver from a gender perspective.</i>   | <b>Yes</b>  |
| 4. <i>The project design report describes the key elements for operationalizing the gender strategy, with respect to the relevant project components.</i>  | <b>Yes</b>  |
| 5. <i>The design document describes - and the project implements - operational measures to ensure gender-equitable participation in, and benefit from, project activities. These will generally include:</i>   | <b>Yes</b>  |
| 5.1 <i>Allocating adequate human and financial resources to implement the gender strategy</i>  | <b>Yes</b>  |
| 5.2 <i>Ensuring and supporting women's active participation in project-related decision-making bodies and committees</i>   | <b>Yes</b>  |
| 5.3 <i>Ensuring that project management arrangements (composition of the project management unit, project terms of reference for staff and implementing partners, etc.) reflect attention to gender equality and women's empowerment concerns</i>  | <b>30 percent of management staff will be women, there will be one Gender and Youth Specialist in each region and at the PMU. Women Community Specialists, Resource persons, as well as Women Vets to supervise women para-vets will be hired.</b>  |

|  |   |
|--|---|
| <p>5.4 <i>Ensuring direct project outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited</i></p>   | <p><b>Women loan officers will be hired, women livestock extension workers will be trained so women could easily access basic animal health services in the village and women facilitators will be trained to conduct Farmer Field Schools. Women will have access to women doctors in the Health Units supported by the project.</b></p> |
| <p>5.5 <i>Identifying opportunities to support strategic partnerships with government and others development organizations for networking and policy dialogue</i></p>  | <p><b>The project will hold seminars on a periodic basis to share challenges, successes and lessons learnt in empowering women, men and youth in the new settlements with stakeholders such as the Ministry of Agriculture and Land Reclamation (MALR).</b></p>   |
| <p>6. <i>The project's logical framework, M&amp;E, MIS and learning systems specify in design – and project M&amp;E unit collects, analyses and interprets sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.</i></p> | <p><b>The monitoring and evaluation indicators will be sex-disaggregated and include qualitative and quantitative indicators to measure women's inclusion and empowerment elicited from women. The project will elicit and include indicators for the achievement of project objectives from youth, women and men beneficiaries.</b></p>  |

## Environment and Social Review Note

### A. Introduction

13. This Environment and Social Review Note (ESRN) has been prepared in preparation for the Sustainable Agricultural Investments and Livelihood (SAIL) Project. The ESRN was prepared in accordance with IFAD's new Environmental and Social Assessment (ESA) Procedures (2009) on the basis of information gathered by various mission members in the course of the field work in March-April 2014. This ESRN covers environmental, social and climate change aspects related to agriculture, livestock, and other project interventions related to community development and livelihoods. It identifies potential risks to natural resource management, while implementing certain project activities particularly the infrastructure, agriculture and livestock related investments. Accordingly it suggests certain mitigation measures, institutional set up, monitoring mechanism and reporting requirements to ensure compliance of environmental and social safeguards. The project will not be expected to have any significant negative environmental impact and is assessed to fit under the environmental classification of Category B.

### B. Project Location and Site Characteristics

14. The project will target 40 settlements spread over Lower (3), Middle (15) and Upper Egypt (12). The climatic conditions, geographical features, soil and irrigation water resources, irrigation practices, crops and livestock vary across the three regions and in several cases within each region. The population density is 2.9/ feddans varying between 5.4 in lower to 2.7 in Upper Egypt. Conversely, the landholding size varies from 1.29 feddan /household to 2.64 in Upper Egypt. The average number of households/ settlement varies from 1,600 in Lower Egypt to 1,300 in Upper Egypt. The settlements vary from areas of high waterlogging/salinity with poor drainage and alluvial clays in Lower Egypt to areas in deserts with predominantly sandy soils and scarce water resources in Middle and Upper Egypt.

**Table 23: Target settlement statistics**

| Area<br>Egypt | Settlements | Registered<br>Households | Estimates<br>of Actual |            | Feddans /<br>Household | Pop.<br>Density<br>/feddan | Area/<br>settlement<br>(Feddans) | House-<br>holds/<br>settlement |       |
|---------------|-------------|--------------------------|------------------------|------------|------------------------|----------------------------|----------------------------------|--------------------------------|-------|
|               |             |                          | Households             | Population |                        |                            |                                  |                                |       |
| Lower         | 3           | 2,271                    | 4,800                  | 33,600     | 6,185                  | 1.29                       | 5.4                              | 2,062                          | 1,600 |
| Middle        | 15          | 9,421                    | 19,600                 | 137,200    | 50,601                 | 2.58                       | 2.7                              | 3,373                          | 1,307 |
| Upper         | 12          | 7,403                    | 15,600                 | 109,200    | 41,185                 | 2.64                       | 2.7                              | 3,432                          | 1,300 |
| Total         | 30          | 19,095                   | 40,000                 | 280,000    | 97,971                 | 2.45                       | 2.9                              | 3,266                          | 1,333 |

### C. Social Aspects / Impacts

15. All settlements have their own characteristics and project interventions will be tailored after a baseline survey and needs assessment is carried out in all settlements. The villages that will be targeted by the project are inhabited by different groups such as graduates, displaced famers, urban poor and illegal occupants who have moved to the new settlements from different parts of the country under several initiatives by the government to encourage reclaimed land since the late 1960s. The project will increase social cohesion among the diverse groups in the villages, improve the quality of life of women, men, youth and children and increase the status of women and youth in the project area by providing access to social, agricultural, financial and marketing infrastructure and services. The social benefits will accrue mainly as a result of greater social cohesion among villagers due to greater interaction through the strengthening and creation of local institutions such as the Community Development Associations, Agricultural Cooperatives and Water Users Associations involving a diverse mix of households in the newly settled lands. As these institutions are currently weak, the project will design processes for the formation and strengthening of institutional capacities and governance to create strong, inclusive and gender-sensitive institutions. The project will also allow adequate time for these institutions to form and develop by adopting a sequential approach to the implementation of project activities. The process used to form and strengthen the associations will facilitate the inclusion, empowerment and informed participation of women, men and youth in these

institutions. Social cohesion among youth and increase in the quality of life will be promoted through the provision of youth centres for girls and boys for recreation, skill training and cultural activities. The project will demonstrate how participation and membership in grass-roots institutions will be to their mutual advantage by undertaking collective management of their common resources and reducing their transactions cost as well as those of the private sector through collective mechanisms for the delivery of agricultural inputs, innovative technologies, financial services and marketing.

16. Women have a lower status than men in traditional Egyptian societies. They do participate in decision-making in the households but their role in community-decision making is minimal. Similarly, young men and young women's roles in decision-making are traditionally limited. The project will seek to increase the visibility, capabilities and mobility of women and youth through a range of strategies. The status of women and young girls and boys will improve through enhanced roles in decision-making at the community level and greater access and control over income and productive resources by ensuring their representation on the boards of CDAs, creating youth CDAs, vocational and entrepreneurship training and literacy. The provision of a collective space for young girls will be particularly empowering, as their opportunities for recreation and socializing are particularly limited due to cultural constraints. The quality of life, particularly for women and children, will be enhanced with improvement in health through availability of more income, provision of clean drinking water, improved access to health services and informed nutritional choices through health and hygiene training will improve. Greater access to schools in the village will promote the access of girls to education which will bring multiple social benefits such as increase in age of marriage for girls, health and education of children and control over fertility.

17. Due to the extreme scarcity of water in the country, there is a lot of water theft in the villages in the project area from illegal settlers and people in the vicinity who do not have use rights over the irrigation water. In many areas, Project investments will lead to greater protection of the water resources through strengthening Water User Groups and laying of under-ground pipes to protect the water resources. This will limit the access of those illegal settlers in the periphery of the new lands. While this could lead to potential conflicts, the Project will be designed to promote efficient use of water through greater access to modern irrigation methods which will reduce the waste of water and could potentially make it available for use by others and lead to a policy of regularisation of its use by the WUAs for a fee. In order to increase social harmony in the selected villages, the Project will make its agriculture extension, financial and marketing services available to this group of settlers. This is likely to promote social cohesion and greater harmony in the settled lands.

#### **D. Climate Change Aspects**

18. Climate Change: Egypt is located in the arid region and is expected to be affected greatly by the adverse effects of climate change. The projected increase in temperature is perceived to widen the gap between water resources and demands, decrease the overall agriculture productivity, and increase the competition over the natural resources. The effects of sea level rise on the coast of the Nile Delta is expected to reduce the area under cultivation and likely reduce agricultural production. Results of the Intergovernmental Panel on Climatic Change (IPCC) fourth Assessment Report indicated that a global sea level rise of 18-59 cm is expected by the end of this century.

19. Future climate change scenarios predict a decrease in wheat and maize yields in Egypt threatening national grain production and increasing food insecurity. Vulnerability of crops to changes in pest infestation and plant diseases is another potential impact of climate variability in the Country (EEAA, 2014).

20. Climate change impact studies, based on field research, predicted a reduction in the productivity of the major crops in Egypt. The table below presents the impact of climate change on some crops (Second National Communication to the UNFCCC)<sup>77</sup>.

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<sup>77</sup> Egyptian Environmental Affairs Authority, Ministry of State for Environment, UNFCCC Second National Communication, Egypt, June 7 2010.

**Table 24: Projected changes in production of some major crops in Egypt under climate change conditions**

| Crop     | Change %     |              |
|----------|--------------|--------------|
|          | 2050s        | 2100s        |
| Wheat    | -15*         | -36**        |
| Rice     | -11          |              |
|          | -19          |              |
| Maize    | -14          | -20          |
| Soybeans | -28          |              |
| Barley   | -20          |              |
| Cotton   | +17*         | +31**        |
| Potato   | -0.9 to -2.3 | +0.2 to +2.3 |

\* Temperature increase by 2°C \*\* increase by 4°C

21. Enhanced resilience to climate change will hence have close resonance with responding to water scarcity, increasing land productivity and livelihood diversification. Adaptation measures on the supply-side include ways to improve irrigation techniques and know-how, research and investment in tolerant varieties, introduction of renewable energy alternatives, as well as improving post-harvest facilities. In addition, investments in improved long-term forecasting are essential to enhance Egypt's ability to cope with prolonged heat waves and other CC related hazards (FAO, 2014).

22. Studies concluded that changing sowing dates and management practices are among the important adaptation measures oriented to ameliorate the harmful impact of the climate change on the crop yield. Simulation studies in Egypt (Abou-Hadid, 2006) showed that 10-day delay in wheat sowing date at the North Nile Delta might mitigate the negative impacts on crop productivity by 10%. Changing sowing dates could increase the flexibility of the farming system to face temperature and water requirements increase due to climate change. The project will invest in strengthening the link between research and extension through training new generation extension agents (technical education support) who will provide guidance on better adaptation within the agricultural sector.

### **E. Climate Change Adaptation and Mitigation**

23. The Added Value of Climate Financing. Although SAIL provides opportunities for improving access of the rural households in the newly settled areas to a range of social and economic development services and enhance agricultural productivity, the growing impacts of climate change will need to be taken into account to enhance vulnerability reduction of target communities. The ASAP co-financing will mainstream adaptation priorities within the SAIL project and subsequent investments to enhance the resilience of communities.

24. A climate vulnerability assessment was undertaken within the framework of the design process to identify main risks on the target areas and define a preliminary set of adaptive measures aimed to reduce climate risks for the new settlers, as well as increase the resilience of smallholders in the target areas. In this respect, this assessment will be also key during implementation of SAIL and would ensure that climate change adaptation priorities are integrated in all the project areas.

25. Additional investment relates to the installation of weather stations and the development of a Dynamic Agriculture Information and Response System (DAIRS). This would help improve long-term forecasting to enhance the capacity to cope with and respond to climate change related hazards. This system will deliver early warning to extreme events (heat waves, frost, cold waves, storms, epidemic outbreaks of pests and diseases...) as well as provide advice on: Response relevant to extreme events; accurate irrigation scheduling that reduces the cost of irrigation and minimizes water overuse; early pest and disease forecast and advice to allow suitable time for taking necessary actions and; proper calculation of sowing and harvest dates to maximise production. DAIRS be implemented with technical assistance by the Central Laboratory for Agriculture Climate (CLAC) which would also design a system for transmitting the information generated to extension agents, cooperatives and farmers through the use of mobile technology. The planned activities would enhance settler's



adaptation by ensuring market oriented early response to environmental stresses and by climate proofing the agricultural value chain. It would allow beneficiaries to directly address climate adversities by increasing production and overall quality of available natural capital (water, soil, crops and livestock) therefore allowing a better bargaining power and diversified investments. Furthermore, the foreseen interventions aim at reducing farming expenditures and reducing loss due to inadequate post-harvest practices through potential investments in more climate adaptive crops and technologies.

26. Supporting Grants: The project plans to make available grants for vulnerable beneficiaries, women groups, CDAs, farmers and farmer organizations who wish to start businesses that help in enhancing their adaptive capacity. The eligible beneficiaries are those who have received training through the project, but lack the financial means for primary investment. The aim of these grants is to compensate for the absence of suitable term and investment finance and to stimulate business activity where the intended beneficiaries operate under severe constraints (e.g. insufficient equity) or where the innovations have higher risks or unpredictable profits. Eligibility criteria will be developed for grants to avoid elite capture and be offered under selected windows, such as: income diversification for better adaptation; efficient irrigation; innovative agriculture techniques; post-harvest and value-addition facilities; renewable energy. The grants will be managed by the PMU based on a thorough selection process. Beneficiaries will need to provide in-kind contribution as one of the conditions to benefit from these grants.

27. The project will support investments that ensure the resilience of the target groups relevant to challenges such as water scarcity, salinity, increasing temperature, decreased rainfall and other climate change impacts that are predicted to affect the agriculture sector. In addition, tailored-made solutions will be delivered to make sure that the vulnerability of on-farm irrigation in the Egyptian agricultural regions and the acceptable adaptation measures are adapted according to the local conditions of each region. Efficient irrigation technologies will be introduced, especially in Upper and Middle Egypt. With the problem of salinity in Lower Egypt, these measures will be introduced after the fourth year of the project, to ensure that soils are washed. This will be coupled with a system to monitor salinity levels. The monitoring system will be installed to provide decision-makers with relevant information for managing water resources. In Egypt, a national groundwater quality monitoring has been designed and implemented. The national groundwater quality monitoring network is used to quantify the quality changes caused by pollution activities or by salt water intrusion and to describe the overall current groundwater quality status on a national scale of the main aquifers.

28. To control the effect of waterlogging problems in Lower Egypt, which are expected to exacerbate soil salinization and lead to deterioration of crop quality and productivity, drainage networks will be monitored and cleared to make sure that salinity levels do not increase further. For that purpose, the project will invest in backhoes that ensure that drainage canals are cleared and do not lead to further bogging.

29. As the target areas have a challenge in accessing energy sources, whether because of distance from grid or increased price of electricity, or diesel the project will invest in the introduction of alternative energy resources. These investments will be preceded with adequate studies to evaluate the adequacy of the introduced technologies for the needed purposes. These investments are intended to enhance productivity and income in terms of water availability, processing and post-harvest facilities.

30. The project will make use of current research in Egypt for the careful selection and/or breeding for heat tolerant, salinity tolerant, and water conserving cultivars. Crop rotation will be promoted so as to use high revenue crops with low water needs, such as all-season vegetables and fruits. Other alternatives will be tested such as planting tomatoes, onions or potatoes as winter crops before cotton in the rotation instead of wheat, which could conserve irrigation water and increase cash return. In addition, efforts will be made to promote the preferential adoption of high-return and water conserving crops, such as sugar beet and others that will be tested through demonstration plots. The demonstration plots will be utilized as field schools to help farmers learn about new crops, adaptive cropping techniques (soilless agriculture, sustainable agriculture techniques, rotation, etc), as well as

training on efficient irrigation technologies. These demonstration plots will also serve for promoting practices that will be later scaled up through the SAIL investments.

31. Other activities within this sub-component relate to the installation of weather stations and the development of an early warning system for heat waves, wind and pest. This will help improve long-term forecasting to enhance the capacity to cope with climate change related hazards. Both weather stations and the early warning system will be implemented by the Central Laboratory for Agriculture Climate (CLAC), who will also be responsible for technical assistance relevant to its use, as well as transmitting the information generated to extension agents and farmers.

## **F. Natural Resource Management Aspects**

32. The protection, conservation and regulation of water resources through project activities will potentially reduce water theft. This conflict will be mitigated through negotiation and discussion. This will limit the access of those illegal settlers in the periphery of the new lands. While this could lead to potential conflicts, the Project will be designed to promote efficient use of water through greater access to modern irrigation methods which will reduce the waste of water and could potentially make it available for use by others and lead to a policy of regularisation of its use by the WUAs for a fee. In order to increase social harmony in the selected villages, the Project will make its agriculture extension, financial and marketing services available to this group of settlers. This is likely to promote social cohesion and greater harmony in the settled lands.

33. There will be a positive impact on the environment as a result of efficient use of water and energy, improved capacity and understanding of ways to improve soil conservation, crop rotation, adopt good agriculture practices and improve plant and animal health, etc. The rehabilitation of drainage systems and repair of pumping units will contribute towards a decrease in the current high levels of use of drainage water for irrigation. The Project will support adoption of on-farm field level water conveyance and irrigation systems which decrease wastage of this scarce resource.

34. Several initiatives under the Project will mitigate the levels of green-house gases and contamination due to spillage from the extensive use of small diesel pumps at the field level by replacing them with "green" technology such as solar pumps; improved and renovated drinking water supply systems will contribute to a decrease in preventable water borne diseases, and introduction of cost effective household water filtration units using bio-sand filters, ceramic/clay filters or solar water filters will provide the same benefits to settlements where water supply systems do not exist. The Project will also introduce Solid Waste Management (SWM) and recycling as important sources of income generation and improvement of the environment in the newly settled lands. Integral with the SWM will be the initiatives for small scale composting plants in selected settlements. Composting units planned will increase soil texture and fertility and also be a source of income generation. The introduction of bio-gas as an alternative to fossil fuels will contribute to a decrease in the use of liquid petroleum gas and also provide compost for use in the agricultural fields.

35. One of the important investments of the project will be to support Good Agricultural Practices (GAP). The project will establish links with Global GAP to assist in training farmers in its standards where feasible market conditions exist. Global GAP has developed an auditable standard promoting Good Agricultural Practices (GAP). The scope of Global GAP currently covers the production of fruit, vegetables, combinable crops, green coffee, tea, flowers and ornamentals, livestock, feed, nursery stock and aquaculture. Global GAP has support from major European retailers and growers on a global basis.

36. Global GAP (previously EUREPGAP) has emerged in the last decade as the most important private voluntary standard in the horticulture sub sector. For African producers aiming to supply European retailers, Global GAP certification has become an increasing necessity and has been adopted in Morocco, Tunisia, Egypt, Kenya, South Africa and some other African countries. The Global GAP protocol defines the elements of good agricultural practices (GAP). It includes topics such as Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), Hazard Analysis and Critical Control Points (HACCP), worker health, safety, welfare and

environmental pollution and conservation management. Certifying the food management system against the Global GAP requirements entails the following benefits. It enhances food safety and food safety management system, demonstrates commitment to producing/trading safe food, and increases the product safety and quality confidence for the consumers/customers

## G. Environmental Screening

37. Though most of the projects proposed are environment friendly and have huge positive impacts; yet implementation of projects may encounter some temporary negative effects/impacts. These could easily be addressed by taking simple mitigation measures as proposed under the environmental and social aspects in foregoing paragraphs. Project implementation will ensure that investments pass through environmental screening as per the national EIA procedures.

## H. Environment Category

38. IFAD guidelines provide the following categorization criteria:

- **Projects supporting/inducing.** Construction or rehabilitation of rural roads in “sensitive areas”; Conversion of significant areas of natural forests or other wild lands; Loss of natural habitat and loss of biodiversity or environmental services provided by a natural ecosystem; Wetland development, including small-scale water control; Groundwater-based development where there is reason to believe that depletion may occur from the effects of climate change; Fisheries development in situations where little information exists on sustainable yield; and Significant increased use of agrochemicals, will normally be considered for classification as **Category A**.
- **The Projects supporting/inducing.** Construction or rehabilitation of rural roads in “non-sensitive areas”; Small-scale irrigation and drainage projects (except in wetlands); Agricultural intensification and/or expansion of cropping area in “non-sensitive areas”; Rangeland and livestock development; Artisanal fisheries where there is information on sustainable yield; Aquaculture and mari-culture; Watershed management; Large-scale soil/water conservation measures; Small and micro enterprise development projects; Projects involving credit operations through financial intermediaries; including credit for pesticide/other agrochemicals, livestock purchasing, irrigation, drainage, etc.; and Natural resources-based value chain development will be considered for classification as **Category B**.
- **Category C** projects comprising of. Technical assistance grants for agricultural research and training; Grants to generate global environmental impacts; GEF activities; Research; Extension; Health; Nutrition; Education; and Institutional building generally do not require additional environmental analysis because the activities have negligible or minimal adverse environmental impacts.

39. None of the project activities will be implemented in environmentally sensitive areas, such as national parks, wildlife reserves, classified forests, or have adverse impacts on archaeological and/or historical sites. The project will not support activities that might generate significant irreversible or cumulative environmental impacts and is therefore classified as category “B” according to IFAD’s Administrative Procedures for Environmental Assessment. The classification is based on the available information gathered during the field visits and on-site assessment in the country.

## I. Institutional Set up and Responsibility

40. The Project Manager of the PMU will have the overall responsibility for environmental and social performance of the project in accordance with the rules and requirements of the EIA in Egypt. The relevant technical specialist in the PMU and the RPMU will ensure that environment and social safeguard issues are dealt with appropriately and sensitively. They will ensure that every infrastructure project undergoes an initial environment and social safeguard screening process to cater to various environmental aspects. The screening format will be an integral part of every scheme approval process. In case of projects requiring Initial Environmental Examination (IEE) reports, focal point will take appropriate measures to initiate, submission and its approval.

## J. Monitoring and Reporting Aspects

41. Adequate documentation will be maintained related to environment and social safeguard issues. Some of these reports may include:

- Environmental and social checklists filled by proponent (field engineer etc.)
- Sub project specific Initial Environmental Examinations (IEE) Reports
- Visit reports with relevant photographs prepared by concerned specialist of implementing agency.
- Quarterly reports of projects should contain progress on safeguard issues/ mitigation measures and their compliance status.
- Sub-project completion report.

**Table 25: SAIL scaling-up framework**

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| <b>Main WNRDP interventions to be scaled up in SAIL</b> | (i) Strengthening of Community institutions to enable them to manage social sector services in a sustainable manner.<br>(ii) Building vocational capacity and entrepreneurship skills of smallholders.<br>(iii) Introduction of water and energy conserving technologies on new lands.<br>(iv) Strengthening of farmer cooperatives to enable them to manage productive infrastructure.<br>(v) Partnerships of farmer cooperatives with private sector for contract farming.  |
| Whose idea?   | The SAIL project was initiated by a request from the Government of Egypt. The concept builds on the successful elements of the West Noubaria Rural Development Project. The GOE wants to build on this experience by extending the approach to all areas in the country where the GOE has allocated new lands to agriculture graduates (both men and women) and displaced smallholders.   |
| Piloting/testing/evaluation                             | The key elements of the approach proposed in the SAIL Concept Note have already been tested and evaluated as successful within the framework of WNRDP.<br><br>Some new elements have also been incorporated given the current context in which Egypt faces acute energy shortage. Such as provision of technical assistance and financing for renewable energy from solar pumps and bio-gas. In addition, the aspects of climate change adaptation mitigation will be strengthened due to the vulnerability of some of the areas to weather conditions.   |
| Vision / Target scale                                   | The Ministry of International Cooperation and the Ministry of Agriculture and Land Reclamation are looking to this model to enhance agriculture productivity, relieve pressure on old lands and reduce poverty in the country. The approach will be applied to 100,000 feddans across the country where the Government has made an investment of between USD 250 to USD 300 million already.  |
| <b>Drivers:</b>   |   |
| Champions   | Ministry of International Cooperation and Ministry of Agriculture and Land Reclamation strongly supported by the Ministers with the active participation of the Governorates.   |
| External catalysts                                      | The agro-ecological variation in the country provides an opportunity to produce a wide range of high value horticulture crops, medicinal plants and herbs for which there is a huge demand both domestically and in Europe. There are several projects which are providing Global Gap Certification to meet this demand which can be capitalized upon by the targeted farmers. The Government has also established a supportive framework for promoting the development and growth of Agriculture Cooperatives and Market Associations and is willing to consider changes in policy to strengthen their engagement with markets and provide them access to financial resources through several windows. |

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| Local drivers                          | The desire of local smallholders and graduate women and men to improve their situation. Potential for development of new land and use water more efficiently through the availability of improved irrigation and farming technologies.  |
| Incentives                             | <p><u>Social incentives:</u> communities willing to organize and undertake collective development initiatives that will improve their access to education, health and recreational services and improve their quality of life.</p> <p><u>Economic incentives:</u> Farmers willing to organize and invest in modern methods of irrigation and production to increase their food security, incomes and standard of life.</p> <p><u>Political incentives:</u> The GOE is keen to invest in the overall growth and development of the country for stability and prosperity.</p>   |
| <b>Spaces:</b>                         |   |
| Policy, legal and regulatory space     | The GOE has a well-articulated policy for settling people on new lands. It provides them legal title to the lands. In addition, the existing policy also supports the formation of Agriculture Cooperatives. These cooperatives are allowed to engage in profit making enterprises on behalf of their members. During the SAIL appraisal further assessment will be made of any further changes that might be required in the cooperative law to facilitate the growth of these organizations. The current policy and regulatory framework also supports the provision of financial services to these institutions as well as individuals through both MFIs and banks. The Government has set up several institutional mechanisms for this purpose. The SAIL project will be implemented within the framework of existing government policy and the regulatory framework.   |
| Financial and fiscal space             | The Government has already invested USD 250 to USD 300 million on these lands and is prepared to borrow from IFAD to make further investments. The GOE is also willing to invest additional resources on project management and other operational costs as required.  |
| Political space                        | The Government is strongly committed to pursuing policies that help develop new lands and use water more efficiently to provide opportunities for productive employment to its youth and smallholders, enhance agriculture productivity and ease the pressure on existing lands. Egypt has one of the highest population densities and its population is concentrated on a narrow strip along the Nile.   |
| Institutional / organisation space     | The SAIL project will be implemented by the Ministry of Agriculture and Land Reclamation which has strong capacity for implementation through the PMU modality. The staff and facilities of the existing PMU established for the WNRDP will be used for the implementation of the new project. The Project Director and staff of the project is well versed with IFAD procedures and implementation requirements and their participation will give the project a head start. The implementation of the financial services component is likely to be through the Social Fund for Development or the Agriculture Development Fund which have strong capacity to provide financial services through use of existing NGOs, Ag cooperatives and the commercial banking sector. A Credit Guarantee Corporation already exists to underwrite part of the credit risk, if required. |
| Natural Resource / environmental space | SAIL is designed to introduce modern irrigation methods to enable the country to use its scarce water resources more efficiently, introduce innovative opportunities for introduction of renewable sources of energy and assist smallholder farmers and communities which are likely to be affected by climate change adopt mitigation and adaptation measures that help them become more climate resilient. The Ministry of Environment will be a key partner in the implementation of GEF grants.   |
| Cultural space                         | The project will be working within the norms that respect the individual nature of farming households, the gender division of labour and the organizations that it expects to use such as Agriculture cooperatives and CDAs are well recognized within the target communities.  |

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| Partnerships                          | The SAIL project will build on partnerships between existing implementing agencies such as between MIC/MALR and MOE as well the one between the GOE and SFD and its implementing partners which are local MFIs, NGOs, Agriculture Cooperatives, Community Development Associations and farming households. The project will also build on partnerships with other IFAD and other donor projects such as those financed by USAID as there are strong areas of synergy and collaboration with USAID's Premium project. SAIL also envisages strong partnerships emerging between Agriculture Cooperatives and the private sector for contract farming and other activities along the value chain. |
| Knowledge / learning space            | SAIL will establish and support Knowledge Management and Monitoring and Evaluation functions through a proper system of M&E within the PMU. Opportunities would be provided for exchange of lessons with all stakeholders and especially the farming communities, women and youth. The lessons learnt under WNRDP will be particularly shared by using the farmers from Noubaria as resource persons for the newly settled lands.  |
| Implementing space                    | The project will have proper implementing arrangements under the MALR. A Project Steering Committee will be established which will have a dedicated PMU and zonal units for implementing the project in Upper, Middle and Lower Egypt.   |
| <b>Pathways:</b>                      |  |
| Time horizon                          | The project will be implemented over a nine year period. The different project activities will be implemented in phases depending upon how quickly local communities respond and graduate to the next stage of development, production and marketing. The project time horizon will be strictly kept in mind while determining the exit strategy and phasing of specific activities.   |
| Milestones                            | Appropriate milestones have been identified.   |
| <b>IFAD's role</b>                    | Based on the success of WNRDP, the Government of Egypt is primarily looking to IFAD to contribute its experience and expertise for the development of the new lands based on its success of completing transforming farming in West Noubaria.  |
| <b>Impact of scaling up processes</b> | The project is expected to transform farming on 100,000 feddans thereby improving livelihoods and living standards for about 40,000 small and vulnerable farming households and providing employment and enterprise development opportunities to young men and women.  |

## **Appendix 13: Contents of the Project Life File**

- Aide Memoire Project Concept Note – January, 2014
- Project Concept Note
- CPMT Minutes
- Aide Memoire Project Formulation Mission – April, 2014
- Aide Memoire Project Completion Mission- June 2014
- List of People Met